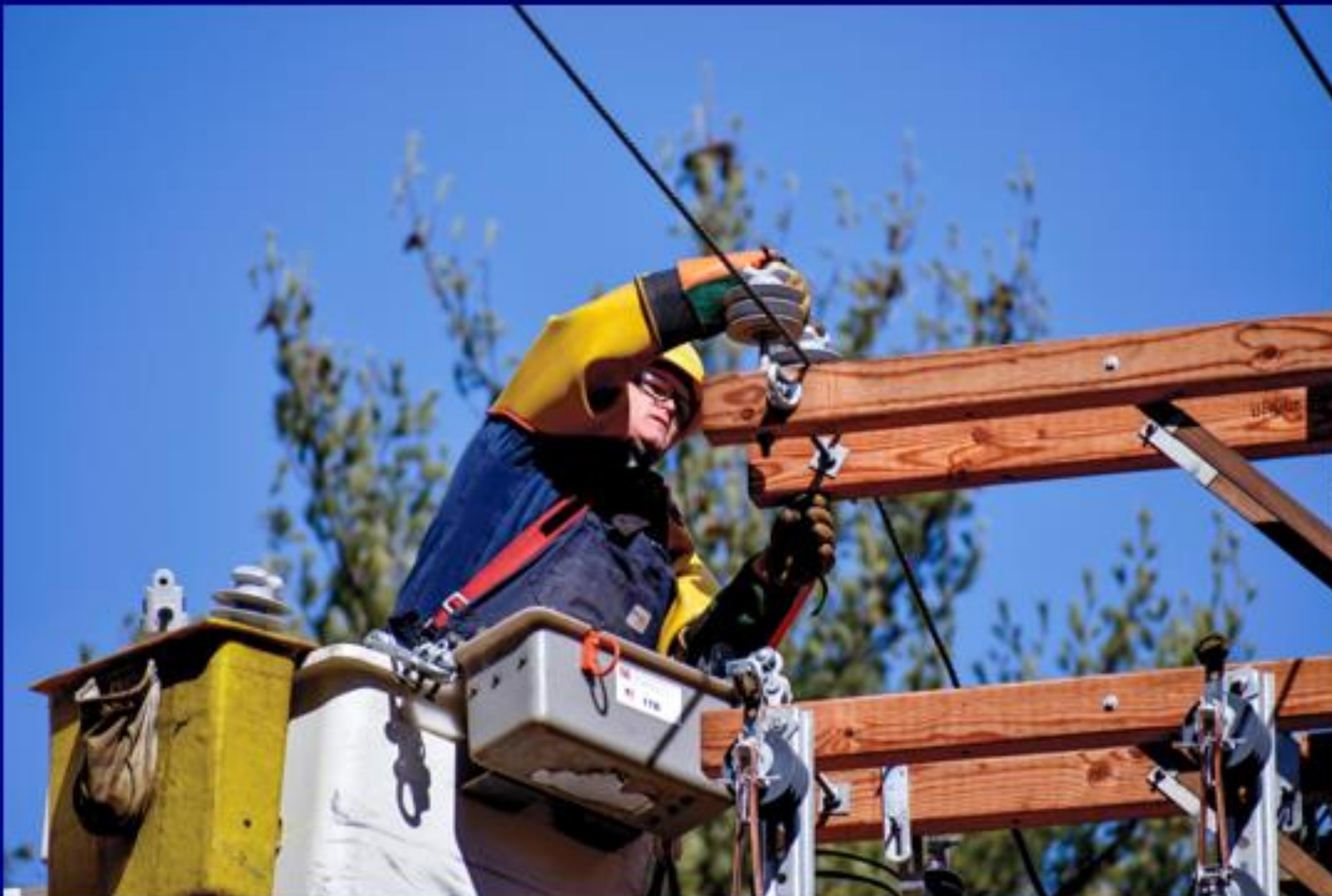

CH ENERGY GROUP, INC.
&
CENTRAL HUDSON GAS & ELECTRIC CORP.

ANNUAL FINANCIAL REPORT

for the period ended

DECEMBER 31, 2021

YEAR ENDED DECEMBER 31, 2021

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of CH Energy Group Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in the Annual Financial Report

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

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

Deloitte & Touche LLP

February 10, 2022

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Central Hudson Gas & Electric Corporation (the "Company") as of December 31, 2021 and 2020, the related statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 10, 2022 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matter

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

Impact of Rate-Regulation on Various Account Balances and Disclosures —Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

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

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

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

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the impact of regulatory orders, including the 2021 Rate Order, on various account balances and disclosures included the following, among others:

- We tested the effectiveness of internal controls over the initial recognition of amounts as regulated utility plant and as regulatory assets and liabilities, the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates, and the related disclosures in the notes to the financial statements.

- We evaluated the Company's disclosures related to the impacts of rate regulation, including regulatory developments.

- We read and evaluated relevant regulatory orders issued by the Commission for the Company, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess whether this information was properly considered by management in concluding upon the financial statement impacts of rate regulation.
- We obtained and evaluated an analysis from management describing the orders and filings that support management's assertions regarding the probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities to assess management's assertion that amounts are probable of recovery or a future reduction in rates.
- For regulatory matters in process, we inspected associated documents and testimony filed with the Commission for any evidence that might contradict management's assertions.
- We read and evaluated the minutes of the Board of Directors of the Company for discussions of changes in legal, regulatory, or business factors which could impact management's conclusions with respect to the impact of rate regulation on various account balances and disclosures.

Deloitte & Touche LLP

Hartford, Connecticut

February 10, 2022

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Central Hudson Gas & Electric Corporation (the "Company") as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and in accordance with auditing standards generally accepted in the United States of America, the financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 10, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Deloitte & Touche LLP

Hartford, Connecticut
February 10, 2022

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

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

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

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

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

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2021. Management based this assessment on criteria for effective internal control over financial reporting described in "*Internal Control - Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management determined that, as of December 31, 2021, the Corporation maintained effective internal control over financial reporting.

The effectiveness of the Corporation's internal control over financial reporting as of December 31, 2021, has been audited by Deloitte and Touche LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Charles A. Freni, Jr.
President and Chief Executive Officer

Christopher M. Capone
Executive Vice President and
Chief Financial Officer

February 10, 2022

CH ENERGY GROUP
CONSOLIDATED STATEMENT OF INCOME
(In Thousands)

	Year Ended December 31, 2021	2020	2019
Operating Revenues			
Electric	$ 623,823	$ 552,002	$ 529,460
Natural gas	172,425	159,893	162,203
Total Operating Revenues	796,248	711,895	691,663
Operating Expenses			
Operation:			
Purchased electricity	178,737	136,130	142,085
Purchased natural gas	48,260	37,221	49,430
Other expenses of operation - regulated activities	323,707	306,845	275,898
Other expenses of operation - non-regulated	176	208	165
Depreciation and amortization	72,715	66,863	59,365
Taxes, other than income tax	72,837	67,854	63,623
Total Operating Expenses	696,432	615,121	590,566
Operating Income	99,816	96,774	101,097
Other Income and Deductions			
Income from unconsolidated affiliates	1,969	1,151	1,335
Interest on regulatory assets and other interest income	2,925	2,421	2,604
Regulatory adjustments for interest costs	(891)	(211)	916
Non-service cost components of pension and other post-employment benefits ("OPEB")	20,903	17,744	6,699
Other - net	2,648	2,033	1,101
Total Other Income	27,554	23,138	12,655
Interest Charges			
Interest on long-term debt	34,231	32,778	30,861
Interest on regulatory liabilities and other interest	2,370	2,769	3,591
Total Interest Charges	36,601	35,547	34,452
Income Before Income Taxes	90,769	84,365	79,300
Income Tax Expense	16,816	15,262	14,734
Net Income	$ 73,953	$ 69,103	$ 64,566

CH ENERGY GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In Thousands)

	Year Ended December 31, 2021	2020	2019
Net Income	$ 73,953	$ 69,103	$ 64,566
Other Comprehensive Income:			
Employee future benefits - net of tax expense	180	238	(399)
Comprehensive Income	$ 74,133	$ 69,341	$ 64,167

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Thousands)

	Year Ended December 31, 2021	2020	2019
Operating Activities:			
Net income	$ 73,953	$ 69,103	$ 64,566
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation	58,910	54,558	51,009
Amortization	13,805	12,305	8,356
Deferred income taxes - net	16,653	15,182	15,710
Uncollectible expense	6,074	10,010	7,159
Undistributed equity in earnings of unconsolidated affiliates	(1,844)	(340)	(620)
Pension expense	(400)	2,340	6,993
OPEB credit	(6,048)	(6,355)	(7,417)
Regulatory liability - rate moderation	(8,543)	(13,748)	(11,583)
Regulatory asset - revenue decoupling mechanism ("RDM") recorded	12,806	22,617	13,064
Changes in operating assets and liabilities - net:			
Accounts receivable, unbilled revenues and other receivables	(53,956)	(14,603)	1,685
Fuel, materials and supplies	(439)	2,534	(231)
Special deposits and prepayments	(3,997)	(5,401)	(2,861)
Income and other taxes	(198)	311	(6,355)
Accounts payable	3,703	9,554	(498)
Accrued interest	571	581	202
Customer advances	2,812	389	4,761
Other advances	3,738	235	(2,911)
Coronavirus Aid, Relief, and Economic Security ("CARES") Act - deferred payroll	(2,603)	5,206	-
Pension plan contribution	(1,475)	(1,130)	(1,050)
OPEB contribution	(812)	(1,081)	(1,001)
Regulatory asset - RDM refunded	(34,069)	(12,450)	(16,259)
Regulatory asset - RY 3 - delayed electric and natural gas delivery rate increase	4,573	(4,597)	-
Regulatory asset - major storm	(7,404)	(19,640)	(3,296)
Regulatory asset - site investigation and remediation ("SIR")	5,083	(2,514)	(366)
Regulatory liability - energy efficiency programs including clean energy fund	(21,103)	(17,776)	(3,007)
Regulatory asset - rate adjustment mechanisms ("RAM")	10,651	9,452	4,625
Regulatory asset - deferred natural gas and electric costs	(17,454)	4,172	(7,401)
Other - net	7,918	12,115	18,079
Net cash provided from operating activities	60,905	131,029	131,353
Investing Activities:			
Additions to utility plant	(231,582)	(252,857)	(238,717)
Other - net	(8,687)	(3,975)	934
Net cash used in investing activities	(240,269)	(256,832)	(237,783)
Financing Activities:			
Repayment of long-term debt	(45,987)	(41,718)	(28,607)
Proceeds from issuance of long-term debt	130,000	130,000	100,000
Net change in short-term borrowings	92,000	15,000	-
Capital contribution	9,396	15,000	29,370
Dividends paid on Common Stock	-	-	(16,500)
Other - net	(723)	(747)	(559)
Net cash provided from financing activities	184,686	117,535	83,704
Net Change in Cash, Cash Equivalents and Restricted Cash	5,322	(8,268)	(22,726)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	12,807	21,075	43,801
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 18,129	$ 12,807	$ 21,075
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 32,528	$ 30,967	$ 29,675
Federal and state income taxes paid (refunded), net	$ 2,387	$ 52	$ 5,725
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:			
Operating Cash Flows used in Operating Leases	$ (542)	$ (668)	$ (505)
Non-Cash Operating Activities:			
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 387	$ -	$ 4,599
Non-Cash Investing Activities:			
Accrued capital expenditures	$ 21,683	$ 21,241	$ 23,203

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP
CONSOLIDATED BALANCE SHEET
(In Thousands)

		December 31, 2021		December 31, 2020
ASSETS				
Utility Plant (Note 3)				
Electric	$	1,687,291	$	1,625,696
Natural gas		734,165		677,646
Common		425,970		339,329
Gross Utility Plant		2,847,426		2,642,671
Less: Accumulated depreciation		649,513		611,471
Net		2,197,913		2,031,200
Construction work in progress		118,182		126,012
Net Utility Plant		2,316,095		2,157,212
Non-utility property & plant		524		524
Net Non-Utility Property & Plant		524		524
Current Assets				
Cash and cash equivalents (Note 1)		7,339		11,480
Accounts receivable from customers - net of allowance for uncollectible accounts of $9.7 million and $9.4 million, respectively (Note 2)		120,600		77,194
Accounts receivable - affiliates (Note 18)		1,390		1,350
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of $1.5 million and $1.0 million, respectively (Note 2)		25,378		26,836
Other receivables		17,421		11,527
Fuel, materials and supplies (Note 1)		24,116		23,677
Regulatory assets (Note 4)		78,849		57,079
Income tax receivable		671		486
Fair value of derivative instruments (Note 16)		1,768		18
Special deposits and prepayments		36,208		32,211
Total Current Assets		313,740		241,858
Deferred Charges and Other Assets				
Regulatory assets - deferred pension costs (Note 4)		-		7,551
Regulatory assets - other (Note 4)		174,483		162,772
Prefunded pension costs (Note 12)		70,222		-
Prefunded OPEB costs (Note 12)		30,480		6,497
Investments in unconsolidated affiliates (Note 6)		15,252		9,434
Other investments (Note 17)		56,875		47,912
Other		18,988		10,364
Total Deferred Charges and Other Assets		366,300		244,530
Total Assets	$	2,996,659	$	2,644,124

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP
CONSOLIDATED BALANCE SHEET (CONT'D)
(In Thousands, except share amounts)

	December 31, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization (Note 10)		
CH Energy Group Common Shareholders' Equity		
Common Stock (30,000,000 shares authorized: $0.01 par value; 15,961,400 shares issued and outstanding)	$ 160	$ 160
Paid-in capital	433,802	424,406
Retained earnings	505,301	431,348
Accumulated other comprehensive loss	19	(161)
Total Equity	939,282	855,753
Long-term debt (Note 11)		
Principal amount	906,146	801,510
Unamortized debt issuance costs	(5,139)	(4,795)
Net long-term debt	901,007	796,715
Total Capitalization	1,840,289	1,652,468
Current Liabilities		
Current maturities of long-term debt (Note 11)	25,364	45,987
Short-term borrowings (Note 9)	107,000	15,000
Accounts payable	64,722	59,081
Accrued interest	8,185	7,614
Accrued vacation and payroll	11,590	11,681
Customer advances	18,105	15,293
Customer deposits	7,539	7,564
Regulatory liabilities (Note 4)	63,456	89,006
Fair value of derivative instruments (Note 16)	7,563	2,153
Accrued environmental remediation costs (Note 14)	5,900	21,020
Other current liabilities	37,294	43,433
Total Current Liabilities	356,718	317,832
Deferred Credits and Other Liabilities		
Regulatory liabilities - deferred pension costs (Note 4)	90,934	-
Regulatory liabilities - deferred OPEB costs (Note 4)	31,032	13,540
Regulatory liabilities - other (Note 4)	272,555	276,600
Operating reserves	5,006	4,970
Accrued environmental remediation costs (Note 14)	65,753	53,883
Accrued pension costs (Note 12)	-	25,340
Other liabilities	48,373	40,566
Total Deferred Credits and Other Liabilities	513,653	414,899
Accumulated Deferred Income Tax (Note 5)	285,999	258,925
Commitments and Contingencies		
Total Capitalization and Liabilities	$ 2,996,659	$ 2,644,124

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP
CONSOLIDATED STATEMENT OF EQUITY
(In Thousands, except share amounts)

	CH Energy Group Common Shareholders					
	Common Stock Shares Issued	Common Stock Amount	Paid-In Capital	Retained Earnings	AOCI*	Total Equity
Balance at December 31, 2018	15,961,400	$ 160	$ 380,036	$ 315,379	$ (430)	$ 695,145
Net income				64,566		64,566
Capital contributions			29,370			29,370
Dividends declared on common stock				(16,500)		(16,500)
Employee future benefits, net of tax					31	31
Balance at December 31, 2019	15,961,400	$ 160	$ 409,406	$ 363,445	$ (399)	$ 772,612
Accounting Standard Adoption – cumulative effect adjustment (Note 1)				(1,200)		(1,200)
Net income				69,103		69,103
Capital contribution			15,000			15,000
Employee future benefits, net of tax					238	238
Balance at December 31, 2020	15,961,400	$ 160	$ 424,406	$ 431,348	$ (161)	$ 855,753
Net income				73,953		73,953
Capital contribution			4,400			4,400
Contribution from Parent - tax sharing agreement			4,996			4,996
Employee future benefits, net of tax					180	180
Balance at December 31, 2021	15,961,400	$ 160	$ 433,802	$ 505,301	$ 19	$ 939,282

*Accumulated other comprehensive income (loss)

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON
STATEMENT OF INCOME
(In Thousands)

	Year Ended December 31,		
	2021	2020	2019
Operating Revenues			
Electric	$ 623,823	$ 552,002	$ 529,460
Natural gas	172,425	159,893	162,203
Total Operating Revenues	796,248	711,895	691,663
Operating Expenses			
Operation:			
Purchased electricity	178,737	136,130	142,085
Purchased natural gas	48,260	37,221	49,430
Other expenses of operation	323,707	306,845	275,898
Depreciation and amortization	72,715	66,863	59,365
Taxes, other than income tax	72,795	67,821	63,580
Total Operating Expenses	696,214	614,880	590,358
Operating Income	100,034	97,015	101,305
Other Income and Deductions			
Interest on regulatory assets and other interest income	2,924	2,415	2,572
Regulatory adjustments for interest costs	(891)	(211)	916
Non-service cost components of pension and OPEB	20,932	17,768	6,699
Other - net	2,652	2,046	1,169
Total Other Income	25,617	22,018	11,356
Interest Charges			
Interest on long-term debt	33,550	31,978	29,948
Interest on regulatory liabilities and other interest	2,370	2,769	3,583
Total Interest Charges	35,920	34,747	33,531
Income Before Income Taxes	89,731	84,286	79,130
Income Tax Expense	16,108	15,145	14,268
Net Income	$ 73,623	$ 69,141	$ 64,862

CENTRAL HUDSON
STATEMENT OF COMPREHENSIVE INCOME
(In Thousands)

	Year Ended December 31,		
	2021	2020	2019
Net Income	$ 73,623	$ 69,141	$ 64,862
Other Comprehensive Income:			
Employee future benefits - net of tax expense	180	238	(399)
Comprehensive Income	$ 73,803	$ 69,379	$ 64,463

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON
STATEMENT OF CASH FLOWS
(In Thousands)

	Year Ended December 31, 2021	2020	2019
Operating Activities:			
Net income	$ 73,623	$ 69,141	$ 64,862
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation	58,910	54,558	51,009
Amortization	13,805	12,305	8,356
Deferred income taxes - net	16,107	15,163	15,346
Uncollectible expense	6,074	10,010	7,159
Pension expense	(400)	2,340	6,993
OPEB credit	(6,048)	(6,355)	(7,417)
Regulatory liability - rate moderation	(8,543)	(13,748)	(11,583)
Regulatory asset - RDM recorded	12,806	22,617	13,064
Changes in operating assets and liabilities - net:			
Accounts receivable, unbilled revenues and other receivables	(53,769)	(14,288)	1,774
Fuel, materials and supplies	(439)	2,534	(231)
Special deposits and prepayments	(3,997)	(5,424)	(2,876)
Income and other taxes	(31)	(273)	(8,574)
Accounts payable	4,487	9,019	(599)
Accrued interest	575	587	207
Customer advances	2,812	389	4,761
Other advances	3,738	235	(2,911)
CARES Act - deferred payroll tax payments	(2,603)	5,206	-
Pension plan contribution	(1,475)	(1,130)	(1,050)
OPEB contribution	(812)	(1,081)	(1,001)
Regulatory asset - RDM refunded	(34,069)	(12,450)	(16,259)
Regulatory asset - RY 3 - delayed electric and natural gas delivery rate increase	4,573	(4,597)	-
Regulatory asset - major storm	(7,404)	(19,640)	(3,296)
Regulatory asset - SIR	5,083	(2,514)	(366)
Regulatory liability - energy efficiency programs including clean energy fund	(21,103)	(17,776)	(3,007)
Regulatory asset - RAM	10,651	9,452	4,625
Regulatory asset - deferred natural gas and electric costs	(17,454)	4,172	(7,401)
Other - net	7,331	12,243	16,611
Net cash provided from operating activities	62,428	130,695	128,196
Investing Activities:			
Additions to utility plant	(231,582)	(252,857)	(238,717)
Other - net	(4,626)	(3,983)	1,820
Net cash used in investing activities	(236,208)	(256,840)	(236,897)
Financing Activities:			
Repayment of long-term debt	(44,150)	(40,000)	(27,000)
Proceeds from issuance of long-term debt	130,000	130,000	100,000
Net change in short-term borrowings	92,000	15,000	-
Capital contribution	6,000	12,000	11,000
Other - net	(723)	(747)	(559)
Net cash provided from financing activities	183,127	116,253	83,441
Net Change in Cash, Cash Equivalents and Restricted Cash	9,347	(9,892)	(25,260)
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	5,194	15,086	40,346
Cash, Cash Equivalents and Restricted Cash - End of Period	$ 14,541	$ 5,194	$ 15,086
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 31,842	$ 30,162	$ 28,759
Federal and state income taxes paid, net	$ 2,021	$ 501	$ 7,670
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:			
Operating Cash Flows used in Operating Leases	$ (542)	$ (668)	$ (505)
Non-Cash Operating Activities:			
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 387	$ -	$ 4,599
Non-Cash Investing Activities:			
Accrued capital expenditures	$ 21,683	$ 21,241	$ 23,203

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON
BALANCE SHEET
(In Thousands)

	December 31, 2021	December 31, 2020
ASSETS		
Utility Plant (Note 3)		
Electric	$ 1,687,291	$ 1,625,696
Natural gas	734,165	677,646
Common	425,970	339,329
Gross Utility Plant	2,847,426	2,642,671
Less: Accumulated depreciation	649,513	611,471
Net	2,197,913	2,031,200
Construction work in progress	118,182	126,012
Net Utility Plant	2,316,095	2,157,212
Non-Utility Property and Plant	524	524
Net Non-Utility Property and Plant	524	524
Current Assets		
Cash and cash equivalents (Note 1)	3,751	3,867
Accounts receivable from customers - net of allowance for uncollectible accounts of $9.7 million and $9.4 million, respectively (Note 2)	120,600	77,194
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of $1.5 million and $1.0 million, respectively (Note 2)	25,378	26,836
Other receivables	17,493	11,715
Fuel, materials and supplies (Note 1)	24,116	23,677
Regulatory assets (Note 4)	78,849	57,079
Fair value of derivative instruments (Note 16)	1,768	18
Special deposits and prepayments	36,208	32,211
Total Current Assets	308,163	232,597
Deferred Charges and Other Assets		
Regulatory assets - deferred pension costs (Note 4)	-	7,551
Regulatory assets - other (Note 4)	174,483	162,772
Prefunded pension costs (Note 12)	70,454	-
Prefunded OPEB costs (Note 12)	30,480	6,497
Other investments	55,896	47,020
Other	18,988	10,364
Total Deferred Charges and Other Assets	350,301	234,204
Total Assets	$ 2,975,083	$ 2,624,537

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON

BALANCE SHEET (CONT'D)

(In Thousands, except share amounts)

		December 31, 2021		December 31, 2020
CAPITALIZATION AND LIABILITIES				
Capitalization (Note 10)				
Common Stock (30,000,000 shares authorized: $5 par value; 16,862,087 shares issued and outstanding)	$	84,311	$	84,311
Paid-in capital		280,452		274,452
Accumulated other comprehensive loss		19		(161)
Retained earnings		572,021		498,398
Capital stock expense		(4,633)		(4,633)
Total Equity		932,170		852,367
Long-term debt (Note 11)				
Principal amount		899,400		792,800
Unamortized debt issuance costs		(5,102)		(4,748)
Net long-term debt		894,298		788,052
Total Capitalization		1,826,468		1,640,419
Current Liabilities				
Current maturities of long-term debt (Note 11)		23,400		44,150
Short-term borrowings (Note 9)		107,000		15,000
Accounts payable		65,332		58,906
Accrued interest		8,160		7,585
Accrued vacation and payroll		11,590		11,681
Customer advances		18,105		15,293
Customer deposits		7,539		7,564
Regulatory liabilities (Note 4)		63,456		89,006
Fair value of derivative instruments (Note 16)		7,563		2,153
Accrued environmental remediation costs (Note 14)		5,900		21,020
Other current liabilities		34,924		41,384
Total Current Liabilities		352,969		313,742
Deferred Credits and Other Liabilities				
Regulatory liabilities - deferred pension costs (Note 4)		90,934		-
Regulatory liabilities - deferred OPEB costs (Note 4)		31,032		13,540
Regulatory liabilities - other (Note 4)		272,555		276,600
Operating reserves		5,006		4,970
Accrued environmental remediation costs (Note 14)		65,753		53,883
Accrued pension costs (Note 12)		-		25,107
Other liabilities		45,491		37,946
Total Deferred Credits and Other Liabilities		510,771		412,046
Accumulated Deferred Income Tax (Note 5)		284,875		258,330
Commitments and Contingencies				
Total Capitalization and Liabilities	$	2,975,083	$	2,624,537

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON
STATEMENT OF EQUITY
(In Thousands, except share amounts)

	Central Hudson Common Shareholders						
	Common Stock Shares Issued	Common Stock Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	AOCI*	Total Equity
Balance at December 31, 2018	16,862,087	$ 84,311	$ 251,452	$ (4,633)	$ 365,595	$ (430)	$ 696,295
Net income					64,862		64,862
Capital contributions			11,000				11,000
Employee future benefits, net of tax						31	31
Balance at December 31, 2019	16,862,087	$ 84,311	$ 262,452	$ (4,633)	$ 430,457	$ (399)	$ 772,188
Accounting Standard Adoption – cumulative effect adjustment (Note 1)					(1,200)		(1,200)
Net income					69,141		69,141
Capital contribution			12,000				12,000
Employee future benefits, net of tax						238	238
Balance at December 31, 2020	16,862,087	$ 84,311	$ 274,452	$ (4,633)	$ 498,398	$ (161)	$ 852,367
Net income					73,623		73,623
Capital contribution			6,000				6,000
Employee future benefits, net of tax						180	180
Balance at December 31, 2021	16,862,087	$ 84,311	$ 280,452	$ (4,633)	$ 572,021	$ 19	$ 932,170

*Accumulated other comprehensive income (loss)

The Notes to Financial Statements are an integral part hereof.

NOTE 1 – Summary of Significant Accounting Policies

Corporate Structure

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Electric Transmission LLC ("CHET"), Central Hudson Enterprises Corporation ("CHEC") and Central Hudson Gas Transmission LLC ("CHGT"). CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), which is a leader in the North American regulated electric and gas utility industry. Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its 6.1% ownership interest in New York Transco LLC ("Transco"). CHGT was formed to hold CH Energy Group's ownership stake in possible gas transmission pipeline opportunities in New York State. As of December 31, 2021 there has been no activity in CHGT. CHEC has ownership interests in certain non-regulated subsidiaries that are less than 100% owned.

Basis of Presentation

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

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

Preparation of the financial statements in accordance with GAAP includes the use of estimates and assumptions by management that affect the reported amounts of assets, liabilities and the disclosures of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Current estimates as of and for the year ended December 31, 2021 reflect management's best assumptions at this time. As with all estimates, actual results may differ from those estimated. Estimates may be subject to future uncertainties, including the continued evolution of the novel Coronavirus pandemic ("COVID-19"), which could affect the allowance for uncollectible accounts, as well as the total impact and potential recovery of incremental costs associated with COVID-19.

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

Regulatory Accounting Policies

Central Hudson is subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Regulatory accounting guidance results in differences in the application of GAAP between regulated and non-regulated businesses and requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as expense or revenue in non-regulated businesses. Regulated utilities, such as Central Hudson, defer costs and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those costs and revenues will be recoverable/refundable through the rate-making process in a period different from when they otherwise would have been reflected in income. For Central Hudson, these deferred regulatory assets and liabilities, and the related deferred taxes, are recovered from or reimbursed to customers either by offset as directed by the New York State Public Service Commission ("PSC" or "Commission"), through an approved surcharge mechanism or through incorporation in the determination of revenue requirement used to set new rates. Changes in regulatory assets and liabilities are reflected in the Consolidated Statement of Income either in the period in which the amounts are recovered through a surcharge, are reflected in rates or when the criteria for recording the revenues is met. Current accounting practices reflect the regulatory accounting authorized in Central Hudson's most recent Rate Orders. On June 14, 2018, the PSC issued an Order Approving Rate Plan in Cases 17-E-0459 and 17-G-0460 (the "2018 Rate Order") and on November 18, 2021, the PSC issued an Order Approving Rate Plan in Cases 20-E-0428 and 20-G-0429 (the "2021 Rate Order"). See Note 4 – "Regulatory Matters" for additional information regarding regulatory accounting.

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

Rates, Revenues, and Adjustment Mechanisms

Central Hudson's electric and natural gas retail rates are regulated by the PSC. Wholesale transmission rates, facilities charges, and rates for electricity sold for resale in interstate commerce are regulated by the Federal Energy Regulatory Commission ("FERC") and are collected via the Open Access Transmission Tariff ("OATT") administered by the New York Independent System Operator ("NYISO") or directly by the Company.

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

Revenue Recognition

Revenue from Contracts with Customers

Central Hudson records revenue as electric and natural gas is delivered based on either the customers' meter read or estimated usage for the month. For full service customers, this includes delivery and supply of electricity and natural gas. For retail choice customers, this includes delivery only as these customers purchase supply from a retail marketer. Customers simultaneously receive and consume the benefits provided by Central Hudson. Revenue consists of a fixed customer charge and a charge per kWh or Ccf, that is fixed at the time of delivery. Additionally, certain non-residential electric service customers pay a per KW demand charge which is also fixed at the time of delivery. All performance obligations are satisfied for tariff sales at the time of delivery. Amounts billed to customers are due within 20 days from the date the bill was rendered, and any payment not received by the due date is considered delinquent and incurs a late payment fee. Effective April 1, 2020, Central Hudson temporarily suspended finance charges on past due balances to help mitigate the impacts of the COVID-19 pandemic on our customers.

Central Hudson records an estimate of unbilled revenue for service rendered to customers subsequent to their billing date and through the end of the month. Unbilled revenues are dependent upon a number of factors that require management's judgment including estimates of retail sales and customer usage patterns.

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

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

Alternative Revenues

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

Other Revenues

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash primarily consists of cash collected from developers and held in escrow related to a System Deliverability Upgrade project pursuant to terms and conditions of the NYISO OATT.

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

CH Energy Group

(In Thousands)

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 7,339	$ 11,480
Restricted cash included in other long-term assets	10,790	1,327
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 18,129	$ 12,807

Central Hudson

(In Thousands)

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 3,751	$ 3,867
Restricted cash included in other long-term assets	10,790	1,327
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 14,541	$ 5,194

Accounts Receivable and Allowance for Uncollectible Accounts

Beginning on January 1, 2020, receivables and unbilled utility revenues are carried at net realizable value based on the allowance for credit losses model. The accounts receivable balance also reflects Central Hudson’s purchase of receivables from energy service companies to support the retail choice programs. The allowance for uncollectible accounts reflects management’s best estimate of expected credit losses to reduce accounts receivable for amounts estimated to be uncollectible. Estimates for uncollectible accounts are based on accounts receivable aging data, as well as consideration of various quantitative and qualitative factors, including special collection issues and current and forecasted economic conditions. Interest can be charged on accounts receivable balances that have been outstanding for more than 20 days. See Note 2 – “Revenues and Receivables” for a discussion of the impact of COVID-19 on interest charges and other revenue.

Financial Instruments

Effective January 1, 2020, CH Energy Group and Central Hudson adopted accounting guidance that requires the use of reasonable and supportable forecasts in the estimate of credit losses and the recognition of expected losses upon initial recognition of a financial instrument, in addition to using past events and current conditions. CH Energy Group and Central Hudson’s allowance for credit losses increased $1.2 million as a result of the adoption of this accounting standard and was recorded as a cumulative adjustment to retained earnings effective January 1, 2020. At December 31, 2021 and December 31, 2020 there are no expected credit losses on financial instruments other than those on accounts receivable and unbilled utility revenues.

Fuel, Materials & Supplies

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

	December 31, 2021	December 31, 2020
Fuel used in electric generation	491	373
Materials and supplies	23,625	23,305
Total	$ 24,116	$ 23,677

Effective August 1, 2020 Central Hudson entered into an Asset Management Agreement ("AMA") with a third party related to its natural gas transport and storage capacity. Central Hudson continues to make purchases of natural gas in advance of the peak winter season to hedge against price volatility for its customers. However, based on the terms of the agreement, the third party will maintain control and title over the physical gas in storage until the end of the contract term. Amounts related to the AMA are recorded in "Special deposits and prepayments" in CH Energy Group's and Central Hudson's Balance Sheets.

Utility Plant - Central Hudson

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

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

AFUDC is defined as the net cost of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. The concurrent credit for the amount so capitalized is reported in the Consolidated Statement of Income as follows: the portion applicable to borrowed funds is reported as a reduction of interest charges while the portion applicable to other funds (the equity component) is reported as other income. The AFUDC rate was 6.2% in 2021, 5.95% in 2020 and 6.4% in 2019.

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

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

Depreciation and Amortization

Central Hudson's depreciation and amortization provisions are computed on the straight-line method using PSC approved rates. The anticipated costs of removing assets upon retirement are generally provided for over the life of those assets as a component of depreciation expense and, for regulatory reporting purposes, is reflected in accumulated depreciation until the costs are incurred, which is consistent with industry practice. Current accounting guidance related to asset retirement precludes the recognition of expected future retirement obligations as a component of depreciation expense or accumulated depreciation. Central Hudson, however, is required to use depreciation methods and rates approved by the PSC under regulatory accounting. Central Hudson reclassifies cost of removal recovered in excess of amounts incurred to date from accumulated depreciation to regulatory liabilities for presentation in its Balance Sheet in accordance with GAAP.

Central Hudson performs depreciation studies periodically and, upon approval by the PSC, adjusts the depreciation rates of its various classes of depreciable property. Central Hudson's composite rates for depreciation, inclusive of intangible amortization, was 2.92% in 2021, 2.90% in 2020 and in 2019 was 2.77% of the original average cost of depreciable property. The ratio of the amount of accumulated depreciation to the original cost of depreciable property at December 31, 2021, 2020, and 2019 was 23.0%, 23.3% and 23.9%, respectively.

Asset Retirement Obligations

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

Impairment of Long-Lived Assets

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

Leases

Beginning on January 1, 2019, when a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and lease liability are recognized. Central Hudson measures the right-of-use asset and lease liability at the present value of future lease payments excluding variable payments based on usage or performance. Central Hudson calculates the present value using a lease-specific secured borrowing rate based on the remaining lease term. Central Hudson has elected the practical expedient to combine lease components (e.g., rent, real estate taxes and insurance costs) and non-lease components (e.g., common area maintenance costs) and account for them as a single lease component. Central Hudson includes options to extend a lease in the lease term when it is reasonably certain that the option will be exercised. Leases with a term, including renewal options, of twelve months or less are not recorded on the balance sheet.

Research and Development

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

Debt Issuance Costs

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

Income Tax

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

Post-Employment and Other Benefits

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

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

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

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

Central Hudson also sponsors a contributory 401(k) retirement plan ("401(k) plan") for its employees. The 401(k) plan provides for employee tax-deferred salary deductions for participating employees as well as employer contributions.

For more information see Note 12 – "Post-Employment Benefits".

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

Equity-Based Compensation

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

Common Stock Dividends

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

Derivatives

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

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

Normal Purchases and Normal Sales

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

Reclassification

Certain amounts shown in Note 4 – "Regulatory Matters" related to prior year, have been reclassified to conform to the 2021 presentation. These reclassifications had no effect on the reported results of operations.

Recently Adopted Accounting Pronouncements

Income Taxes

Effective January 1, 2021, CH Energy Group and Central Hudson adopted Accounting Standards Update ("ASU") No. 2019-12, *Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplified aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. CH Energy Group and its subsidiaries' earnings, financial position, cash flows and disclosures were not impacted by this adoption.

Note 2 - Revenues and Receivables

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

Revenue from Contracts with Customers

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

Alternative Revenues

Central Hudson's alternative revenue programs include: electric and natural gas RDMs, the 2020 three-month postponement of the electric and natural gas delivery rate increases for Rate Year ("RY") 3; see Note 4 – "Regulatory Matters" for details, the electric and natural gas make whole provision and lost finance charges as established in the 2021 Rate Order, Gas Merchant Function Charge lost revenue, and revenue requirement effect for incremental Leak Prone Pipe ("LPP") miles replaced above the PSC targets. In addition, Central Hudson records alternative revenues related to Positive Revenue Adjustments and EAMs related to New York State clean energy goals, when prescribed targets are met.

Other Revenues

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

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

	Year Ended December 31,		
Electric	2021	2020	2019
Revenues from Contracts with Customers (ASC 606)	$ 596,007	$ 547,586	$ 512,787
Alternative Revenues (Non ASC 606)	(10,887)	(18,268)	(11,755)
Other Revenue Adjustments (Non ASC 606)	38,703	22,684	28,428
Total Operating Revenues Electric	$ 623,823	$ 552,002	$ 529,460
Natural Gas			
Revenues from Contracts with Customers (ASC 606)	$ 170,233	$ 155,391	$ 161,385
Alternative Revenues (Non ASC 606)	8,484	9,281	4,664
Other Revenue Adjustments (Non ASC 606)	(6,292)	(4,779)	(3,846)
Total Operating Revenues Natural Gas	$ 172,425	$ 159,893	$ 162,203

The year over year increase in electric and natural gas revenues from contracts with customers was primarily driven by higher sales and billed purchased commodity costs. Further impacting the revenue from contract with customers were higher sales for resale and surcharges coupled with lower bill credits in 2021 when compared to 2020, which did not impact total revenues as the offset is reflected in other revenue in 2021.

The increase in electric alternative revenue programs for 2021 is due to the recovery of suspended finance charges as approved in the 2021 Rate Order and due to lower actual billed revenues compared to the Rate Order prescribed targets. The decrease in natural gas alternative revenue programs for 2021 when compared to 2020 is due to actual billed revenues above the prescribed targets partially offset by the recovery of suspended finance charges as approved in the 2021 Rate Order.

The increase in other electric revenue adjustments is due to higher customer credits for previously deferred revenues in excess of the 2018 Rate Order prescribed targets partially offset by NRAs recorded related to electric service interruptions which were above the PSC prescribed targets for the System Average Interruption Frequency Index ("SAIFI") and Customer Average Interruption Duration Index ("CAIDI"). The decrease in other natural gas revenue adjustments is primarily due to higher recovery of previously deferred revenues below those prescribed in the 2018 Rate Order. Further impacting these decreases is additional deferrals for net plant and depreciation targets, as a result of delays in the completion of certain capital projects as compared to levels included in rates.

Allowance for Uncollectible Accounts

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at Beginning of Period	$ (10,400)	$ (4,500)
Accounting Standard Adoption – cumulative effect adjustment	-	(1,200)
Uncollectible expense	(6,075)	(10,010)
Bad debt write-offs (recoveries) - net	5,275	5,310
Balance at End of Period	$ (11,200)	$ (10,400)

During the twelve months ended December 31, 2021, management recorded an additional increase to the allowance for uncollectible accounts of $0.8 million based on a quantitative and qualitative assessment of forecasted economic conditions primarily related to COVID-19. This assessment included a historical analysis of the relationship of write-offs to accounts receivable balances in arrears and taking into consideration certain qualitative factors differentiating this current situation from other significant events in the historical period, including the nature and cause of this economic downturn, as well as legislative and governmental actions taken to provide relief and assistance to customers financially impacted by the COVID-19 pandemic. Central Hudson continues to proactively contact customers regarding past due balances to advise them of financial assistance programs available and is also working with local agencies and municipalities to obtain funding for its customers which has been made available through federal and state programs. No further increase to the reserve has been recorded at December 31, 2021 based on the potential available funding from these programs.

NOTE 3 – Utility Plant - Central Hudson

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

	Estimated Depreciable Life in Years	Utility Plant December 31, 2021	Utility Plant December 31, 2020
Electric:			
Production	25-95	$ 43,719	$ 42,992
Transmission	30-90	449,054	435,855
Distribution	8-80	1,187,608	1,139,941
Other	40	6,910	6,908
Total		$ 1,687,291	$ 1,625,696
Natural Gas:			
Transmission	19-85	$ 63,284	$ 61,476
Distribution	28-95	670,439	615,728
Other	N/A	442	442
Total		$ 734,165	$ 677,646
Common:			
Land and Structures	50	$ 113,200	$ 88,310
Office and Other Equipment, Radios and Tools	8-35	85,404	79,429
Transportation Equipment	10-12	78,349	77,668
Other	3-15	149,017	93,922
Total		$ 425,970	$ 339,329
Gross Utility Plant		$ 2,847,426	$ 2,642,671

The borrowed component of funds used during construction and recorded as a reduction of interest expense was $1.5 million for each of the years ended December 31, 2021 and 2020 and $1.2 million for the year ended December 31, 2019. The equity component reported as other income was $3.4 million, $3.0 million and $2.3 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Included in the Net Utility Plant balance of $2.3 billion and $2.2 billion at December 31, 2021 and 2020 is $181.0 million and $141.7 million of intangible utility plant assets, comprised primarily of computer software costs, land, transmission, and water and other rights, and the related accumulated amortization of $78.5 million and $64.7 million, respectively. Amortization expense is estimated to average approximately $10.5 million annually for each of the next five years.

As of December 31, 2021 and 2020, Central Hudson has reclassified from accumulated depreciation $42.8 million and $40.4 million, respectively, of cost of removal recovered through the rate-making process in excess of amounts incurred to date as a regulatory liability.

As of December 31, 2021 and 2020, AROs for Central Hudson were approximately $3.1 million and $1.9 million, respectively. These amounts have been classified in the above chart under “Electric - Other” and “Common - Other” based on the nature of the ARO and are reflected as “Other - long-term liabilities” in the CH Energy Group and Central Hudson Balance Sheets.

NOTE 4 – Regulatory Matters

Summary of Regulatory Assets and Liabilities

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

	December 31, 2021	December 31, 2020
Regulatory Assets:		
Deferred purchased electric costs (Note 1)	$ 17,319	$ 3,470
Deferred purchased natural gas costs (Note 1)	8,057	4,453
Deferred unrealized losses on derivatives - electric and natural gas (Note 16)	7,563	2,153
RAM - electric	15,258	13,866
RAM - natural gas	3,397	3,418
EAMs - electric	3,570	3,410
SC 8 Street Lighting	-	1,678
Delayed electric and natural gas delivery rate increase	-	4,596
RDM and carrying charges - natural gas	2,942	3,778
Energy efficiency programs and carrying charges	16,819 (2)	1,260
Revenue requirement of LPP replacement	-	1,696
Deferred pension costs (Note 12)	-	7,551
Demand management programs	8,809	11,032
Deferred and accrued costs - SIR (Note 14)	76,032	84,370
Deferred storm costs	13,742	19,902
Deferred vacation pay accrual	9,753	10,197
Income taxes recoverable through future rates	35,784	26,968
Tax reform - unprotected impacts (Note 5)	23,733	13,464
Other	10,554 (1)	10,140 (1)
Total Regulatory Assets	$ 253,332	$ 227,402
Less: Current Portion of Regulatory Assets	$ 78,849	$ 57,079
Total Long-term Regulatory Assets	$ 174,483	$ 170,323

Regulatory Liabilities:		
Rate moderator - electric	$ 19,371	$ 15,786
Rate moderator - natural gas	10,115	6,247
RDM and carrying charges - electric	-	22,073
Deferred unrealized gains on derivatives - electric and natural gas (Note 16)	1,768	-
Clean Energy Fund and carrying charges	52,584	57,893 (2)
Tax reform - protected deferred tax liability (Note 5)	179,900	183,915
Deferred cost of removal (Note 3)	42,794	40,384
Deferred pension costs (Note 12)	90,934	-
Income taxes refundable through future rates	9,027	9,149
Deferred OPEB costs (Note 12)	31,032	13,540
Low income program	5,289	4,722
Net plant and depreciation targets	-	10,193
Fast charging infrastructure program and carrying charges	5,455	5,124
Deferred unbilled revenue	5,082	5,082
Other	4,626 (1)	5,038 (1)
Total Regulatory Liabilities	$ 457,977	$ 379,146
Less: Current Portion of Regulatory Liabilities	$ 63,456	$ 89,006
Total Long-term Regulatory Liabilities	$ 394,521	$ 290,140
Net Regulatory Liabilities	$ (204,645)	$ (151,744)

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

(2) In accordance with Order 18-M-0084, during 2021, accumulated Clean Energy Fund carrying charges of $4.7 million were transferred to fund Energy Efficiency Programs.

The significant regulatory assets and liabilities include:

Rate Adjustment Mechanism: Mechanism prescribed in the 2018 Rate Order and continued in the 2021 Rate Order to recover from or refund to customers previously deferred balances related to major storms, energy efficiency programs and environmental site investigation and remediation costs in excess of the three year cumulative rate allowance, incentives earned, unencumbered NRAs, deferred property taxes and accrued carrying charges.

Earnings Adjustment Mechanism: Mechanism prescribed in the 2018 Rate Order and continued in the 2021 Rate Order to recover from customers incentives earned related to energy efficiency targets met.

SC8 Street Lighting: This regulatory asset represents the deferral to reassign the collection of revenues amongst certain service classes during the term of the 2018 Rate Order.

Delayed electric and natural gas delivery rate increase: This regulatory asset represents the deferral of the electric and natural gas delivery rate increases as prescribed in the June 11, 2020 Order as further discussed below.

Revenue Decoupling Mechanism and carrying charges: Mechanism prescribed in the 2018 Rate Order and continued in the 2021 Rate Order to recover from or refund to customers difference between actual revenues and forecasted revenues.

Energy Efficiency Programs: This regulatory asset/liability represents amounts spent on Central Hudson's internally administered programs either below or in excess of amounts collected in rates.

Revenue requirement of LPP replacement: This regulatory asset represents the deferral of the revenue requirement impact related to the replacement of LPP as prescribed in the 2018 Rate Order.

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

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

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

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

Rate Moderator – Electric and Natural Gas: This regulatory liability balance represents the net balance after offset under the terms of the 2018 and 2021 Rate Orders, which were and will be used for future customer rate moderation, as well as deferred Danskammer Generating Station delivery revenues for future natural gas rate moderation.

Clean Energy Fund: This regulatory liability represents amounts collected from customers primarily under the Clean Energy Fund, the Renewable Portfolio Standards and System Benefit Charge (as prescribed in the Clean Energy Fund, 2018 and 2021 Rate Orders), in excess of amounts remitted to the New York State Energy Research and Development Authority ("NYSERDA") to fund its energy efficiency programs.

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

Low Income Program: This regulatory liability represents deferred balances for amounts collected in excess of credits provided for low income programs.

Net Plant and Depreciation Targets: This regulatory liability represents a deferral of the revenue requirement effect of net plant in service and depreciation expense below the defined targets as prescribed in the 2018 Rate Order.

Fast Charging Station Infrastructure Program and carrying charges: This regulatory liability represents amounts provided by NYSERDA and collected from customers to fund the fast charging stations' annual incentive payments as prescribed in the related Order.

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

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

	December 31, 2021	December 31, 2020
Balances with offsetting accrued liability balances recoverable when future costs are actually incurred:		
Deferred pension related to underfunded status	$ -	$ 7,551
Income taxes recoverable through future rates	35,784	26,968
Deferred unrealized losses on derivatives - electric	7,563	2,122
Deferred unrealized losses on derivatives - natural gas	-	31
Accrued SIR costs	71,653	74,903
Deferred ARO	583	406
Deferred vacation pay accrual	9,753	10,197
Other	404	-
	$ 125,740	$ 122,178
Balances earning a return via inclusion in rates and/or the application of carrying charges:		
Energy efficiency programs and carrying charges	$ 16,819	$ 1,260
OPEB reserve carrying charges	-	1,828
Deferred storm costs	13,742	19,902
Deferred SIR costs, net of recoveries	4,379	9,467
Deferred debt expense on re-acquired debt	1,508	1,860
Tax reform - unprotected impacts	23,733	13,464
Other	4,814	5,340
	$ 64,995	$ 53,121
Subject to current recovery:		
Deferred purchased electric costs	$ 17,319	$ 3,470
Deferred purchased natural gas costs	8,057	4,453
Delayed electric and natural gas delivery rate increase	-	4,596
RAM - electric and natural gas	18,655	17,285
EAMs - electric and natural gas	4,102	3,936 (2)
RDM - electric and natural gas	3,027	3,778
Demand management programs(1)	8,809	11,032
Other	2,830	4,542 (2)
	$ 62,799	$ 53,092
Accumulated carrying charges:		
Carrying charges balancing	$ (218)	$ (1,010)
Other	16	21
	$ (202)	$ (989)
Total Regulatory Assets	$ 253,332	$ 227,402

(1) These amounts are subject to recovery over prescribed PSC timeframes unique to each program (most over 5 or 10 years). Balances subject to recovery over a period greater than 1 year are authorized to earn carrying charges at the pre-tax weighted average cost of capital.
(2) Certain amounts shown for the period ended December 31, 2020 have been reclassified to conform to the December 31, 2021 presentation.

PSC Proceedings

2018 Rate Order / 2021 Rate Order

On June 14, 2018, the PSC issued an Order Approving Rate Plan in Cases 17-E-0459 and 17-G-0460, the “2018 Rate Order” as defined, adopting the terms set forth in the April 18, 2018 Joint Proposal with minor modifications. The 2018 Rate Order was effective July 1, 2018, with Rate Year RY1, RY2, and RY3 defined as the twelve months ending June 30, 2019, June 30, 2020, and June 30, 2021, respectively.

On June 11, 2020, the Commission issued an Order Postponing Approved Electric and Gas Delivery Rate Increases, which approved Central Hudson's petition to ease the financial impact on customers during the critical months of the COVID-19 pandemic. The Order postponed for three months Central Hudson's approved RY3 electric and natural gas delivery rate increase scheduled to take effect on July 1 to October 1, 2020, with the forgone revenues recovered over the remaining nine months of the rate year ending June 30, 2021. The Order also stated that no carrying charges would be applied to the delayed recovery of these revenues and that Central Hudson would adjust the RDM targets to be consistent with the delayed electric and natural gas delivery rate increase implementation.

On November 18, 2021, the PSC issued an Order Approving Rate Plan in Cases 20-E-0428 and 20-G-0429, the "2021 Rate Order" as defined. The 2021 Rate Order adopts the terms set forth in the August 24, 2021 Joint Proposal. The 2021 Rate Order also fully and finally resolves all issues associated with the Sales Tax Refund Proceeding (Case 20-M-0134). The 2021 Rate Order was effective December 1, 2021, and includes a make-whole provision that provides new rates to become effective retroactive to July 1, 2021, with RY1, RY2, and RY3 defined as the twelve months ending June 30, 2022, June 30, 2023, and June 30, 2024, respectively.

A summary of the key terms of the 2018 and 2021 Rate Orders are as follows:

	2018 Rate Order (dollars in millions)			2021 Rate Order (dollars in millions)		
Description	RY1	RY2	RY3	RY1	RY2	RY3
Electric delivery rate increase/(decrease)	$19.7	$18.6	$25.1	($3.1)	$19.5	$20.7
Natural gas delivery rate increases	$6.7	$6.7	$8.2	$4.7	$6.3	$6.4
Return on Equity	8.80%	8.80%	8.80%	9.00%	9.00%	9.00%
Earnings sharing	Yes(1)	Yes(1)	Yes(1)	Yes(2)	Yes(2)	Yes(2)
Capital structure – common equity	48%	49%	50%	50%	49%	48%
Bill Credits/(surcharge) - Electric	$6.0	$9.0	$11.0	($2.0)	$9.5	$21.5
Bill Credits - Natural Gas	$3.5	$4.0	$4.0	$0.8	$3.2	$5.6
RDMs – electric and natural gas	Yes	Yes	Yes	Yes	Yes	Yes

(1) Return on equity ("ROE") > 9.3% and up to 9.8%, is shared 50% to customers, > 9.8% and up to 10.3%, is shared 80% to customers, and > 10.3% is shared 90% to customers.

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

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

The 2021 Rate Order:

- establishes the Company's future energy infrastructure investments, programs and operations;
- stabilizes electric delivery rates in the first year with a slight decrease for residential customers;
- reflects modest increases in gas delivery rates producing bill impacts just under two percent each RY;
- includes increased electric bill discounts for income qualified households and expanded access into Central Hudson's Energy Affordability Program;
- reflects investments in clean energy efficiency ground and air-source electric heat pumps, electric vehicle charging, and system upgrades that support utilization of renewable sources;

- implements ten EAMs which reflect a maximum earnings potential of 100 basis points;
- maintains the current CAIDI metric and reflects increasingly stringent SAIFI targets, continues and further enhances existing gas safety performance metrics and public safety programs, and includes higher performance requirements for Customer Service Performance Indicators with a net increase in total potential NRAs;
- provides Central Hudson with required resources to support ongoing O&M and necessary investments to reinforce electric and gas system reliability and resiliency through storm hardening, expanded vegetation management/tree trimming, continued investment for LPP replacement or elimination, and deployment of new technologies, as well as information technology systems to further protect against cyber security risks and;
- includes several deferrals that provide the Company authorization to defer COVID-19 Incremental O&M Costs net of savings, lost revenues (finance charges and reconnection fee revenues), and uncollectible write-offs.

Central Hudson 2021 Financing Order

On November 18, 2021, the Commission approved the Company's request under Section 69 of the Public Service Law authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed \$250 million; and approval to issue and sell new long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed \$445.7 million, including \$412 million for traditional utility purposes and up to \$33.7 million to refinance its variable interest debt. Central Hudson filed a letter indicating its unconditional acceptance of the November 18, 2021 Order on December 6, 2021.

August 2020 Tropical Storm Isaias

On August 5, 2020, the New York State Governor instituted proceeding 20-01633 directing the Commission to initiate an investigation of certain New York State utilities' responses to Tropical Storm Isaias, which impacted Central Hudson's service territory on August 4, 2020. On November 19, 2020, New York State Department of Public Service ("DPS") issued an interim Storm Report setting forth preliminary findings, including purported failures by the identified utilities to comply with their respective Commission approved Emergency Response Plans and Show Cause ("Show Cause Order") that initiated proceedings against Central Hudson and the other utilities. The Show Cause Order identified 32 apparent violations by Central Hudson, which, if established, could have resulted in up to \$16 million of penalties. Central Hudson filed its response to the Show Cause Order on December 21, 2020. The Company performed a thorough investigation and, as indicated in its response, believed no penalty should be issued because the facts demonstrated that Central Hudson fully complied with its Commission-approved Emergency Response Plan, which served as the standard against which Central Hudson should be evaluated. On February 23, 2021, Central Hudson filed a Notice of Impending Settlement Negotiations. On July 7, 2021, Central Hudson and New York State DPS entered into a Settlement Agreement, which included a commitment by Central Hudson to establish a \$1.5 million regulatory liability to be used by Central Hudson to support or advance storm restoration and/or electric system resiliency and reliability in excess of amounts funded by customers. The Commission approved the Settlement Agreement within the Order Granting Motion and Adopting Settlement Agreement on July 15, 2021. The Settlement Agreement does not include any finding or admission of any violation by Central Hudson, and it specifies that the settlement amount is not a penalty.

Central Hudson Reverse Sales Tax Refund

On March 16, 2020, Central Hudson filed a petition for the disposition of a sales tax refund, pursuant to PSL Section 113(2) under Case 20-M-0134. The tax refund is the result of a reverse sales tax audit that Central Hudson initiated with the New York State Department of Taxation & Finance for the claim period of June 1, 2017 through December 31, 2018. The Commission solicited comments on the filing via notice published in the April 22, 2020 edition of the New York State Register. Central Hudson asked the Commission to take notice of a tax refund received from the New York State Department of Taxation and Finance, in the amount of approximately $3.4 million on October 16, 2019 and waive the rule requiring the Company to give the Commission notice of the refund within 60 days. Central Hudson proposed that the refund received be allocated (1) for the benefit of ratepayers; and (2) to reimburse the costs incurred by Central Hudson in securing the refund. The Company proposed to retain approximately $0.6 million, or 24% of the refund, net of costs to achieve. Most of the refund has been credited to plant as the majority of the refund related to sales taxes that were capitalized as part of plant costs. The petition requested the PSC approve Central Hudson retaining the portion of the net refund related to amounts that were previously recorded to sales tax expense. Staff's testimony in the August 2020 filing requested that this proceeding be incorporated into the Rate Case filing rather than ruled upon separately. On August 12, 2021, a Notice of Impending Settlement Negotiations was filed in both the Company's rate proceedings, Cases 20-E-0428 and 20-G-0429, and the Sales Tax Refund Proceeding, Case 20-M-0134, stating that in connection with the previously noticed settlement discussions in the rate proceedings, the Company and Staff had agreed to initiate confidential settlement negotiations regarding the Refund Petition. The parties' settlement negotiations in the rate cases and the Sales Tax Refund Proceeding were successful and resulted in the filing of the Joint Proposal. The 2021 Rate Order fully and finally resolves all issues and concerns raised and/or asserted, or that could have been raised and/or asserted in the Sales Tax Refund Proceeding Case 20-M-0134.

Federal Energy Regulatory Commission System Deliverability Upgrades Proceeding

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO OATT to establish a Facilities Charge for System Deliverability Upgrades ("SDU") being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, operation and maintenance of the SDU and a reasonable return on its investment. Project costs to be recovered by Central Hudson and allocated to the Load Serving Entities ("LSEs") pursuant to Rate Schedule 12 of the NYISO OATT are expected to be approximately $2.6 million plus operation, maintenance and other applicable costs and will be updated annually. Parties submitted an Offer of Settlement with the FERC on June 30, 2021, which included an updated ROE of 9.4% plus a 50 basis point adder for a total ROE of 9.9%. The settlement was certified as uncontested by the designated settlement judge on August 3, 2021 and was subsequently approved by FERC on October 4, 2021.

NOTE 5 – Income Tax

Uncertain Tax Positions

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

IRS guidance, with respect to repair deductions taken on Gas Transmission and Distribution repairs is still pending. Therefore, tax reserves related to the gas repair deduction continue to be shown as "Tax Reserve" under the Deferred Credits and Other Liabilities section of the CH Energy Group and Central Hudson Balance Sheets.

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

The following is a summary of activity related to the uncertain tax position (In Thousands):

	CH Energy Group		**Central Hudson**	
	Year Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Tax reserve balance at the beginning of the period	$ -	$ 3,126	$ -	$ 2,910
Change in natural gas transmission and distribution repair deduction	1,476	985	1,476	985
Change in tax benefit offset [1]	(1,476)	(4,111)	(1,476)	(3,895)
Tax reserve balance at the end of the period	$ -	$ -	$ -	$ -

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

Income Tax Examinations

Jurisdiction	Tax Years Open for Audit
Federal	2018 – 2020
New York State	2018 – 2020

Components of Tax Reform Regulatory Balances

As a result of the Tax Cuts and Jobs Act, the Company was required to revalue its deferred tax assets and liabilities at the federal corporate income tax rate of 21%. Central Hudson recorded a regulatory liability due to the revaluation of plant related deferred tax liabilities which are protected under tax normalization rules. The regulatory liability is adjusted monthly to reflect the amortization of the balance to the income statement under the normalization rules. The Company also recorded a regulatory asset due to the revaluation of non-plant related deferred taxes, which is not subject to the normalization rules.

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

	December 31, 2021	December 31, 2020
Protected Regulatory Liability at the beginning of the period	$ 183,915	$ 189,447
Amortization of Protected Tax Liability	(4,015)	(5,532)
Protected Regulatory Liability at the end of the period	$ 179,900	$ 183,915

The following is a summary of Central Hudson's activity in its regulatory asset balance related to the unprotected impacts (In Thousands):

	December 31, 2021	December 31, 2020
Unprotected Regulatory Asset at the beginning of the period	$ 13,464	$ 13,464
Change in Unprotected Tax Asset	10,269	-
Unprotected Regulatory Asset at the end of the period	$ 23,733	$ 13,464

The unprotected regulatory tax asset consisted of an excess deferred tax asset balance, which was partially offset by a regulatory liability resulting from the overcollection of tax from the effective date of the Tax Cuts and Jobs Act and the date delivery rates were reset. The increase of $10.3 million in 2021 resulted from the utilization of the overcollection for rate moderation per the 2021 Rate Order. The remaining excess deferred tax balance of $23.7 million will be addressed in the Company's next rate case filing.

CARES Act

The CARES Act was signed into law on March 27, 2020. As permitted under the CARES Act, Central Hudson deferred payment of the employer share of the Social Security tax on its payroll during 2020. The deferred payroll tax can be paid over two years; with half of the required amount paid by December 31, 2021 and the other half by December 31, 2022. There was no impact on earnings or on the effective tax rate resulting from the delayed payment of employer payroll tax under the CARES Act. As of December 31, 2021, the liability for the deferred payment of the employer's portion of Social Security tax on payroll is $2.6 million reflected in "Other current liabilities" in the CH Energy Group and Central Hudson Balance Sheets and will be paid in December 2022. As of December 31, 2020, the liability for the deferred payment of the employer's portion of Social Security tax on payroll was $5.2 million, with $2.6 million reflected in Other liabilities current and $2.6 million in Other long-term liabilities in the CH Energy Group and Central Hudson Balance Sheets.

New York State 2022 budget bill

On April 6, 2021 the New York State fiscal year 2022 budget bill was enacted. The budget bill included an increase in the corporate tax rate for businesses with taxable income over $5 million from 6.5% to 7.25% for tax years beginning on or after January 1, 2021 and before January 1, 2024 and extending the capital base tax which was set to phase out in 2021. For tax years beginning on or after January 1, 2021 and before January 1, 2024, the business capital tax rate would be 0.1875% and would phase out for tax years beginning on and after January 1, 2024. CH Energy Group and Central Hudson have state Net Operating Losses that are expected to reduce taxable income below the $5 million threshold for the duration of the increased tax rate period and therefore that provision is not expected to have an impact on the Company's earnings or cash flows. Both CH Energy Group and Central Hudson are expecting to be subject to the capital base tax during this period. For the year ended December 31, 2021, Central Hudson has recorded $1.7 million of Capital Base Tax, which is included in "Taxes, other than income tax" in the CH Energy Group and Central Hudson Statements of Income. The increase in Capital Base Tax is included in the tax calculation used to set rates in the 2021 Rate Order.

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):

	Year Ended December 31, 2021	2020	2019
Net income	$ 73,953	$ 69,103	$ 64,566
Current federal income tax (benefit)	(62)	(20)	(886)
Current state income tax (benefit)expense	225	100	(90)
Deferred federal income tax expense	11,897	9,930	10,957
Deferred state income tax expense	4,756	5,252	4,753
Income before income taxes	$ 90,769	$ 84,365	$ 79,300
Computed federal tax at 21%	$ 19,061	$ 17,717	$ 16,653
State income tax net of federal tax benefit	3,935	4,224	3,797
Amortization of protected deferred tax liability[1]	(3,093)	(4,339)	(3,983)
State income tax prior period adjustment	-	4	(113)
Depreciation flow-through	(552)	(706)	466
Cost of removal	(2,220)	(1,926)	(1,910)
Other	(315)	288	(176)
Total income tax expense	$ 16,816	$ 15,262	$ 14,734
Effective tax rate - federal	13.0%	11.7%	12.7%
Effective tax rate - state	5.5%	6.4%	5.9%
Effective tax rate - combined	18.5%	18.1%	18.6%

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

For the years ended December 31, 2021 and 2020, the combined effective tax rate for CH Energy Group is lower than the statutory rate due to tax normalization rules and the timing of flow through tax items related to capital expenses. For the year ended December 31, 2019, the lower combined effective tax rate was driven by the reduction in the federal income tax rate from 35% to 21%, in accordance with the Tax Cuts and Jobs Act, and the impact of tax normalization rules.

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

	December 31, 2021	2020
Accumulated Deferred Income Tax Asset:		
Unbilled revenues	$ 3,300	$ 1,615
Plant-related	2,712	6,812
Tax reform - protected deferred tax liability	47,468	48,688
Pension costs	1,539	1,135
Income taxes refundable through future rates	9,027	7,294
OPEB costs	-	1,067
Federal Net Operating Loss ("NOL") carryforwards	10,595	941
New York State NOL carryforwards	9,734	4,495
Clean Energy Fund	9,192	14,451
Rate moderator	7,706	5,758
Contributions in aid of construction	9,407	9,429
Directors and officers deferred compensation	15,102	13,766

RDM	-	4,781
Deferred payroll taxes	680	1,361
Cost of removal	946	-
Fast charging infrastructure	1,426	1,339
Low income bill program	1,671	1,234
Other	2,117	3,518
Accumulated Deferred Income Tax Asset	$ 132,622	$ 127,684
Accumulated Deferred Income Tax Liability:		
Depreciation	$ 259,986	$ 243,015
Repair allowance	3,927	4,143
Repair deduction	104,519	92,420
Income taxes recoverable through future rates	17,269	13,540
Tax reform - unprotected deferred tax asset	6,203	3,519
Cost of removal	-	4,981
Deferred SIR costs	1,144	2,474
RDM	790	-
Demand management programs	2,301	2,884
Purchased electric costs	4,526	907
Delayed rate increase	-	1,201
Purchased natural gas costs	2,106	1,164
Storm costs	3,591	5,202
RAM	4,875	4,517
Other	7,384	6,642
Accumulated Deferred Income Tax Liability	$ 418,621	$ 386,609
Net Deferred Income Tax Liability	$ 285,999	$ 258,925

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):

	Year Ended December 31,		
	2021	2020	2019
Net income	$ 73,623	$ 69,141	$ 64,862
Current federal income tax (benefit)	-	(18)	(889)
Current state income tax (benefit)	-	-	(189)
Deferred federal income tax expense	11,313	9,952	10,462
Deferred state income tax expense	4,795	5,211	4,884
Income before income taxes	$ 89,731	$ 84,286	$ 79,130
Computed federal tax at 21%	$ 18,844	$ 17,700	$ 16,617
State income tax net of federal tax benefit	3,788	4,117	3,898
Amortization of protected deferred tax liability[1]	(3,093)	(4,339)	(3,983)
State income tax prior period adjustment	-	-	(189)
Depreciation flow-through	(552)	(706)	466
Cost of removal	(2,220)	(1,926)	(1,910)
Other	(659)	299	(631)
Total income tax expense	$ 16,108	$ 15,145	$ 14,268
Effective tax rate - federal	12.6%	11.8%	12.1%
Effective tax rate - state	5.4%	6.2%	5.9%
Effective tax rate - combined	18.0%	18.0%	18.0%

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

For the year ended December 31, 2021, the combined effective tax rate for Central Hudson is lower than the statutory rate due to tax normalization rules and the timing of flow through tax items related to capital expenditures. For the year ended December 31, 2020, the combined effective tax rate for Central Hudson is lower than the statutory rate due to tax normalization rules. For the year ended December 31, 2019, the lower combined effective tax rate was driven by the reduction in the federal income tax rate from 35% to 21%, and the impact of tax normalization rules.

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

	December 31,	
	2021	2020
Accumulated Deferred Income Tax Asset:		
Unbilled revenues	$ 3,300	$ 1,615
Plant-related	2,712	6,812
Tax reform - protected deferred tax liability	47,828	48,688
Pension costs	1,539	1,135
Income taxes refundable through future rates	9,027	7,294
OPEB costs	-	1,067
Federal NOL carryforwards	11,327	1,127
New York State NOL carryforwards	9,801	4,537
Clean energy fund	9,192	14,451
Rate moderator	7,706	5,758
Contributions in aid of construction	9,407	9,429
Directors and officers deferred compensation	13,902	12,866
RDM	-	4,781
Cost of removal	946	-
Fast charging infrastructure	1,426	1,339
Deferred payroll taxes	680	1,361
Low income bill program	1,671	1,234
Other	1,772	3,263
Accumulated Deferred Income Tax Asset	$ 132,236	$ 126,757
Accumulated Deferred Income Tax Liability:		
Depreciation	$ 259,624	$ 242,572
Repair allowance	3,927	4,143
Repair deduction	104,519	92,420
Income taxes recoverable through future rates	17,269	13,540
Tax reform - unprotected deferred tax asset	6,203	3,519
Cost of removal	-	4,981
Deferred SIR costs	1,144	2,474
RDM	790	-
Demand management programs	2,301	2,884
Purchased electric costs	4,526	907
Delayed rate increase	-	1,201
Purchased natural gas costs	2,106	1,164
Storm costs	3,591	5,202
RAM	4,875	4,517
Other	6,236	5,563
Accumulated Deferred Income Tax Liability	$ 417,111	$ 385,087
Net Deferred Income Tax Liability	$ 284,875	$ 258,330

NOTE 6 – Investments in Unconsolidated Affiliates

In April 2019, National Grid and Transco were awarded the Segment B portion of one of its proposals related to the AC Transmission Order with NYISO for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid ("AC Project"). Transco is authorized to earn a return on equity invested in the project (up to 53% of the project cost) of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of $600 million plus interconnection costs, and CHET's equity funding requirement of this cost as a 6.1% owner of Transco is expected to be $19.4 million. As of December 31, 2021, CHET has made capital contributions of $5.4 million to Transco to fund a portion of the Segment B project costs. At December 31, 2021 and 2020, CHET's investment in Transco was approximately $15.0 million and $9.2 million, respectively.

In November 2018, the Transco limited liability company agreement was amended ("Transco Amendment") to allow Transco to pursue additional projects that might result from future NYISO Public Policy Transmission Planning Processes ("PPTP Processes"). Under the Transco Amendment, CHET would have a 10% ownership stake in transmission solutions related to future projects that result from future PPTP Processes. CHET would also be allocated 10% of future development costs for any new transmission projects as part of future PPTP Processes. In response to a Long Island Offshore Wind Export Public Policy Transmission Need Project Solicitation issued by the NYISO on August 12, 2021, Transco, partnering with the New York Power Authority ("NYPA"), submitted to NYISO on October 11, 2021, four separate proposed solutions to upgrade existing transmission facilities on Long Island to accommodate 3,000 MWs of anticipated offshore wind generated electricity while also proposing three alternative expansion solutions. Three unrelated developers proposed 12 other solutions. NYISO's response to the solicitation proposals, including the Transco-NYPA proposals, is expected to be issued in the fourth quarter of 2022. In the event, that a Transco-NYPA proposal is accepted by NYISO, CHET would own, and fund the equity investment associated with Transco's portion of the project.

During 2020, CHEC had equity investments in various limited partnerships, one of which held investments in energy sector start-up companies. This equity investment was terminated and liquidated at its approximate book value during 2020. The value of CHEC's equity investments at December 31, 2021 and 2020 was approximately $0.2 million, respectively; and the investments are not considered to be a part of the core business.

NOTE 7 – Research and Development

Central Hudson's R&D expenditures were $4.1 million in 2021, $3.7 million in 2020 and $3.5 million in 2019. These expenditures were for internal research programs and for contributions to research administered by NYSERDA, the Electric Power Research Institute and other industry organizations.

Note 8 – Leases

At December 31, 2021, CH Energy Group did not have any leases other than leases from Central Hudson. Central Hudson's leasing activities accounted for as operating leases include office facilities and equipment with remaining terms of approximately three to eight years and communication tower space with remaining terms of approximately three to 15 years including options to renew existing leases for an additional 10 to 15 years. Most leases include one or more options to renew, with renewal terms that may extend the lease term from 15 to 20 years. Certain lease agreements include periodic escalation clauses based on an index or fixed rate or require Central Hudson to pay real estate taxes, insurance, maintenance, or other operating expenses associated with the lease premises.

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

Leases	Classification	December 31, 2021	December 31, 2020
Operating Lease Assets	Other Assets	$ 3,488	$ 3,586
Current Operating Lease Liabilities	Other Current Liabilities	$ 433	$ 345
Noncurrent Operating Lease Liabilities	Other Liabilities	3,155	3,281
Total Lease Liabilities		$ 3,588	$ 3,626

Operating and variable lease costs, as well as short-term lease cost for the years ended December 31, 2021, 2020, and 2019 were not material to CH Energy Group or Central Hudson's results of operations.

As of December 31, 2021, CH Energy Group and Central Hudson had the following minimum future maturities of operating lease liabilities (In Thousands):

Year Ending December 31,	Operating Leases
2022	$ 537
2023	545
2024	506
2025	451
2026	404
Thereafter	1,701
Total Lease Payments	4,144
Less: Imputed Interest	556
Total Lease Liabilities	3,588
Less: Current Portion	433
Total Non-Current Lease Liabilities	$ 3,155

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

	December 31, 2021	December 31, 2020
Weighted-Average Remaining Lease Term (years)	8.4	9.7
Weighted-Average Discount Rate	3.11%	3.26%

NOTE 9 – Short-Term Borrowing Arrangements

Committed Credit Facilities

On July 10, 2015, CH Energy Group entered into a Third Amended and Restated Credit Agreement with four commercial banks. The credit commitment of the banks under the agreement was $50 million with a maturity date of July 10, 2020. CH Energy Group did not replace this credit agreement upon its maturity.

On March 13, 2020, Central Hudson entered into a $200 million, five-year revolving credit agreement with five commercial banks to replace the agreement that was set to expire on October 15, 2020. Proceeds received from the revolving credit agreement are used for working capital needs and for general corporate purposes. Letters of credit are available up to $15 million from three participating banks.

The Central Hudson credit agreement includes a covenant that its total funded debt to total capital will not exceed 0.65 to 1.00. The credit agreement is also subject to certain restrictions and conditions, including that there will be no event of default, and subject to certain exceptions, that Central Hudson will not sell, lien, or otherwise encumber its assets or enter into certain transactions including certain transactions with affiliates. Central Hudson is also required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's or Moody's rating on the average daily unused portion of the credit facility. At December 31, 2021, Central Hudson was in compliance with all financial debt covenants.

Uncommitted Credit

At December 31, 2021 and 2020, Central Hudson had uncommitted short-term credit arrangements with two commercial banks totaling $30 million. Proceeds from these credit arrangements are used to diversify cash sources and provide competitive options to minimize Central Hudson's cost of short-term debt.

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

	CH Energy Group		Central Hudson	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Committed Credit	$ 100,000	$ -	$ 100,000	$ -
Uncommitted Credit	7,000	15,000	7,000	15,000
Total	$ 107,000	$ 15,000	$ 107,000	$ 15,000
Weighted Average Interest Rate	0.99%	0.90%	0.99%	0.90%

NOTE 10 – Capitalization – Common and Preferred Stock

Capital Contributions

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

During 2020, CH Energy Group received capital contributions of $15.0 million from its parent FortisUS, and Central Hudson received capital contributions of $12.0 million from its parent company CH Energy Group. Additionally during 2020, CHET received a $0.3 million capital contribution from its parent CH Energy Group.

During 2019, CH Energy Group received capital contributions of $29.5 million from FortisUS, and Central Hudson received capital contributions of $11.0 million from its parent CH Energy Group. Additionally during 2019, CHET received a $1.1 million capital contribution from its parent CH Energy Group.

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

Common Stock Dividends

CH Energy Group's ability to pay dividends is affected by the ability of its subsidiaries to pay dividends. The Federal Power Act limits the payment of annual dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group, which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation, Central Hudson was restricted to a maximum annual payment of \$71.0 million, \$67.0 million, and \$61.5 million in dividends to CH Energy Group for the periods ended December 31, 2021, 2020, and 2019, respectively. Central Hudson's ability to pay dividends would be reduced to 75% of its average annual income in the event of a downgrade of its senior debt rating below "BBB+" by more than one rating agency, if the stated reason for the downgrade is related to any of CH Energy Group's or Central Hudson's affiliates. Further restrictions are imposed for rating downgrades below this level. In addition, Central Hudson would not be allowed to pay dividends if its average common equity ratio for the 13 months prior to a proposed dividend was more than 200 basis points below the ratio used in setting rates. CH Energy Group's other subsidiaries do not have express restrictions on their ability to pay dividends.

In 2021 and 2020, CH Energy Group did not pay any dividends to FortisUS, the sole shareholder of CH Energy Group. In 2019, the Board of Directors of CH Energy Group declared and paid dividends of \$16.5 million to FortisUS.

Central Hudson did not pay any dividends to its parent CH Energy Group in 2021, 2020, and 2019.

CHET did not pay dividends to its parent CH Energy Group during 2021 and 2020. CHET declared and paid dividends of \$0.9 million to its parent CH Energy Group during 2019.

CHEC declared and paid dividends of \$1.0 million to its parent CH Energy Group in 2021. CHEC did not pay any dividends to its parent CH Energy Group during 2020 and 2019.

Preferred Stock

Other than one share of Junior Preferred Stock, Central Hudson had no outstanding preferred stock as of December 31, 2021 and 2020.

NOTE 11 – Capitalization – Long-Term Debt

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

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

Series	Maturity Date	December 31, 2021 Principal	December 31, 2021 Unamortized Debt Issuance Costs	December 31, 2020 Principal	December 31, 2020 Unamortized Debt Issuance Costs
Central Hudson:					
Promissory Notes:					
2006 Series E (5.76%)[4]	Nov. 17, 2031	$ 27,000	$ 171	$ 27,000	$ 188
1999 Series B[1],[2]	Jul. 01, 2034	33,700	216	33,700	233
2005 Series E (5.84%)[4]	Dec. 05, 2035	24,000	139	24,000	149
2007 Series F (5.804%)[5]	Mar. 23, 2037	33,000	211	33,000	225
2009 Series F (5.80%)[5]	Nov. 01, 2039	24,000	193	24,000	204
2010 Series B (5.64%)[6]	Sep. 21, 2040	24,000	94	24,000	99
2010 Series G (4.15%)[6]	Apr. 01, 2021	-	-	44,150	11
2010 Series G (5.716%)[6]	Apr. 01, 2041	30,000	199	30,000	209
2011 Series G (3.378%)[6]	Apr. 01, 2022	23,400	7	23,400	37
2011 Series G (4.707%)[6]	Apr. 01, 2042	10,000	88	10,000	92
2012 Series G (4.776%)[6]	Apr. 01, 2042	48,000	429	48,000	450
2012 Series G (4.065%)[6]	Oct. 01, 2042	24,000	259	24,000	271
2013 Series D (4.09%)[7]	Dec. 2, 2028	16,700	72	16,700	83
2014 Series E [7],[10]	Mar. 26, 2024	30,000	45	30,000	66
2015 Series F (2.98%)[7]	Mar. 31, 2025	20,000	51	20,000	67
2016 Series H (2.56%)[8]	Oct. 28, 2026	10,000	44	10,000	53
2016 Series I (3.63%)[8]	Oct. 28, 2046	20,000	117	20,000	122
2017 Series J (4.05%)[8]	Aug. 31, 2047	30,000	164	30,000	170
2017 Series K (4.20%)[8]	Aug. 31, 2057	30,000	171	30,000	176
2018 Series L (4.27%)[8]	Jun. 15, 2048	25,000	169	25,000	175
2018 Series M (3.99%)[8]	Oct. 28, 2026	40,000	149	40,000	180
2018 Series N (4.21%)[8]	Oct. 28, 2033	40,000	196	40,000	213
2019 Series O (3.89%)[9]	Oct. 28, 2049	50,000	259	50,000	269
2019 Series P (3.99%)[9]	Oct. 28, 2059	50,000	264	50,000	271
2020 Series Q (3.42%)[9]	May 14 2050	30,000	166	30,000	172
2020 Series R (3.62%)[9]	Jul. 14, 2060	30,000	169	30,000	174
2020 Series S (2.03%)[9]	Sep. 28, 2030	40,000	192	40,000	214
2020 Series T (2.03%)[9]	Nov. 17, 2030	30,000	157	30,000	175
2021 Series U (3.29%)[9]	Mar. 16, 2051	75,000	406	-	-
2021 Series V (3.22%)[9]	Oct. 30, 2051	55,000	305	-	-
Total Central Hudson		$ 922,800	$ 5,102	$ 836,950	$ 4,748
Less: Current Portion of Long-term Debt		(23,400)		(44,150)	
Central Hudson Net Long-term Debt		$ 899,400		$ 792,800	
CH Energy Group:					
Promissory Notes:					
2009 Series B (6.80%)[3]	Dec. 15, 2025	$ 8,710	$ 37	$ 10,547	$ 47
Less: Current Portion of Long-term Debt		(1,964)		(1,837)	
CH Energy Group Net Long-term Debt		$ 906,146	$ 5,139	$ 801,510	$ 4,795

(1) Promissory Notes issued in connection with the sale by NYSERDA of tax-exempt pollution control revenue bonds.
(2) Variable (auction) rate notes.
(3) The maturity date represents the final repayment date, principal repayments are due semi-annually.
(4) Issued pursuant to a 2004 PSC Order approving the issuance by Central Hudson prior to December 31, 2006, of up to $85 million of unsecured medium-term notes.
(5) Issued pursuant to a 2006 PSC Order approving the issuance by Central Hudson prior to December 31, 2009, of up to $120 million of unsecured medium-term notes.
(6) Issued pursuant to a 2009 PSC Order approving the issuance by Central Hudson prior to December 31, 2012, of up to $250 million of unsecured medium-term notes or other forms of long-term indebtedness.
(7) Issued pursuant to a 2012 PSC Order approving the issuance by Central Hudson prior to December 31, 2015, of up to $250 million of unsecured medium-term notes or other forms of long-term indebtedness.
(8) Issued pursuant to a 2015 PSC Order approving the issuance by Central Hudson prior to December 31, 2018, of up to $350 million of unsecured medium-term notes or other forms of long-term indebtedness.
(9) Issued pursuant to a 2018 PSC Order approving the issuance by Central Hudson prior to December 31, 2021, of up to $425 million of unsecured medium-term notes or other forms of long-term indebtedness.
(10) Variable rate notes.

On March 16, 2021, Central Hudson issued $75 million of Series U Senior Notes, with an interest rate of 3.29% per annum and a maturity date of March 16, 2051. On October 28, 2021, Central Hudson issued $55 million of Series V Senior Notes, with an interest rate of 3.22% per annum and a maturity date of October 30, 2051. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of $44.2 million of maturing debt on April 1, 2021 and the repayment of short-term borrowings.

During 2020, Central Hudson issued $130 million in unsecured Senior Notes, with various interest rates and maturities ranging from 10 to 40 years. Central Hudson used the proceeds from the sale of the Senior Notes to repay $40 million of maturing debt and for general corporate purposes, including the funding of capital expansion and improvement projects and the repayment of short-term borrowings.

At December 31, 2021, Central Hudson had $30 million of 2014 Series E 10-year notes with a floating interest rate of 3-month LIBOR plus 1%. To mitigate the potential cash flow impact from unexpected increases in short-term interest rates, Central Hudson purchased a four-year interest rate cap that will expire on March 26, 2024. The rate cap has a notional amount equal to the outstanding principal amount of the 2014 Series E notes and is based on the quarterly reset of the LIBOR rate on the quarterly interest payment dates. Central Hudson would receive a payout if the LIBOR rate exceeds 3% at the start of any quarterly interest period during the term of the cap. This interest rate cap replaced a similar interest rate cap that expired on March 26, 2020. There have been no payouts on these interest rate caps during the years ended December 31, 2021 and 2020.

The principal amount of Central Hudson's outstanding 1999 Series B NYSERDA Bonds totaled $33.7 million at December 31, 2021. These are tax-exempt multi-modal bonds that are currently in a variable rate mode and mature in 2034. To mitigate the potential cash flow impact from unexpected increases in short-term interest rates on Series B NYSERDA Bonds, Central Hudson purchased a three-year interest rate cap. The rate cap has a notional amount equal to the outstanding principal amount of the Series B bonds and expires on April 1, 2022. The cap is based on the monthly weighted average of an index of tax-exempt variable rate debt, multiplied by 175%. Central Hudson would receive a payout if the adjusted index exceeds 4% for a given month. There was no payout on this interest rate cap during the year ended December 31, 2021 and Central Hudson received a payout of $0.03 million during the year ended December 31, 2020.

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

In its 2021 Rate Order, the PSC extended the continued deferral accounting treatment for variations in the interest costs of the 1999 Series B NYSERDA Bonds and the Series E 10-year notes. As such, variations between the actual interest rates on these bonds and the interest rate included in the current delivery rate structure for these bonds are deferred for future recovery from or refund to customers and therefore do not impact earnings. The regulatory asset or liability related to the variable rate note is included in the "other" category, See Note 4 – "Regulatory Matters".

Long-Term Debt Maturities

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

Financing Petition

By Order issued and effective November 22, 2021, the PSC authorized Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed $250 million; and to issue and sell new long-term debt in an aggregate amount not to exceed $412 million through December 2024. The Order also allows Central Hudson to refinance $33.7 million of existing variable-rate debt obligations prior to December 31, 2024.

The continuation of our current revolving credit agreement of $200 million and the ability to increase the limit to $250 million of credit provides liquidity to support construction forecasts, seasonality, volatile energy markets, adverse borrowing environments, and other unforeseen events. See Note 9 – "Short-Term Borrowing Arrangements" for additional information on the committed credit funding.

The approval to issue and sell up to $412 million of long-term debt provides Central Hudson with additional means to fund operational needs, continued capital investments and repay maturing debt.

Debt Covenants

CH Energy Group's $8.7 million of privately placed notes require compliance with certain covenants including maintaining a ratio of total consolidated debt to total consolidated capitalization of no more than 0.65 to 1.00 and not permitting certain debt, other than the privately placed notes, associated with the unregulated operations of CH Energy Group to exceed 10% of total consolidated assets.

Central Hudson, under the terms of the various note purchase agreements, is subject to similar financial covenants and restrictions to those of CH Energy Group, including restrictions with respect to Central Hudson's indebtedness and assets.

As of December 31, 2021, CH Energy Group and Central Hudson were in compliance with all covenants.

NOTE 12 – Post-Employment Benefits

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

Pension Benefits

Central Hudson has a non-contributory Retirement Plan covering substantially all of its employees hired before January 1, 2008 and a non-qualified SERP for certain executives. The Retirement Plan is a defined benefit plan, which provides pension benefits based on an employee's compensation and years of service. In 2007, Central Hudson amended the Retirement Plan to eliminate these benefits for managerial, professional, and supervisory employees hired on or after January 1, 2008. The Retirement Plan for unionized employees was similarly amended for all employees hired on or after May 1, 2008. As of December 31, 2021, 33% of all active employees were eligible to participate in the Retirement Plan. The Retirement Plan's assets are held in a trust fund. Central Hudson has provided periodic updates to the benefit formulas stated in the Retirement Plan.

Central Hudson's funded status for Pension benefits was $68.7 million at December 31, 2021 and a liability of $26.8 million at December 31, 2020. The fluctuation in Central Hudson's under-funded liability status to a prefunded status of approximately $95.5 million was the result of a decrease in the PBO liabilities of approximately $47.6 million coupled with a $47.9 million increase in plan assets. The decrease in liabilities was primarily driven by an increase in the discount rate and the increase in plan assets was primarily driven by investment gains.

The funded status includes the difference between the PBO for the Retirement Plan and the market value of the pension assets, net of any liability for the non-qualified SERP. The funded status does not reflect approximately $40.1 million and $32.9 million of SERP trust assets at December 31, 2021 and 2020.

The cumulative amount of net periodic benefit cost in excess of employer contributions at December 31, 2021 and December 31, 2020 was $26.1 million and $25.8 million, respectively. This does not include any cumulative contributions to the SERP as it is a non-qualified plan.

The difference between these amounts and the prefunded asset/(accrued liability balance), totaling $94.8 million at December 31, 2021 and ($1.1) million at December 31, 2020, represents the required funded status adjustment and will be recognized in Central Hudson's future expense. Gains or losses and prior service costs or credits that arise during the period, but that are not recognized as components of net periodic pension cost, would typically be recognized as a component of other comprehensive income ("OCI"), net of tax. However, Central Hudson has PSC approval to record regulatory assets or liabilities rather than adjusting comprehensive income to offset the funding status adjustment for amounts recoverable from customers in future rates. Therefore, these funded status adjustments have been recorded as a regulatory asset/liability for the portion recoverable/refundable from/to Central Hudson customers in accordance with the 1993 PSC Policy and as OCI for the portion, net of tax, that relates to a former Central Hudson officer who transferred to an affiliated company. These amounts reported as OCI are charged to and reimbursed by the affiliated company.

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

	December 31, 2021(1)(2)	December 31, 2020(1)(2)
Prefunded/(accrued) pension costs	$ 68,728	$ (26,813)

(1) Includes approximately $0.2 million at December 31, 2021 and 2020 of accrued pension liability recorded at CH Energy Group as a result of the resignation in 2014 of a CH Energy Group officer with a change in control agreement.

(2) Includes approximately $1.5 million at December 31, 2021 and 2020 that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

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

	December 31, 2021(1)(2)	December 31, 2020(1)(2)
Accrued pension costs prior to funding status adjustment	$ (26,068)	$ (25,751)
Funding status adjustment required	94,796	(1,062)
Prefunded (Accrued) pension costs	$ 68,728	$ (26,813)
Offset to funding status adjustment - regulatory (liability) assets - pension plan	$ (94,773)	$ 851
Offset to funding status adjustment - accumulated OCI, net of tax of ($6) and $55, respectively	$ (17)	$ 156

(1) Includes approximately $0.2 million at December 31, 2021 and 2020 of accrued pension liability recorded at CH Energy Group as a result of the resignation in 2014 of a CH Energy Group officer with a change in control agreement.

(2) Includes approximately $1.5 million at December 31, 2021 and 2020 that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

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

In accordance with the terms of the Trust agreement for the SERP, following the acquisition of CH Energy Group, Inc. by Fortis on June 27, 2013, Central Hudson is required to maintain a funding level for the SERP at 110% of the present value of the accrued benefits payable under the Plan on an annual basis.

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

	Year Ended December 31,		
	2021	2020	2019
Retirement Plan	$ -	$ -	$ -
SERP	$ 8,115	$ 6,998	$ -

Retirement Plan Discount Rate

The valuation of the current and prior year PBO was determined using discount rates of 2.76% and 2.34% for December 31, 2021 and 2020, respectively, as determined from the Mercer Pension Discount Yield Curve reflecting projected pension cash flows. A 1.0% increase in the discount rate would decrease the projection of the pension PBO by approximately $98.4 million. Central Hudson accounts for pension activity in accordance with PSC-prescribed provisions, which among other things, requires a ten-year amortization of actuarial gains and losses.

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

Retirement Plan Expected Long-Term Rates of Return

The expected long-term rate of return on the Retirement Plan assets utilized in the calculation of the net periodic benefit cost, net of investment expense for December 31, 2021 and 2020 is 4.60% and 5.09%, respectively. In determining the expected long-term rate of return on plan assets, Central Hudson considered forward-looking estimated returns evaluated in light of current economic conditions and based on internally consistent economic models. The expected long-term rate of return is a weighted average based on each plan's investment mix and the forward-looking estimated returns for each investment class. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets in accordance with the Retirement Plan strategy. A 1.0% decrease in the expected long-term rate of return would have increased the 2021 net periodic benefit cost by approximately $8.1 million.

Retirement Plan Policy and Strategy

Central Hudson's Retirement Plan investment policy seeks to reduce the plan's funded status volatility while targeting a rate of growth equivalent to that of the liability within reasonable risk tolerance levels. In addition to traditional risk and return measures, the policy reflects liability-based considerations, including the Retirement Plan's funded status, contribution requirements and financial statement items.

Due to market fluctuations, Retirement Plan assets require rebalancing from time to time to maintain the asset allocation within target ranges.

Asset allocation targets in effect as of December 31, 2021, as well as actual asset allocations as of December 31, 2021, and December 31, 2020 expressed as a percentage of the market value of Retirement Plan assets, are summarized in the table below:

Asset Class	Minimum	Target Average	Maximum	December 31, 2021	December 31, 2020
Equity Securities	45%	50%	55%	53.2%	52.4%
Debt Securities	45%	50%	55%	45.3%	45.9%
Other[1]	0%	0%	10%	1.5%	1.7%

(1) Consists of temporary cash investments, as well as receivables for investments sold and interest and payables for investments purchased, which have not settled as of that date.

Retirement Plan Investment Valuation

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

Below is a listing of the major categories of plan assets held as of December 31, 2021 and 2020, that are reported at net asset value or fair value, as indicated (Dollars in Thousands):

Investment Type	Value at 12/31/21	% of Total	Value at 12/31/20	% of Total
At Net Asset Value:				
Investment Funds - Equities	$ 466,054	53.2%	$ 433,637	52.4%
Investment Funds - Fixed Income	135,040	15.4	128,325	15.5
At Fair Value:				
Level 2:				
Cash Equivalents	11,203	1.3	12,599	1.5
Investment Funds - Fixed Income	261,887	29.9	251,767	30.4
Other Investments	1,875	0.2	1,842	0.2
	$ 876,059	100.0%	$ 828,170	100.0%

Other Post-Retirement Benefits

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

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

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

Central Hudson's asset (i.e. the over-funded status) for OPEB was $30.5 million and $6.5 million at December 31, 2021 and 2020, respectively. The increase in the over-funded status of approximately $24.0 million resulted from a $16.1 million increase in plan assets coupled with a decrease in plan liabilities of approximately $7.9 million. The increase in plan assets was primarily driven by investment gains. The decrease in plan liabilities was primarily driven by an increase in the discount rate.

The cumulative amount of net periodic benefit cost in excess of employer contributions at December 31, 2021 and December 31, 2020 was $0.6 million and $7.2 million, respectively. The difference between these amounts and the over-funded asset balance, totaling $31.1 million at December 31, 2021 and $13.7 million at December 31, 2020 will be recognized as a credit in Central Hudson's future expense and has been recorded as a regulatory liability in accordance with the 1993 PSC Policy.

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

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

	Year Ended December 31,		
	2021	2020	2019
OPEB Plans	$ 812	$ 1,081	$ 1,001

OPEB Healthcare Cost Trend Rate

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

	One Percentage Point	
	Increase	Decrease
Effect on total of service and interest cost components for 2021	$ 835	$ (655)
Effect on year-end 2021 post-retirement benefit obligation	$ 15,775	$ (12,828)

OPEB Discount Rate

The PBO for Central Hudson's obligation for OPEB costs was determined using a discount rate of 2.74% and 2.32% for December 31, 2021 and 2020, respectively. This rate was determined using the Mercer Pension Discount Yield Curve reflecting projected cash flows. A 1.0% increase in the discount rate for 2021 would have decreased the projection of the OPEB obligation by approximately $18.0 million.

OPEB Expected Long-Term Rates of Return

The expected long-term rate of return on OPEB assets utilized in the calculation of the net periodic benefit cost, net of investment expense for December 21, 2021 and 2020 is 5.01% and 5.55%, respectively. In determining the expected long-term rate of return on plan assets, Central Hudson considered forward-looking estimated returns for each asset class evaluated in light of current economic conditions. The expected long-term rate of return is a weighted average based on each plan's investment mix and the forward-looking estimated returns for each investment class. A 1.0% decrease in the expected long-term rate of return would have increased the 2021 net periodic benefit cost by $1.6 million. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets as deemed appropriate in accordance with the OPEB plan's strategy.

OPEB Policy and Strategy

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

The asset allocation strategy employed in the VEBA reflects Central Hudson's return objectives and what management believes is an acceptable level of short-term volatility in the market value of the VEBA's assets in exchange for potentially higher long-term returns. The mix of assets 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 the VEBA's assets, summarized in the table below:

Asset Class	Minimum	Target Average	Maximum	December 31, 2021	December 31, 2020
Equity Securities	55%	65%	75%	68.7%	67.9%
Debt Securities	25%	35%	45%	30.9%	31.7%
Other	- %	- %	- %	0.4%	0.4%

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

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

OPEB Investment Valuation

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

Below is a listing of the major categories of plan assets held as of December 31, 2021 and 2020, that are reported at net asset value or fair value, as indicated (Dollars in Thousands):

401(h) Plan Assets

Investment Type		Market Value at 12/31/21	% of Total		Market Value at 12/31/20	% of Total
At Net Asset Value:						
Investment Funds - Equities	$	18,429	53.2%	$	17,080	52.4%
Investment Funds - Fixed Income		5,340	15.4		5,055	15.5
At Fair Value:						
Level 2:						
Cash Equivalents		439	1.3		502	1.5
Investment Funds - Fixed Income		10,356	29.9		9,917	30.4
Other Investments		78	0.2		67	0.2
	$	34,642	100.0%	$	32,621	100.0%

Union VEBA Plan Assets

Investment Type		Market Value at 12/31/21	% of Total		Market Value at 12/31/20	% of Total
At Fair Value:						
Level 1:						
Cash Equivalents	$	628	0.4 %	$	549	0.4 %
Investment Funds - Equities		99,598	68.7		88,914	67.9
Investment Funds - Fixed Income		44,849	30.9		41,554	31.7
	$	145,075	100.0 %	$	131,017	100.0 %

Detail of the change in Central Hudson's Pension and OPEB benefit obligations, fair value of plan assets and funded status as of and for the periods ended December 31, 2021 and 2020 is as follows (In Thousands):

	Pension Benefits(1)				Other Post Retirement Benefits			
	2021		2020		2021		2020	
Change in Benefit Obligation:								
Benefit Obligation at beginning of year	$	854,983	$	746,774	$	157,141	$	134,943
Service cost		15,053		13,453		1,875		1,671
Interest cost		19,849		23,688		3,568		4,193
Participant contributions		-		-		1,332		1,234
Benefits paid		(36,012)		(33,818)		(7,609)		(7,676)
Actuarial (gain)/loss		(46,542)		104,886		(7,070)		22,776
Benefit Obligation at end of year	$	807,331	$	854,983	$	149,237	$	157,141
Change in Value of Plan Assets:								
Fair Value of Plan Assets at beginning of year	$	828,170	$	734,470	$	163,638	$	147,458
Actual return on plan assets		84,281		128,554		21,848		21,401
Employer contributions		1,476		1,131		812		1,081
Participant contributions		-		-		1,332		1,234
Benefits paid		(36,012)		(33,818)		(7,609)		(7,676)
Other		(1,856)		(2,167)		(304)		140
Fair Value of Plan Assets at end of year	$	876,059	$	828,170	$	179,717	$	163,638
Funded Status at end of year	$	68,728	$	(26,813)	$	30,480	$	6,497

(1) The plan assets as presented in this chart do not include approximately $40.1 million and $32.9 million of SERP trust assets at December 31, 2021 and 2020.

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

	Pension Benefits[1]		Other Post Retirement Benefits	
	2021	2020	2021	2020
Amounts Recognized on Balance Sheet:				
Noncurrent assets	$ 70,222	$ -	$ 30,480	$ 6,497
Current liabilities	(1,494)	(1,473)	-	-
Noncurrent liabilities		(25,340)	-	-
Funded Status at end of year	$ 68,728	$ (26,813)	$ 30,480	$ 6,497
Regulatory asset(liability):				
Net actuarial gain	$ (96,441)	$ (1,109)	$ (29,264)	$ (11,435)
Prior service costs (credit)	$ 1,645	$ 2,171	$ (1,841)	$ (2,303)
Other comprehensive income:				
Net actuarial (gain)/loss, net of tax	$ (18)	$ 39	$ (2)	$ 1
Prior service costs, net of tax	$ 1	$ 117	$ -	$ 4

(1) The funded status in this chart does not reflect approximately $40.1 million and $32.9 million of SERP trust assets at December 31, 2021 and 2020.

Central Hudson's net periodic benefit costs for its Pension and OPEB plans for the periods ended December 31, 2021 and 2020 are as follows (In Thousands):

	Pension Benefits		Other Post Retirement Benefits	
	2021	2020	2021	2020
Components of Net Periodic Benefit Cost:				
Service cost	$ 15,053	$ 13,453	$ 1,875	$ 1,671
Interest cost	19,849	23,688	3,568	4,193
Expected return on plan assets	(36,168)	(35,346)	(7,944)	(7,941)
Amortization of prior service cost (credit)	527	647	(456)	(456)
Amortization of recognized actuarial net (gain)/loss	2,532	1,605	(2,601)	(3,916)
Net Periodic (Benefit) Cost	$ 1,793	$ 4,047	$ (5,558)	$ (6,449)

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

	Pension Benefits[1]		Other Post Retirement Benefits	
	2021	2020	2021	2020
Other Changes in Plan Assets and Benefit Obligation Recognized in Regulatory Assets/Liabilities:				
Net (gain)/loss	$ (92,801)	$ 13,846	$ (20,431)	$ 9,359
Amortization of actuarial net (loss) gain	(2,532)	(1,605)	2,601	3,916
Amortization of prior service (cost) credit	(527)	(647)	456	456
Total recognized in regulatory asset	$ (95,860)	$ 11,594	$ (17,374)	$ 13,731
Total recognized in net periodic benefit cost and regulatory asset	$ (94,067)	$ 15,641	$ (22,932)	$ 7,282

Weighted-average assumptions used to determine benefit obligations:				
Discount rate	2.76%	2.34%	2.74%	2.32%
Rate of compensation increase (average)	3.90%	3.90%	3.90%	3.90%
Measurement date	12/31/21	12/31/20	12/31/21	12/31/20
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:				
Discount rate	2.34%	3.20%	2.32%	3.18%
Expected long-term rate of return on plan assets	4.60%	5.09%	5.01%	5.55%
Rate of compensation increase (average)	3.90%	4.00%	3.90%	4.00%
Assumed health care cost trend rates at December 31:				
Health care cost trend rate assumed for next year	N/A	N/A	6.00%	5.52%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.00%	4.50%
Year that the rate reaches the ultimate trend rate	N/A	N/A	2046	2038
Accumulated Benefit Obligation	$ 756,806	$ 795,099	N/A	N/A

(1) The fair value of plan assets presented in this chart does not include approximately $40.1 million and $32.9 million of SERP trust assets at December 31, 2021 and 2020.

Estimated net gain of $14.7 million and prior service cost of $0.5 million for the defined benefit pension plans will be amortized from regulatory liability and OCI respectively, into net periodic benefit cost over the next fiscal year. Estimated net gain of $5.7 million and prior service credit of $0.5 million for the other defined benefit post-retirement plans will be amortized from regulatory liability and OCI respectively, into net periodic benefit cost over the next fiscal year. The amount of transitional obligation to be amortized from regulatory liabilities and OCI is immaterial.

Estimated Future Benefit Payments

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

Year	Pension Benefits - Gross	Other Benefits - Gross	Other Benefits - Net[1]
2022	$ 38,677	$ 7,869	$ 7,335
2023	39,272	8,223	7,682
2024	39,938	8,489	7,936
2025	40,628	8,612	8,042
2026	41,465	8,886	8,304
Next five years	211,566	43,995	40,792

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

401(k) Retirement Plan

Central Hudson sponsors a 401(k) plan for its employees. The 401(k) plan provides for employee tax-deferred salary deductions for participating employees and employer matches. The matching benefit varies by employee group. Central Hudson's matching contributions for the years ended December 31, 2021, 2020 and 2019 were $5.8 million, $5.6 million, and $5.2 million, respectively. Central Hudson also provides an additional contribution of 4% to the 401(k) plan of annualized base salary for eligible employees who do not qualify for Central Hudson's Retirement Income Plan. The additional non-discretionary contribution was approximately $2.8 million, $2.7 million and $2.3 million for 2021, 2020, and 2019, respectively.

NOTE 13 – Equity-Based Compensation

Share Unit Plan Units

In January 2021, officers of Central Hudson were granted 14,249 Units under the 2021 Fortis Restricted Share Unit Plan (“2021 RSUP”), representing a portion of the officers’ long-term incentives. The issued 2021 Restricted Units granted are time-based and vest at the end of the three-year period without regard to performance. Each 2021 RSUP Unit granted has an underlying value equivalent to the value of one common share of Fortis and if earned and vested is paid in cash, unless a participant does not satisfy their share ownership requirements or chooses to settle in shares. The settlement in shares by a participant will result in the modification from a liability award to an equity award and an election to settle in shares cannot be made later than 30 days prior to the awards vesting. The foreign exchange rate utilized for cash payout in the US dollar equivalent for each plan corresponds to the exchange rate on the business day prior to the date of that 2021 RSUP Unit grant. Each 2021 RSUP Unit accrues notional dividend equivalents equal to the dividends declared by the Fortis Board of Directors on Fortis common shares.

In January 2021, officers of Central Hudson were granted 28,497 Units under the Central Hudson 2021 Share Unit Plan (“2021 SUP”), representing a portion of the officers’ long-term incentives. The issued 2021 SUP Units granted are performance based and vest at the end of the three-year performance period upon achievement of specified cumulative performance goals. Each 2021 SUP Unit granted has an underlying value equivalent to the value of one common share of Fortis and if earned and vested is paid in cash. The foreign exchange rate utilized for cash payout in the US dollar equivalent for each plan corresponds to the exchange rate on the business day prior to the date of that 2021 SUP Unit grant. Each 2021 SUP Unit accrues notional dividend equivalents equal to the dividends declared by the Fortis Board of Directors on Fortis common shares.

In 2020, officers of CH Energy Group and Central Hudson were granted Units under the 2020 Fortis Restricted Share Unit Plan (“2020 RSUP”), representing a portion of the officers’ long-term incentives. The issued 2020 Restricted Units granted are time-based and vest at the end of the three-year period without regard to performance. Each 2020 RSUP Unit granted has an underlying value equivalent to the value of one common share of Fortis and if earned and vested is paid in cash, unless a participant does not satisfy their share ownership requirements or chooses to settle in shares. The settlement in shares by a participant will result in the modification from a liability award to an equity award and an election to settle in shares cannot be made later than 30 days prior to the awards vesting. The foreign exchange rate utilized for cash payout in the US dollar equivalent for each plan corresponds to the exchange rate on the business day prior to the date of the 2020 RSUP Unit grant. Each 2020 RSUP Unit accrues notional dividend equivalents equal to the dividends declared by the Fortis Board of Directors on Fortis common shares.

In prior periods, CH Energy Group granted Units to an officer of CH Energy Group under Performance Share Unit Plans, the (“2020 PSUP”) in 2020, the (“2019 PSUP”) in 2019, and in 2018 the (“2018 PSUP”), (collectively “PSUP”). The PSUP Units granted under these plans are primarily performance based and vest upon achievement of specified performance goals over the applicable three-year performance period. The 2019 PSUP also included the grant of time-based awards that vest at the end of the three-year period without regard to performance. Each PSUP Unit has an underlying value equivalent to the value of one common share of Fortis and if earned and vested is paid in cash. The foreign exchange rate utilized for cash payout in the US dollar equivalent corresponds to the exchange rate on the business day prior to the date of the PSUP Unit grant. Each PSUP Unit accrues notional dividend equivalents equal to the dividends declared by the Fortis Board of Directors on Fortis common shares.

Officers of Central Hudson were granted Units under the Central Hudson 2020 ("2020 SUP"), the 2019 ("2019 SUP"), and the 2018 ("2018 SUP") Share Unit Plans, collectively the ("SUP plans"); representing a portion of the officers' long-term incentives. The issued 2020 SUP Units granted are performance based and vest at the end of the three-year performance period upon achievement of specified cumulative performance goals. Two-thirds of the SUP Units granted under the 2019 SUP and 2018 SUP plans are performance based and vest at the end of the respective three-year performance period upon achievement of specified cumulative performance goals. The remaining SUP Units that were granted under the 2019 SUP and 2018 SUP plans are time-based and vest at the end of the respective three-year period without regard to performance. For all grants issued under the SUP plans, each SUP Unit is equivalent to the value of one common share of Fortis and if earned and vested is paid in cash. The foreign exchange rate utilized for cash payout in the US dollar equivalent for each plan corresponds to the exchange rate on the business day prior to the date of that SUP Unit grant. Each SUP Unit accrues notional dividend equivalents equal to the dividends declared by the Fortis Board of Directors on Fortis common shares.

Awards granted under the 2018 PSUP and 2018 SUP Plans vested and were paid out during the first quarter of 2021.

CH Energy Group:		Grant Date	Time Based		Performance Based	
	Grant Date	Fair Value	Granted	Outstanding[6]	Granted	Outstanding[6]
2020 RSUP[5]	January 1, 2020	$ 41.55	7,257	7,811	-	-
2020 PSUP[5]	January 1, 2020	$ 41.55	-	-	21,770	23,433
2019 PSUP	January 1, 2019	$ 33.10	8,838	9,858	26,514	29,573
2018 PSUP[1]	January 1, 2018	$ 36.59	-	-	29,514	-

Central Hudson:		Grant Date	Time Based		Performance Based	
	Grant Date	Fair Value	Granted	Outstanding[2][6]	Granted	Outstanding[2][6]
2021 RSUP	January 1, 2021	$ 41.12	14,249	14,794	-	-
2021 SUP	January 1, 2021	$ 41.12	-	-	28,497	29,587
2020 RSUP[5]	January 1, 2020	$ 41.55	12,655	13,622	-	-
2020 SUP[5]	January 1, 2020	$ 41.55	-	-	25,311	27,244
2019 SUP[4]	January 1, 2019	$ 33.10	15,691	13,917	31,383	32,739
2018 SUP[3][1]	January 1, 2018	$ 36.59	16,337	-	32,675	-

[1] In the first quarter of 2021, 49,732 units under the 2018 SUP and 32,998 units under the 2018 PSUP vested and were paid out at $41.64 per unit for a total of approximately $4.1 million.

[2] In the second quarter of 2019, 3,337 2017 SUP units, 2,814 2018 SUP units, and 3,075 2019 SUP units were forfeited following the resignation of an Officer.

[3] In the third quarter of 2020, per the 2018 SUP agreement, time based units were paid out related to Officer retirements at 859 shares at $42.93 per unit and 1,140 shares at $44.91 per unit.

[4] In the third quarter of 2020, per the 2019 SUP agreement, time based units were paid out related to Officer retirements at 942 shares at $39.57 per unit and 1,336 shares at $41.39 per unit.

[5] During 2020, the grant date fair value share price was corrected from the previously disclosed Canadian dollar share price of CAD$53.97 to the US dollar share price. There was no financial statement impact resulting from the change to the disclosure.

[6] Includes notional dividends accrued as of December 31, 2021.

Compensation Expense

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

	Year Ended December 31,		
	2021	2020	2019
CH Energy Group	$ 2,617	$ 2,434	$ 3,023
Central Hudson	$ 2,618	$ 2,435	$ 3,012

The liabilities associated with the annual RSUP, SUP and PSUP plans are recorded at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the respective liabilities is based on the Fortis common share 5 day volume weighted average trading price at the end of each reporting period and the expected payout based on management's best estimate in accordance with the defined metrics of each grant.

Under the annual RSUP, SUP and PSUP agreements (“the Plans”), the amount of any outstanding awards payable to an employee who retires during the term of the grant and who has 15 years of service and provides at least six months prior notice of retirement under the terms of the Plans, is determined as if the employee continued to be an employee through the end of the performance period. In accordance with ASU 2014-12, in this situation, compensation expense for that individual is recognized over the requisite service period, instead of the performance period. In all periods presented, additional expense was recognized in accordance with ASU 2014-12 for Central Hudson officers who are retirement eligible under terms of the Plans in which they have attained the required retirement age and met the required 15 years of service. Fluctuations in compensation expense in the comparative periods can result from changes in the Fortis Inc. common stock share price and the projected performance payout percentages.

Employee Share Purchase Plan

Effective May 17, 2017, the Company adopted the Fortis Amended and Restated 2012 Employee Share Purchase Plan (“ESPP”). Fortis authorized 600,000 of its common shares to be offered under the ESPP. The ESPP allows eligible employees of Fortis and adopting subsidiaries to contribute during any investment period an amount not less than 1% and not more than 10% of their eligible compensation to purchase Fortis’ common shares. Under the ESPP, employees are entitled to fund contributions through interest free loans from the Company. At December 31, 2021 and 2020, employee loans due to the Company related to the ESPP were approximately $0.2 million and $0.3 million, respectively.

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

NOTE 14 – Commitments and Contingencies

Electricity Purchase Commitments

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

Energy Credit Purchase Obligations

In August 2016, the PSC issued Order 15-E-0302 adopting a Clean Energy Standard that includes Renewable Energy Credits ("RECs") and Zero-Emissions Credit ("ZECs") requirements. Since 2017, LSEs, which include Central Hudson, have been required to obtain Tier 1 RECs and ZECs in amounts determined by the PSC. LSEs may satisfy their REC obligation by either purchasing RECs acquired through central procurement by NYSERDA, by self-supply through direct purchase of tradable RECs, through value stack Tier 1 offset payments, or by making alternative compliance payments. Through March 31, 2022, LSEs will purchase ZECs from NYSERDA at tranche prices approved by the PSC based on qualifying in-state nuclear plant output and Central Hudson's full-service customer New York Control Area load-ratio share. Central Hudson's ZEC obligation is comprised of an administratively determined ZEC price, Central Hudson's monthly load volume, as defined by NYISO billing data, and a load modifier adjustment factor. The actual obligation will be determined and is contingent upon actual load served. In October 2020, the PSC issued an Order that revised the Tier 1 REC obligations through calendar year 2023 and set requirements for Tier 2 Competitive RECs through calendar year 2025. NYSERDA introduced indexed Tier 1 RECs beginning January 1, 2021. REC pricing will change each quarter (weighted average of vintage fixed and new indexed RECs) and the alternative compliance payment will be set in advance of the compliance year. These future costs are recoverable from customers through electric cost adjustment mechanisms.

At December 31, 2021, based on Central Hudson's estimated annual load to be served through March 31, 2022, the total obligation to procure ZECs is estimated to be approximately $3.0 million. The requirement to procure ZECs will continue based upon Central Hudson's future load served to its customers through 2029. The current obligation to procure Tier 1 RECs is defined as a percentage of load served in the state through December 31, 2023 and as a "pay as you go" load basis for Tier 2 RECs; the combined Tier 1 and Tier 2 REC obligation is estimated for Central Hudson to be approximately $9.8 million through December 31, 2025.

Natural Gas Commitments

Central Hudson meets its natural gas capacity and supply obligations through firm natural gas supply contracts with energy providers for the purchase of natural gas including peak demand supply. Gas supply contracts are generally short term in nature. Central Hudson also enters into contracts associated with natural gas interstate pipeline capacity, and supply contracts for storage of natural gas.

Commitments

The following is a summary of commitments for CH Energy Group and its affiliates as of December 31, 2021 (In Thousands):

	Projected Payments Due By Period						
	Year Ending 2022	Year Ending 2023	Year Ending 2024	Year Ending 2025	Year Ending 2026	Thereafter	Total
Recorded Contractual Obligations:							
Operating Leases	$ 537	545	$ 506	$ 451	$ 404	$ 1,701	$ 4,144
Repayments of Long-Term Debt	25,364	2,100	32,245	22,401	50,000	799,400	931,510
Stock-based compensation obligations	5,250	3,580	1,628	-	-	-	10,458
Unrecorded Contractual Obligations:							
Purchased Electric Contracts (1)	17,461	3,042	143	143	143	274	21,206
Energy Credit Purchase Agreements	5,211	5,047	1,311	1,311	-	-	12,880
Purchased Natural Gas Contracts (1)	31,487	16,688	12,987	6,168	5,169	11,776	84,275
Interest Obligations on Long-Term Debt	35,234	34,703	34,284	33,739	33,318	558,923	730,201
Total	$ 120,544	$ 65,705	$ 83,104	$ 64,213	$ 89,034	$ 1,372,074	$ 1,794,674

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

The following is a summary of commitments for Central Hudson as of December 31, 2021 (In Thousands):

	Projected Payments Due By Period						
	Year Ending 2022	Year Ending 2023	Year Ending 2024	Year Ending 2025	Year Ending 2026	Thereafter	Total
Recorded Contractual Obligations:							
Operating Leases	$ 537	$ 545	$ 506	$ 451	$ 404	$ 1,701	$ 4,144
Repayments of Long-Term Debt	23,400	-	30,000	20,000	50,000	799,400	922,800
Stock-based compensation obligations	2,870	1,885	1,628	-	-	-	6,383
Unrecorded Contractual Obligations:							
Purchased Electric Contracts (1)	17,461	3,042	143	143	143	274	21,206
Energy Credit Purchase Agreements	5,211	5,047	1,311	1,311	-	-	12,880
Purchased Natural Gas Contracts (1)	31,487	16,688	12,987	6,168	5,169	11,776	84,275
Interest Obligations on Long-Term Debt	34,675	34,279	34,005	33,616	33,318	558,924	728,817
Total	$ 115,641	$ 61,486	$ 80,580	$ 61,689	$ 89,034	$ 1,372,075	$ 1,780,505

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

Other Commitments

Capital Expenditures

Central Hudson is a regulated utility and, as such, is obligated to provide service to customers within its service territory. Central Hudson's capital expenditures are largely driven by the need to ensure the continued and enhanced reliability and safety of the electric and natural gas systems for the long-term benefit of customers.

Pension Benefit and OPEB Funding Contributions

Central Hudson is subject to certain contractual benefit payment obligations. Decisions about how to fund the Retirement and OPEB Plans to meet these obligations are made annually and are primarily affected by the discount rate used to determine benefit obligations, current asset values, corporate resources and the projection of Retirement and OPEB Plan assets. Based on the funding requirements of the Pension Protection Act of 2006, Central Hudson plans to make contributions that maintain the target funded percentage for the Retirement Plan at 80% or higher. Actual contributions could vary significantly based upon economic growth, projected investment returns, inflation and interest rate assumptions. Actual funded status could vary significantly based on asset returns and changes in the discount rate used to estimate the present value of future obligations. In January 2022, Central Hudson made a contribution of $0.5 million to the 401(h) Plan to fund the management OPEB liabilities, in accordance with Central Hudson's OPEB policy and strategy. No funding contributions are expected to be made to the Retirement and VEBA Plans for the 2021 Plan years. See Note 19 – "Subsequent Events" for details of the January payment.

Supplemental Executive Retirement Plan

As a result of the acquisition of CH Energy Group, Inc. by Fortis on June 27, 2013, and in accordance with the terms of the Trust agreement for the SERP, Central Hudson is required to maintain a funding level at 110% of the present value of the accrued benefits payable under the Plan on an annual basis. Annual contributions to the SERP could vary based on investment returns, discount rates, and participant demographics. At December 31, 2021 the SERP was fully funded for 2021, in accordance with the requirements of the Trust agreement.

Parental Guarantee

CHET was established to be an investor in Transco, which was created to develop, own and operate electric transmission projects in New York State. On July 16, 2020, CH Energy Group's parental guarantee to Transco was adjusted from $182 million to $73.7 million. The Transco Board of Directors approved the reduction based on CHET's maximum commitment associated with the AC Project, the only project remaining under Transco's original FERC application and the initial guarantee. As of December 31, 2021, the amount of the outstanding parental guarantee is $65.7 million. CHET's investment in Transco was approximately $15.0 million at December 31, 2021, and CH Energy Group is currently not aware of any existing condition that would require any payments under this guarantee.

Contingencies

Environmental Matters

Central Hudson

- Site Investigation and Remediation Program

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

Central Hudson accrues for remediation costs based on the amounts that can be reasonably estimated at a point in time. At December 31, 2021, Central Hudson has accrued $71.7 million with respect to all SIR activities, including operation, maintenance and monitoring costs ("OM&M"), of which $5.9 million is anticipated to be spent in the next twelve months.

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

1. *Investigation* – Begins with preliminary investigations and is completed upon filing and approval by DEC of a Remedial Investigation ("RI") Report. Central Hudson accrues for estimated investigation costs.

2. *Remedial Alternatives Analysis ("RAA")* – Engineering analysis of alternatives for remediation based on the RI is compiled into a RAA Report. Management accrues for an estimate of remediation costs developed and quantified in the RAA based on DEC approved methods, as well as an estimate of post-remediation OM&M. These amounts represent a significant portion of the total costs to remediate and are subject to change based on further investigations, final remedial design and associated engineering estimates, regulatory comments and requests, remedial design changes/negotiations and changed or unforeseen conditions during the remediation or additional requirements following the remediation. Prior to the completion of the RAA, management cannot reasonably estimate what cost will be incurred for remediation or post-remediation activities.

3. *Remedial Design* - Upon approval of the RAA and final decision of remediation approach based on alternatives presented, a Remedial Design ("RD") or Remedial Action Work Plan is developed and filed with the DEC for approval.

4. *Remediation* – Completion of the work plan as defined in the approved RD. Upon completion, final reports are filed with the DEC for approval and may include a Construction Completion Report, Final Engineering Report, or other reports required by the DEC based on the work performed.

5. *Post-Remediation Monitoring* – Entails the OM&M as directed by the DEC based on the approved final report of remediation. The activities are typically defined in a Site Management Plan, which is approved by the DEC. The extent of activities during this phase may increase or decrease based on the results of ongoing monitoring being performed and future potential usage of the property.

6. *No Action Required* – No further investigation or remedial action is currently required. No further costs are expected, and no amounts are accrued related to this site.

These stages, the costs accrued and the sites currently in each stage include (dollars in millions):

Stage	Sites	Total Accrued Cost at December 31, 2021	Estimated spend in the next twelve months
Investigation	Little Britain Road	$ 2.1	$ 0.1
Remedial Alternatives Analysis		-	-
Remedial Design		-	-
Remediation	North Water Street	65.3	5.6
Post-Remediation Monitoring	Newburgh Areas A, B & C, Laurel Street, Catskill, Kingston, and Eltings Corners	4.3	0.2
No Action Required	Beacon and Bayeaux Street	-	-
Total		$ 71.7	$ 5.9

There were no significant updates during the year ended December 31, 2021 or changes in the nature and amounts of Central Hudson's contingencies related to environmental matters, except as noted below.

- **Remediation in Progress - Site – North Water Street**
  - In the first quarter of 2020, Central Hudson revised its estimate and recorded the low end of the range of projected costs for remediation activities associated with this site based on an assessment of a high-solids hydraulic dredging remedial alternative including predictive cost modeling for a pilot test and full-scale remediation.
  - In September 2020, the New York State DEC approved the Hydraulic Dredging Pilot Test ("HDPT") Work Plan and Water Supply Protection and Contingency Plan. Preliminary site monitoring and mobilization activities commenced in October 2020 and pilot test activities, including demobilization, were completed in January 2021.
  - The goals of the pilot study were successfully achieved. Hydraulic dredging was completed in three areas with different degrees of impacted sediment (no impact, medium impact and high impact). A draft hydraulic dredge pilot test evaluation summary report was prepared which summarized the data compiled related to:
    - production rates associated with the hydraulic dredge equipment in each area including the impacts of the protective shroud attached for additional protection,
    - impacts of sheening events that occurred, the ability to contain them and the related work stoppages during the pilot,
    - impact of prescribed protective measures regarding the placement of daily clean cover and backfill on the riverbed, and
    - debris encountered in the river and the related mechanical removal.
  - The report concluded that the use of hydraulic dredging was technically feasible. However, there were several factors (as noted above) that impacted the previously estimated production rates able to be achieved during the pilot. When extrapolated to full-scale remediation, the cumulative effect of these impacts on the production rates observed during the HDPT significantly increased the total estimated time to complete the dredging and backfilling remediation and, as a result of this increased time frame, also equated to a significant increase in the projected cost.
  - Based on the increase in the projected time frame and cost, it was concluded by the project's Engineer of Record ("EOR") that full-scale hydraulic dredging is not practical to pursue as the sole remedial approach. Following review of the evaluation summary report, the DEC concurred that this timeframe was not practical and agreed with the conclusion of the report. At this point, the DEC has communicated that removal of source material is still the best long-term remedy for the site and as such is directing Central Hudson to examine

other methods, including a mix of alternative approaches taking into consideration the extent of removal that may be feasible.

- A scope of work for limited upland remedial activities was submitted to and approved by the DEC in May 2021. The activities were completed in June 2021.
- During 2021, Central Hudson worked with the EOR to evaluate remedial alternative approaches, including some that still fit within the framework of the DEC approved Work Plan and achieved the established regulatory clean-up objectives within a reasonable time period, as well as other approaches that considered capping or monitoring-only activities. A Focused Remedial Alternatives Analysis ("FRAA") report presenting the evaluation of alternative approaches was submitted to the DEC in November 2021. A preliminary follow up discussion was held with the DEC in December 2021. The DEC did not provide any initial feedback regarding the alternatives at this time and requested further time to review the report and that additional meetings be held with all parties to discuss next steps.
- A draft Air Bubble Curtain ("ABC") Bench Scale Work Plan is currently under internal review. It is anticipated that the laboratory bench scale testing will be conducted in the first half of 2022. Based on the results of the laboratory testing, in-river testing may be conducted in the latter half of 2022.
- The total accrual for remediation as of December 31, 2021 for this site of $65.3 million reflects management's estimate of the low end of a predictive cost estimate range of potential alternatives, plus additional costs associated with the ABC, continued work of the EOR on the development of design and analysis of the FRAA based on future discussions with other parties, and other associated fees. The FRAA included potential alternatives for remediation with costs estimated as high as $95 million. The accrual will be updated as the alternative remedial approaches are discussed, and a path forward is agreed upon by all involved parties.
- The estimated spending as of December 31, 2021 for the next 12 months of approximately $5.6 million is primarily based on anticipated efforts to perform the additional analysis requested, conduct laboratory bench scale testing of an ABC and possible in-river testing, and continued alternative remedial approach discussions/design.

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

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

- ➢ As part of the 2021 Rate Order, Central Hudson maintained previously granted deferral authority and future recovery for the differences between actual Environmental SIR costs (both MGP and non-MGP) and the associated rate allowances, with carrying charges to be accrued on the deferred balances at the authorized pre-tax rate of return.
- ➢ The 2021 Rate Order includes cash recovery of approximately $24.2 million during the three-year rate plan period ending June 30, 2024, with $3.8 million recovered through December 31, 2021. The 2018 Rate Order included cash recovery of $25.7 million through the rate plan period ended June 30, 2021, all of which had been fully recovered.
- ➢ The total spending related to site investigation and remediation for the years ended December 31, 2021 and 2020 was approximately $3.3 million and $11.2 million, respectively.

- The regulatory asset balance as of December 31, 2021 and 2020, was $76.0 million and $84.4 million, respectively, which represents the cumulative difference between amounts spent or currently accrued as a liability and the amounts recovered to date through rates or insurance recoveries.

Central Hudson has put its insurers on notice and intends to seek reimbursement from its insurers for its costs. Certain of these insurers have denied coverage. There were no insurance recoveries during the years ended December 31, 2021 and 2020. We do not expect insurance recoveries to offset a meaningful portion of total costs.

Litigation

Asbestos Litigation

Central Hudson is involved in various asbestos lawsuits.

As of December 31, 2021, of the 3,383 asbestos cases brought against Central Hudson, 1,164 remain pending. Of the cases no longer pending against Central Hudson, 2,056 have been dismissed or discontinued without payment by Central Hudson and Central Hudson has settled 163 cases. Central Hudson is presently unable to assess the validity of the remaining asbestos lawsuits; however, based on information known to Central Hudson at this time, including Central Hudson's experience in settling asbestos cases and in obtaining dismissals of asbestos cases, Central Hudson believes that the costs which may be incurred in connection with the remaining lawsuits will not have a material adverse effect on the financial position, results of operations or cash flows of either CH Energy Group or Central Hudson.

Other Litigation

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

NOTE 15 – Segments and Related Information

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

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

CH Energy Group Segment Disclosure

(In Thousands)

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

CH Energy Group Segment Disclosure

(In Thousands)

	Year Ended December 31, 2020				
	Segments		Other		
	Central Hudson		Businesses		
		Natural	and		
	Electric	Gas	Investments	Eliminations	Total
Revenues from external customers	$ 552,002	$ 159,893	$ -	$ -	$ 711,895
Intersegment revenues	52	209	-	(261)	-
Total operating revenues	552,054	160,102	-	(261)	711,895
Energy supply costs	136,182	37,430	-	(261)	173,351
Operating expenses	302,534	72,132	241	-	374,907
Depreciation and amortization	50,847	16,016	-	-	66,863
Operating income (loss)	62,491	34,524	(241)	-	96,774
Other income, net	17,000	5,018	1,120	-	23,138
Interest charges	25,099	9,648	800	-	35,547
Income before income taxes	54,392	29,894	79	-	84,365
Income tax expense	9,058	6,087	117	-	15,262
Net Income(Loss) Attributable to CH Energy Group	$ 45,334	$ 23,807	$ (38)	$ -	$ 69,103
Segment Assets at December 31, 2020	$ 1,886,780	$ 737,757	$ 20,805	$ (1,218)	$ 2,644,124
Capital Expenditures	$ 170,931	$ 81,926	$ -	$ -	$ 252,857

CH Energy Group Segment Disclosure

(In Thousands)

	Year Ended December 31, 2019				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	$ 529,460	$ 162,203	$ -	$ -	$ 691,663
Intersegment revenues	46	299	-	(345)	-
Total operating revenues	529,506	162,502	-	(345)	691,663
Energy supply costs	142,131	49,729	-	(345)	191,515
Operating expenses	272,357	67,121	208	-	339,686
Depreciation and amortization	45,204	14,161	-	-	59,365
Operating income (loss)	69,814	31,491	(208)	-	101,097
Other income, net	8,892	2,464	1,299	-	12,655
Interest charges	24,851	8,680	921	-	34,452
Income before income taxes	53,855	25,275	170	-	79,300
Income tax expense	10,151	4,117	466	-	14,734
Net Income (Loss) Attributable to CH Energy Group	$ 43,704	$ 21,158	$ (296)	$ -	$ 64,566
Segment Assets at December 31, 2019	$ 1,730,543	$ 669,656	$ 18,349	$ (709)	$ 2,417,839
Capital Expenditures	$ 162,023	$ 76,694	$ -	$ -	$ 238,717

NOTE 16 – Accounting for Derivative Instruments and Hedging Activities

Purpose of Derivatives

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

- Interest rate caps are used to minimize interest rate risks and to improve the matching of assets and liabilities. An interest rate cap is an interest rate option agreement in which payments are made by the seller of the option when the reference rate exceeds the specified strike rate (or the set rate at which the option contract can be exercised). The purpose of these agreements is to reduce exposure to rising interest rates while still having the ability to take advantage of falling interest rates by putting a "cap" on the interest rate Central Hudson pays on debt for which such caps are purchased. See Note 11 - "Capitalization – Long-Term Debt" for further details regarding Central Hudson's interest rate cap agreements.

- Natural gas futures are used to mitigate commodity price volatility for natural gas purchases. A natural gas futures contract is a standardized contract to buy or sell a specified commodity (natural gas) of standardized quantity at a certain date in the future, at a market determined price (the futures price). Central Hudson's reason for purchasing these contracts is to moderate price fluctuations for natural gas and the impact of volatility in the commodity markets on its customers.

- Electricity swaps are used to mitigate commodity price volatility for electricity purchases for Central Hudson's full service customers. A swap contract or a contract for differences is the exchange of two payment streams between two counterparties where the cash flows are dependent on the price of the underlying commodity. In an effort to moderate commodity price volatility, Central Hudson enters into contracts to pay a fixed price and receive a market price for a defined commodity and volume. These contracts are aligned with Central Hudson's actual commodity purchases at market price, resulting in a net fixed price payment.

- Weather derivative contracts are used to hedge the effect of significant variances in weather conditions from normal patterns on purchased electricity and natural gas costs, and on the related revenues. Heating Degree Days ("HDD") are used to measure winter temperature risk where an HDD index is calculated by subtracting the average of the daily high and low temperatures from 65 degrees fahrenheit, representing the point where space heating is typically switched on. In recent years these daily HDD values are accumulated over the seasonal period of December 1st to March 31st where a strike price is triggered to protect the Company from price volatility when the HDD value is 45 degrees below the stated 65 degree starting point. Prior to 2021, premiums were paid for these weather related instruments and they were amortized based on the pattern of normal purchases of electricity or natural gas over the term of the contract and any payouts earned were recorded as a reduction of the cost. In 2021, instead of paying an upfront premium for our weather derivative contracts, an additional feature was added to pay the financial institution if and when weather is warmer than normal during the winter seasonal period. While customers are protected by price volatility at 45 degrees below 65 degrees fahrenheit, there is now a trigger to pay the financial institution when the HDD daily calculation does not fall 20.5 degrees below its 65 degree starting point. These values are accumulated daily and any payouts earned will continue to be netted with costs over the term of the contract.

Energy Contracts Subject to Regulatory Deferral

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

The percentage of Central Hudson's electric and natural gas requirements covered with fixed price forward purchases at December 31, 2021 are as follows:

Central Hudson	% of Requirement Hedged (1)
Electric Derivative Contracts:	0.5 million MWh
January 2022 – August 2022	29.9%
Natural Gas Derivative Contracts:	0.3 million Dth
January 2022 – March 2022	6.9%

(1) Projected coverage as of December 31, 2021.

In 2021, OTC derivative contracts covered approximately 29.6% of Central Hudson's total electricity supply requirements as compared to 32.1% in 2020.

Cash Flow Hedges

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

Derivative Risks

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

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

To help limit the credit exposure of derivatives, Central Hudson enters into master netting agreements with counterparties whereby contracts in a gain position can be offset against contracts in a loss position. Of the 26 total agreements held by Central Hudson, 11 agreements contain credit risk contingent features. As of December 31, 2021, two open contracts with credit risk contingent features were in a liability position. The aggregate fair value of the open derivative contracts that contain contingent features and the amount that would be required to settle these instruments on December 31, 2021 if the contingent features were triggered, are described below.

Contingent Contracts

(Dollars In Thousands)

	As of December 31, 2021		
Triggering Event	# of Contracts in a Liability Position Containing the Triggering Feature	Gross Fair Value of Contract	Cost to Settle if Contingent Feature is Triggered (net of collateral)
Central Hudson:			
Credit Rating Downgrade	2	$ (7,563)	$ (7,183)
Total Central Hudson	2	$ (7,563)	$ (7,183)

Derivative Contracts

CH Energy Group and Central Hudson have elected gross presentation for their derivative contracts under master netting agreements and collateral positions. On December 31, 2021 and December 31, 2020 Central Hudson did not have collateral posted against the fair value amount of derivatives.

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

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Received	Net Amount
As of December 31, 2021(1)						
Derivative Contracts:						
Central Hudson - electric	$ 1,604	$ -	$ 1,604	$ 380	$ -	$ 1,224
Central Hudson - natural gas	164	-	164	-	-	164
Total CH Energy Group and Central Hudson Assets	$ 1,768	$ -	$ 1,768	$ 380	$ -	$ 1,388
As of December 31, 2020(1)						
Derivative Contracts:						
Central Hudson - electric	$ -	$ -	$ -	$ -	$ -	$ -
Central Hudson - natural gas	18	-	18	14	-	4
Total CH Energy Group and Central Hudson Assets	$ 18	$ -	$ 18	$ 14	$ -	$ 4

(1) Interest rate cap agreements are not shown in the above chart. As of December 31, 2021 and 2020, the fair value was $0.

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Received	Net Amount
As of December 31, 2021(1)						
Derivative Contracts:						
Central Hudson - electric	$ 7,563	$ -	$ 7,563	$ 380	$ -	$ 7,183
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 7,563	$ -	$ 7,563	$ 380	$ -	$ 7,183
As of December 31, 2020(1)						
Derivative Contracts:						
Central Hudson - electric	$ 2,104	$ -	$ 2,104	$ -	$ -	$ 2,104
Central Hudson - natural gas	49	-	49	14	-	35
Total CH Energy Group and Central Hudson Liabilities	$ 2,153	$ -	$ 2,153	$ 14	$ -	$ 2,139

(1) Interest rate cap agreements are not shown in the above chart. As of December 31, 2021 and 2020, the fair value was $0.

Gross Fair Value of Derivative Instruments

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

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

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

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

Derivative contracts are measured at fair value on a recurring basis. As of December 31, 2021 and 2020, CH Energy Group's and Central Hudson's derivative assets and liabilities by category and hierarchy level are as follows (In Thousands):

Asset or Liability Category	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2021[1]				
Assets:				
Derivative Contracts:				
Central Hudson - electric	$ 1,604	$ -	$ 1,604	$ -
Central Hudson - natural gas	164	164	-	-
Total CH Energy Group and Central Hudson Assets	$ 1,768	$ 164	$ 1,604	$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ 7,563	$ -	$ 7,563	$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 7,563	$ -	$ 7,563	$ -
As of December 31, 2020[1]				
Assets:				
Derivative Contracts:				
Central Hudson - electric	$ -	$ -	$ -	$ -
Central Hudson - natural gas	18	18	-	-
Total CH Energy Group and Central Hudson Assets	$ 18	$ 18	$ -	$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ 2,104	$ -	$ 2,104	$ -
Central Hudson - natural gas	49	49	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 2,153	$ 49	$ 2,104	$ -

(1) Interest rate cap agreements are not shown in the above chart. These are classified as Level 2 in the fair value hierarchy using SIFMA Municipal Swap Curves and 3 month US Dollar Libor rate forward curves. As of December 31, 2021 and 2020, the fair value was $0.

The Effect of Derivative Instruments on the Statements of Income

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

For the years ended December 31, 2021, 2020 and 2019, neither CH Energy Group nor Central Hudson had derivatives designated as hedging instruments. The following table summarizes the effects of CH Energy Group's and Central Hudson's derivatives on the Statements of Income (In Thousands):

	Amount of Gain(Loss) Recognized as Increase/(Decrease) in the Statements of Income			
	Year Ended December 31,			
	2021	2020	2019	Location of Gain (Loss)
Central Hudson:				
Electricity swap contracts	$ (1,687)	$ (14,379)	$ (15,145)	Deferred purchased electric costs(1)
Natural gas swap contracts	404	(866)	(23)	Deferred purchased natural gas costs(1)
Total CH Energy Group and Central Hudson	$ (1,283)	$ (15,245)	$ (15,168)	

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

Other Hedging Activities

Central Hudson – Electric

In November 2021, Central Hudson entered into an HDD costless collar weather option for the period December 1, 2021 through March 31, 2022, to hedge the effect of significant variances in weather conditions on electricity costs. For Central Hudson, this transaction will impact purchased electric expense and revenue, but will not have a net income impact due to the full deferral authority over commodity costs through its electric cost adjustment charge mechanisms. The aggregate limit on the contract is $5 million. This contract will be accounted for in accordance with guidance specific to accounting for weather derivatives. No premium was paid for the HDD costless collar weather option and all payouts will be recorded as a reduction to purchased electricity and all expenses incurred will be recorded as an increase to purchased electric costs in the Statements of Income. In December 2021, Central Hudson recorded $0.3 million of expense incurred to purchased electric cost.

In 2020 and 2019, Central Hudson entered into premium based weather options for the periods of December 1, 2020 through March 31, 2021 and December 1, 2019 through March 31, 2020, respectively, with an aggregate limit of $5 million per contract. Premiums paid were amortized to purchased electricity over the term of the agreements. The respective payouts earned of $0.6 million and $0.1 million on the 2020 and 2019 contracts were recorded as a reduction to purchased electricity in the Statements of Income in the periods earned.

Based on Central Hudson's valuation models, the fair value of the costless collar weather option purchased for the December 1, 2021 through March 31, 2022 period, as of December 31, 2021 was approximately a net earned payout of $0.2 million. The fair value of the December 1, 2020 through March 31, 2021 weather option was approximately an earned payout of $0.5 million as of December 31, 2020. The valuations were based on significant unobservable inputs, including short term temperature forecast and historical temperature fluctuations in winter and, as such, would be a Level 3 valuation.

Central Hudson – Natural Gas

In November 2021, Central Hudson entered into an HDD costless collar weather option for the period December 1, 2021 through March 31, 2022, to hedge the effect of significant variances in weather conditions on natural gas costs. For Central Hudson, this transaction will impact purchased natural gas expense and revenue but will not have a net income impact due to the full deferral authority over commodity costs through its natural gas cost adjustment charge mechanisms. The aggregate limit on the contract is $5 million. This contract will be accounted for in accordance with guidance specific to accounting for weather derivatives. No premium was paid for the HDD costless collar weather option and all payouts will be recorded as a reduction to purchased natural gas and all expenses incurred will be recorded as an increase to purchased natural gas costs in the Statements of Income. In December 2021, Central Hudson recorded $0.3 million of expense incurred to purchased natural gas costs.

In 2020 and 2019, Central Hudson entered into premium based weather options for the periods of December 1, 2020 through March 31, 2021 and December 1, 2019 through March 31, 2020, respectively. The aggregate limit per contract was $5 million. Premiums paid were amortized to purchased natural gas over the term of the related agreement. The payout earned of $0.1 million on the 2020 contract was recorded as a reduction to purchased natural gas in the Statements of Income during the first quarter of 2021. There was no payout earned for the 2019 contract.

Based on Central Hudson's valuation models, the fair value of the costless collar weather option purchased for the December 1, 2021 through March 31, 2022 period, as of December 31, 2021 was approximately a net earned payout of $0.2 million. The fair value of the December 1, 2020 through March 31, 2021 weather option was approximately an earned payout of $0.4 million as of December 31, 2020. The valuations were based on significant unobservable inputs, including short term temperature forecast and historical temperature fluctuations in winter and, as such, would be a Level 3 valuation.

NOTE 17 – Other Fair Value Measurements

Other Assets Recorded at Fair Value

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2021:				
Other Investments	$ 21,624	$ 21,624	$ -	$ -
As of December 31, 2020:				
Other Investments	$ 14,776	$ 14,776	$ -	$ -

As of December 31, 2021 and 2020, a portion of the trust assets for the funding of the SERP and Deferred Compensation Plan were invested in mutual funds and money market accounts, which are measured at fair value on a recurring basis. These investments are valued at quoted market prices in active markets and, as such, are Level 1 investments as defined in the fair value hierarchy. These amounts are included in "Other investments" within the Deferred Charges and Other Assets section of the CH Energy Group's and Central Hudson's Balance Sheets.

The remaining amount reported in “Other investments” represents trust assets for the funding of the SERP and Deferred Compensation Plan held in trust-owned life insurance policies, which are recorded at cash surrender value. As of December 31, 2021 and 2020, the total cash surrender value of trust-owned life insurance held by these trusts was approximately $35.3 million and $33.1 million, respectively. The change in the cash surrender value is reported in “Other – net” income in the CH Energy Group’s and Central Hudson’s Income Statements.

Other Fair Value Disclosure

Financial instruments are recorded at carrying value in the financial statements, however, the fair value of these instruments are disclosed below in accordance with current accounting guidance related to financial instruments.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents: Carrying amount.

Short-Term Borrowings: Carrying amount.

Due to the short-term nature (typically one month or less) of these borrowings, the carrying value is equivalent to the current fair market value.

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

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

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

CH Energy Group

	Fixed Rate		Variable Rate		Total Debt Outstanding	
Expected Maturity Date	Amount	Estimated Effective Interest Rate	Amount	Estimated Effective Interest Rate	Amount	Estimated Effective Interest Rate
As of December 31, 2021:						
2022	$ 25,364	3.70%	$ -	-%		
2023	2,100	6.95%	-	-%		
2024	2,245	6.95%	30,000	1.22%		
2025	22,401	3.43%	-	-%		
2026	50,000	3.73%	-	-%		
Thereafter	765,700	4.14%	33,700	0.14%		
Total	$ 867,810	4.10%	$ 63,700	0.65%	$ 931,510	3.86%
Fair Value	$ 1,012,654		$ 63,700		$ 1,076,354	

As of December 31, 2020:								
2021	$	45,987	4.30%	$	-	-%		
2022		25,364	3.69%		-	-%		
2023		2,100	6.92%		-	-%		
2024		2,245	6.92%		30,000	1.25%		
2025		22,401	3.42%		-	-%		
Thereafter		685,700	4.27%		33,700	0.16%		
Total	$	783,797	4.24%	$	63,700	0.68%	$ 847,497	3.98%
Fair Value	$	949,413		$	63,700		$ 1,013,113	

Central Hudson

Expected Maturity Date	Fixed Rate			Variable Rate			Total Debt Outstanding	
	Amount		Estimated Effective Interest Rate	Amount		Estimated Effective Interest Rate	Amount	Estimated Effective Interest Rate
As of December 31, 2021:								
2022	$	23,400	3.42%	$	-	-%		
2023		-	-%		-	-%		
2024		-	-%		30,000	1.22%		
2025		20,000	3.00%		-	-%		
2026		50,000	3.73%		-	-%		
Thereafter		765,700	4.14%		33,700	0.14%		
Total	$	859,100	4.07%	$	63,700	0.65%	$ 922,800	3.83%
Fair Value	$	1,003,268		$	63,700		$ 1,066,968	
As of December 31, 2020:								
2021	$	44,150	4.19%	$	-	-%		
2022		23,400	3.42%		-	-%		
2023		-	-%		-	-%		
2024		-	-%		30,000	1.25%		
2025		20,000	3.00%		-	-%		
Thereafter		685,700	4.27%		33,700	0.16%		
Total	$	773,250	4.21%	$	63,700	0.68%	$ 836,950	3.94%
Fair Value	$	937,666		$	63,700		$ 1,001,366	

NOTE 18 – Related Party Transactions

Thompson Hine LLP serves as outside counsel to CH Energy Group and Central Hudson. One partner in that firm serves as each corporation's General Counsel and Corporate Secretary. In addition, The Chazen Companies perform engineering services for Central Hudson, and a principal in the firm serves as a director of Central Hudson.

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

	Year Ended December 31, 2021	2020	2019
CH Energy Group (Thompson Hine LLP)	$ 2,031	$ 2,264	$ 2,096
Central Hudson (Thompson Hine LLP)	$ 1,993	$ 2,233	$ 2,055
Central Hudson (The Chazen Companies)	$ 786	$ 710	$ 829

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

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

	December 31, 2021	December 31, 2020
CH Energy Group[(1)]	Fortis	Fortis
Accounts Receivable	$ 1,390	$ 1,350
Accounts Payable	$ -	$ -

	December 31, 2021			December 31, 2020		
Central Hudson[(1)]	CHEG	Fortis	Other Affiliates	CHEG	Fortis	Other Affiliates
Accounts Receivable	$ 36	$ 7	$ -	$ 157	$ 25	$ 9
Accounts Payable	$ 823	$ -	$ 1	$ 931	$ -	$ -

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

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

	December 31, 2021		December 31, 2020		December 31, 2019	
	CHEG	Fortis[(1)]	CHEG	Fortis[(1)]	CHEG	Fortis[(1)]
CH Energy Group	$ -	$ 4,055	$ -	$ 3,692	$ -	$ 3,121
Central Hudson	$ 4,442	$ -	$ 4,172	$ -	$ 3,545	$ -

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

NOTE 19 – Subsequent Events

An evaluation of subsequent events was completed through February 10, 2022, the date these Consolidated Financial Statements were available to be issued, to determine whether circumstances warranted recognition and disclosure of events or transactions in the Consolidated Financial Statements as of December 31, 2021.

On January 21, 2022, CH Energy Group's Board of Directors approved the acceptance of a capital contribution in the amount of $29.3 million from its parent FortisUS to be received in the first quarter of 2022.

On January 21 2022, Central Hudson's Board of Directors approved the acceptance of a capital contribution in the amount of $21 million from its parent CH Energy Group to be received in the first quarter of 2022.

On January 25, 2022, Standard and Poor's ("S&P") affirmed the rating of Central Hudson's senior unsecured debt and changed their rating outlook from stable to negative. S&P indicated that the outlook reflects the potential for a one-notch downgrade over the next 12 months due to expected weaker financial measures for Central Hudson. In addition, S&P cited that the impact of Central Hudson's 2021 Rate Order, and the Company's elevated capital expenditures program as negative factors that could impact the Company's financial ratios.

On January 27, 2022, Central Hudson issued $110 million of Senior Notes in two separate tranches. Series W, 5-year Senior Notes have an interest rate of 2.37% per annum and a maturity date of January 27, 2027. Series X, 7-year Senior Notes have an interest rate of 2.59% per annum and a maturity date of January 27, 2029. Central Hudson expects to use the proceeds from the sale of the Senior Notes for the repayment of maturing debt and general corporate purposes.

On January 28, 2022, Central Hudson made a contribution of $0.5 million to the 401(h) Plan to fund the management OPEB liabilities.

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS
For the Year Ended December 31, 2021

This Management Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the 2021 Financial Statements and the notes thereto.

Overview

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Enterprises Corporation, Central Hudson Electric Transmission LLC ("CHET") and Central Hudson Gas Transmission LLC ("CHGT"). Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its 6.1% ownership interest in New York Transco LLC ("Transco"). Transco is a partnership with affiliates of other investor owned utilities in New York State which was created to develop, own and operate electric transmission projects in New York State. CHGT was formed to hold CH Energy Group's ownership stake in possible gas transmission pipeline opportunities in New York State. All of CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), a leader in the North American regulated electric and gas utility industry, with 2021 revenue of CAD$9.4 billion and total assets of CAD$58 billion. Fortis and its subsidiaries' 9,100 employees serve 3.4 million utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries.

Central Hudson purchases, sells at wholesale and retail, and distributes electricity and natural gas at retail, in portions of New York State to electric and natural gas customers and is subject to regulation by the New York Public Service Commission ("PSC" or "Commission").

Purpose and Strategy

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

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

CH Energy Group's strategy is to:
- Invest primarily in electric and gas transmission and distribution; and
- Maintain a financial profile that supports Central Hudson's objective of a credit rating in the "A" category.

Strategy Execution

Management continues to focus on investment in Central Hudson's electric and natural gas infrastructure as the core of its strategy. Central Hudson invested approximately $230 million in 2021, and its five-year forecast includes an average of approximately $270 million of capital expenditures per year. The long-term capital program provides for continued strengthening of existing electric and natural gas infrastructure, resiliency and automation of distribution systems, new common facilities, and investments in cybersecurity and information and distribution system technologies that are expected to allow for greater penetration of distributed energy resources and improve reliability and customer satisfaction.

As part of CH Energy Group's overall strategy to invest in electric transmission and distribution, CHET made an investment in Transco. In April 2019, National Grid and Transco were awarded the Segment B portion of one of its proposals for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid. Transco is authorized to earn a return on equity invested in the project (up to 53% of the project cost) of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of $600 million plus interconnection costs, and CHET's equity funding requirement of this cost as a 6.1% owner of Transco is expected to be $19.4 million. At December 31, 2021, CHET's investment in Transco was approximately $15.0 million.

In November 2018, Transco's limited liability company agreement was amended ("Transco Amendment") to allow Transco to pursue additional projects that might result from future New York Independent System Operator ("NYISO") Public Policy Transmission Planning Processes ("PPTP Processes"). Under the Transco Amendment, CHET would have a 10% ownership stake in transmission solutions related to future projects that result from future PPTP Processes. CHET would also be allocated 10% of future development costs for any new transmission projects as part of future PPTP Processes. In response to a Long Island Offshore Wind Export Public Policy Transmission Need Project Solicitation issued by the NYISO on August 12, 2021, Transco, partnering with the New York Power Authority ("NYPA"), submitted to NYISO on October 11, 2021, four separate proposed solutions to upgrade existing transmission facilities on Long Island to accommodate 3,000 MWs of anticipated offshore wind generated electricity while also proposing three alternative expansion solutions. Three unrelated-developers proposed 12 other solutions. NYISO's response to the solicitation proposals, including the Transco-NYPA proposals, is expected to be issued in the fourth quarter of 2022. In the event, that a Transco-NYPA proposal is accepted by NYISO, CHET would own, and fund the equity investment associated with Transco's portion of the project.

Central Hudson
Business Description and Strategy

Central Hudson is subject to regulation by the PSC. Central Hudson's earnings are derived predominately from the revenue it generates from delivering energy to approximately 300,000 electric and 80,000 natural gas customers, with earnings growth coming primarily from increases in net utility plant. Central Hudson's delivery rates are designed to recover the cost of providing safe and reliable service while affording the opportunity to earn a fair and reasonable return on its capital.

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

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

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

Central Hudson continues to integrate our sustainability practices and ESG initiatives into the Company's overarching strategy. Central Hudson is actively pursuing a cleaner energy future by supporting New York State's energy policies and goals while continuing to provide reliable, resilient and affordable power. At Central Hudson we continue to make investments in infrastructure, technologies and programs that cost-effectively reduce carbon emissions by:

- Upgrading electric transmission and distribution lines, including support for statewide transmission upgrades to deliver renewable energy sources to areas of high electric demand including the Hudson Valley and metropolitan area, and investments in the regional electric distribution system to facilitate greater levels of locally sited renewable generators;
- Pursuing the lowest cost approach to emission reduction, by examining current incentives to determine which offer the highest value in lowering emissions;
- Integrating natural gas benefits as a complement to intermittent renewable generation resources and as a lower carbon alternative to petroleum-derived fuels to reduce overall carbon emissions;
- Expanding energy efficiency programs, the most cost-effective method to reduce emissions; and
- Advancing environmentally beneficial electrification, including promoting electric vehicles and heat pumps to lower emissions from the transportation and building heating sectors.

Human Capital Resources

Central Hudson recognizes the critical importance of its employees and dedicates substantial resources and efforts toward attracting, retaining and developing individuals who exemplify the values that are the cornerstone of our Company. In our Purpose Statement we make it clear that our people are absolutely essential to our success. As of December 31, 2021, we had 1,076 employees, with approximately 55% covered by collective bargaining ("union") agreements. In addition, we work with many outside firms to obtain additional resources to supplement our internal forces to address fluctuations in certain aspects of the Company's operations, including contact center overflow, storm restoration, capital construction, tree trimming, and other field operations. We strive to maintain good relationships with both our union and suppliers of contracted services.

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

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

We strive to provide a safe, inclusive and diverse environment for all. We want our employees to know that their individual input and contribution is valued and to feel that they can be their authentic selves at work. We believe that by recognizing and valuing each employee for who they are, we make our shared goals possible. We also place great focus on veteran recruiting. Veterans currently comprise approximately 6% of our current workforce and contribute to the organization as some of our most skilled and productive employees. In addition to our internal commitments to inclusion and diversity, we also have a supplier diversity program that is committed to developing an inclusive supplier base through the selection of businesses owned by minorities, women and veterans when all other considerations are equal.

Opportunities and Risks

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

The economy in Central Hudson's service territory affects the growth of utility rate base and earnings through a direct relationship to customer affordability, customer additions and peak demand growth as well as affecting Central Hudson's ability to collect receivables. Management believes the economy in Central Hudson's service territory has reasonable long-term growth prospects, but unexpected prolonged downturns could inhibit its ability to meet long-term business objectives. Central Hudson has an economic development program intended to increase job growth and income in its service territory.

Management believes Central Hudson's commitments to providing safe and reliable service, customer satisfaction, operational excellence and promoting positive customer and regulatory relations are important for supportive regulatory relationships and obtaining full cost recovery and competitive returns on invested capital.

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

COVID-19

We provide essential services to our customers and it is paramount that we keep our employees safe. The Coronavirus pandemic ("COVID-19") has been an ongoing situation that has adversely impacted economic activity and business conditions on a global scale and specifically within Central Hudson's service territory. Along with all major utilities in New York State, we have temporarily suspended service disconnections and finance charges for non-payment to help mitigate the economic impact of COVID-19 on our customers. Central Hudson has not experienced any significant business interruptions as a result of the pandemic; however, there continues to be uncertainty regarding the full economic impact that COVID-19 has had, and may continue to have, on our customers and business.

The two largest impacts on our business relate to lost revenues resulting from waived finance charges and potential future write-offs of uncollectible customer balances. Lost finance charges negatively impacted earnings in the prior year. Central Hudson's 2021 Rate Order included authorization for the deferral and recovery of significant COVID-19-related costs, net of savings, including incremental O&M, write-off of uncollectible customer balances and lost finance charges. This authorization mitigates the earnings risks associated with these impacts but will result in delayed cash recovery. Central Hudson is also monitoring the state vaccine mandates and the nation's current disruptions in supply chain. We intend to comply with vaccine mandates, which may require broad categories of employees and subcontractors to be fully vaccinated against COVID-19. Our compliance poses the risk of workforce disruptions, including the possibility of resignations by any unwilling employees and employees of our subcontractors as well as difficulty securing future labor needs. Central Hudson is maintaining and in certain instances increasing current inventory levels to mitigate the risk this disruption could potentially have on our operating activities and service response time, as well as our future capital program. Significant workforce or supply chain disruptions or availability could have a material impact on our business, results of operations, financial conditions and cash flows.

Central Hudson has taken measures to support our customers, employees and communities impacted by COVID-19 and to support the economic recovery in our service territory. For all of its customers, Central Hudson suspended certain collection activities, including terminating service for non-payment; waived finance charges; and doubled its contribution to its last resort grant program. For small businesses, the Company accelerated certain energy efficiency programs and committed up to $1 million of Economic Development funding through our Back to Business program. Central Hudson has been and continues to be proactively contacting customers regarding past due balances to advise them of certain financial assistance programs available to them and to proactively engage with them in managing these balances with deferred payment arrangements. Central Hudson is also working with local agencies and municipalities to obtain funding for its customers which has been made available through several federal and state programs. Central Hudson cannot resume residential terminations until at least March 31, 2022. Management is monitoring the current legislation and will determine the appropriate time to begin additional collection efforts, including re-instating finance charges on past due balances and termination activities.

Central Hudson had increased its reserve for uncollectible accounts during 2021 by $0.8 million based on a quantitative and qualitative assessment of the growing customer past due balances and management's best estimate of forecasted economic conditions related to COVID-19. No further increase to the reserve has been recorded at December 31, 2021 based on the potential available funding from federal and state programs to assist customers financially impacted by COVID-19 pay off their utility arrears balances.

Additionally, Central Hudson's 2021 Rate Order incorporated reductions from the initial planned rate increase request to mitigate the bill impact on customers. These reductions included delays in certain planned investments and reductions to operations and maintenance ("O&M") which management believes could be accomplished without impacting safety and reliability. Additionally, in this approved Rate Order, the Company received authorization for the deferral and recovery of significant COVID-19-related costs, net of any savings, including incremental O&M, write-off of uncollectible customer balances and lost finance charges.

The Company will continue to monitor COVID-19 related developments, including regulatory or legislative mandates, that may affect our workforce, our customers, contractors and suppliers, our access to capital markets and the potential to recover all or a portion of these incremental costs.

Regulatory/Compliance Risks:

- Federal Energy Regulatory Commission ("FERC"): under the Federal Power Act, FERC has the authority to impose penalties on Central Hudson for violations of the Federal Power Act, the Natural Gas Act or related rules, including reliability and cyber security rules. Environmental agencies could seek penalties for failure to comply with laws, regulations or permits. Central Hudson may be subject to new laws, regulations, or other requirements or the revision or reinterpretation of such requirements, which could adversely affect the Company.

- North American Electric Reliability Corporation ("NERC"): Central Hudson, as owner and operator of the Bulk Electric System, is subject to potential penalties for violations of NERC Reliability Standards.

- PSC: Rates are generally designed for but do not guarantee the recovery of Central Hudson's cost of service, including a return on equity. Central Hudson's ability to meet its financial objectives is largely dependent on approval of the Company's rate proposals and the continuation of supportive ratemaking practices by the PSC. Risks related to these practices include: (1) reduced allowed returns on equity, (2) PSC-allowed revenues that result in less than full recovery of the legitimate costs of providing service, resulting in earned returns below authorized returns, (3) declining PSC support for strong capital structures and credit ratings, (4) New York State energy policy, (5) changes in deferral accounting that increase the volatility of earnings and/or defer cash recovery of costs, and (6) elimination of Revenue Decoupling Mechanisms ("RDMs") or Rate Adjustment Mechanisms ("RAMs"). The PSC can initiate proceedings to prohibit Central Hudson from recovering from our customers the cost of service (including energy costs) that the regulators determine to have been imprudently incurred. In addition, the PSC could seek to impose substantial penalties on the Company for violations of state utility laws, regulations or orders.

- Reforming the Energy Vision ("REV"): The PSC announced the commencement of its REV initiative that aims to improve the efficiency of the electric system; reduce emissions; encourage greater development of clean generation, fuel diversity and energy efficiency measures; and provide customers with knowledge and tools for more effective management of their total energy use through the adoption of new technologies on both the utility and customer side of the meter. Central Hudson expects to continue its efforts of working with the other New York electric utilities and various stakeholders in the energy industry to develop policy positions in order to facilitate the implementation of REV. In addition, CLCPA was passed by the New York State Senate and the New York State Assembly and includes renewable energy and emission reduction goals in New York State, which are among the most aggressive in the nation. The outcome of REV and the CLCPA and the many related proceedings cannot be predicted at this time, but they could result in an increased scope of regulated activities, potential for decreased earnings, and other risks.

- Department of Environmental Conservation ("DEC"): Central Hudson, as owner and operator of certain hydroelectric facilities and environmental site investigation and remediation activities is subject to DEC regulations and could incur penalties for violations.

- The Pipeline and Hazardous Materials Safety Administration ("PHMSA"): Central Hudson, as owner and operator of certain natural gas transmission facilities, is subject to PHSMA regulation and could incur penalties for violations.

- NYISO: In accordance with the Market Service Tariff, Central Hudson is obligated to provide current load forecasting and generator bid requirements and could incur penalties for violations.

- United States Army Corps of Engineers: Central Hudson owns and operates certain natural gas and electric infrastructure that may cross or are located within a federally protected wetland or water body. Any operation, maintenance, construction, repair or replacement of this infrastructure is subject to certain compliance requirements and could incur penalties for non-compliance.

Operations Risks:

- Central Hudson provides electricity and natural gas service to customers in its territory. Failure of, or damage to, facilities, or an error in operation or maintenance could result in bodily injury or death, property damage, the release of hazardous substances or extended service interruptions. A natural disaster, such as a major storm, could impact Central Hudson's ability to access supplies and utilize critical facilities. Central Hudson's response to such events may be perceived to be below customer expectations. Central Hudson could incur substantial costs that may not be covered by Central Hudson's insurance policies or recovered through other regulatory mechanisms for storm preparation, to repair or replace facilities, compensate others for injury or death or other regulatory penalties imposed by state utility regulators or other regulatory agencies. The occurrence of such events could also adversely affect the cost and availability of insurance.

- Central Hudson, as an operator of critical energy infrastructure, may face a heightened risk of cyber-attack. In the event of a cyber-attack that Central Hudson was unable to defend or mitigate, operations could be disrupted, financial and other information systems could become impaired, property could be damaged and customer and employee information could be stolen. Central Hudson could incur substantial cost for response, including repair to systems, litigation and reputational damage, which may not be recoverable from customers.

- Another risk is the ability to effectively manage costs, which is a key component of Central Hudson's strategy. The continued use of Lean Six Sigma techniques – a data-driven approach to develop processes that are faster, higher quality and less costly – to streamline existing business processes and foster innovation will play a critical role in managing the costs of doing business in a sustainable manner.

Environmental Risks:

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

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

	Year to Date		
	2021	**2020**	**Change**
Electricity Sales (GWh)	5,000	4,969	31
Natural Gas Sales (PJ)	22.9	22.5	0.4
(In millions)			
Revenues	$ 796.2	$ 711.9	$ 84.3
Energy Supply Costs - Matched to Revenues	227.0	173.4	53.6
Operating Expenses - Matched to Revenues	100.3	94.6	5.7
Operating Expenses - Other	296.2	280.0	16.2
Depreciation and Amortization	72.7	66.9	5.8
Other Income, net	25.6	22.0	3.6
Interest Charges	35.9	34.7	1.2
Income Taxes	16.1	15.1	1.0
Net income	$ 73.6	$ 69.1	$ 4.5

Earnings: Central Hudson achieved earnings growth of $4.5 million in 2021 primarily as a result of successful negotiation of the 2021 Rate Order, which provided a return on the additional capital invested in the business, the recovery of higher operating and financing expenses and the recovery of suspended finance charges on customers past due balances since the second quarter of 2020. The year over year earnings growth was dampened by regulatory deferrals recorded for future benefit to customers related to electric service interruptions which were above the PSC prescribed targets for the System Average Interruption Frequency Index ("SAIFI") and Customer Average Interruption Duration Index ("CAIDI") and higher expense associated with the implementation of the new Customer Information System ("CIS").

Energy supply costs reflect higher electric and natural gas commodity prices coupled with increases in purchase volumes. This did not have a direct impact on earnings due to the full deferral of commodity costs and the RDMs. Central Hudson is authorized to bill customers volumetric factors for the recovery of bad debt and working capital costs related to commodity purchases, and fluctuations in volume and price will impact the revenues collected through these factors. However, the variation in revenues billed through these volumetric factors was not material.

Electricity Sales

Electricity sales were relatively flat year over year with higher sales for resale partially offset by lower sales to residential and non-residential customers as a result of milder weather and a slight change in consumption patterns when compared to the prior year.

Natural Gas Sales

Natural gas sales increased slightly due to higher sales to firm and interruptible customers.

Depreciation and Amortization: Depreciation increased due to the increased investment in Central Hudson's electric and gas infrastructure in accordance with its capital expenditure program.

Other Income, net: The increase in other income is primarily due to a decrease in the non-service component of pension expense when compared to 2020.

Interest Charges: The increase in interest charges is primarily due to higher long-term debt and short-term borrowing balances.

Income Taxes: The combined effective tax rate year to date is lower than the statutory rate due to tax normalization rules and the flow through impact of changes in the operating reserves.

Central Hudson Revenues - Electric

Period Ended December 31

(In millions)

	Year to Date		
	2021	2020	Change
Revenues with Matching Expense Offsets:[(1)]			
Recovery of commodity purchases	$ 161.1	$ 129.3	$ 31.8
Sales to others for resale	17.6	6.8	10.8
Other revenues with matching offsets	72.9	69.6	3.3
Subtotal	251.6	205.7	45.9
Revenues Impacting Earnings:			
Customer sales	387.5	358.1	29.4
RDM and other regulatory mechanisms	(24.5)	(19.8)	(4.7)
Recovery of suspended COVID-19 finance charges	7.3	-	7.3
Finance Charges	-	0.8	(0.8)
SAIFI & CAIDI	(5.0)	-	(5.0)
Incentives earned	2.3	3.3	(1.0)
Net plant & depreciation targets	(1.8)	(2.8)	1.0
Other revenues	6.4	6.8	(0.4)
Subtotal	372.2	346.4	25.8
Total Electric Revenues	$ 623.8	$ 552.1	$ 71.7

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

Central Hudson Revenues - Natural Gas

Period Ended December 31

(In millions)

	Year to Date		
	2021	2020	Change
Revenues with Matching Expense Offsets:[(1)]			
Recovery of commodity purchases	$ 40.6	$ 29.4	$ 11.2
Sales to others for resale	7.8	7.9	(0.1)
Other revenues with matching offsets	6.4	7.2	(0.8)
Subtotal	54.8	44.5	10.3
Revenues Impacting Earnings:			
Customer sales	110.7	102.7	8.0
RDM and other regulatory mechanisms	0.3	5.7	(5.4)
Recovery of suspended COVID-19 finance charges	1.6	-	1.6
Finance Charges	-	0.3	(0.3)
Incentives earned	1.2	1.4	(0.2)
Net plant & depreciation targets	(1.7)	(1.4)	(0.3)
Other revenues	5.5	6.7	(1.2)
Subtotal	117.6	115.4	2.2
Total Natural Gas Revenues	$ 172.4	$ 159.9	$ 12.5

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

Central Hudson's revenues consist of two major categories: those that offset specific expenses in the current period (matching revenues) and those that impact earnings. Matching revenues represent amounts billed in the current period to recover costs for particular expenses (most notably, purchased electricity and purchased natural gas, major storm, pensions and other post-employment benefits ("OPEB") and New York State energy efficiency programs). Any difference between these revenues and the actual expenses incurred is deferred for future recovery from or refund to customers and, therefore, does not impact earnings, with the exception of related carrying charges, which are recorded within other income or interest charges in the CH Energy Group and Central Hudson Statements of Income.

Electric Revenues:

The year over year increase in electric revenues is primarily due to higher recovery of purchased commodity costs driven by an increase in price and sales volumes. Further impacting the year over year revenue increase was the PSC approval in the 2021 Rate Order for the recovery of lost financial charges which have been suspended to alleviate financial hardship on customers due to the COVID-19 pandemic. Partially offsetting these increases are Negative Revenue Adjustments ("NRAs") related to SAIFI and CAIDI which were above the PSC prescribed target for 2021.

Natural Gas Revenues:

The year over year increase in natural gas revenues is primarily due to higher recovery of purchased commodity costs driven by an increase in both price and sales volumes, as well as an increase in sales volumes. Further impacting year over year revenues was the increase in customer delivery rates and the PSC approval in the 2021 Rate Order for the recovery of lost financial charges which have been suspended since July 1, 2020 to alleviate financial hardship on customers due to the COVID-19 pandemic.

Central Hudson Operating Expenses
Period Ended December 31

(In millions)	Year to Date		
	2021	**2020**	**Change**
Expenses Currently Matched to Revenues:[1]			
Purchased electricity	$ 178.7	$ 136.1	$ 42.6
Purchased natural gas	48.6	37.6	11.0
Pension & OPEB	12.8	13.5	(0.7)
New York State energy efficiency programs	41.0	39.8	1.2
Major storm reserve	14.2	11.7	2.5
Low income programs	11.0	11.6	(0.6)
Other matched expenses	21.0	17.7	3.3
Subtotal	327.3	268.0	59.3
Other Operating Expenses:			
COVID-19 incremental operating expenses	1.2	4.0	(2.8)
COVID-19 related uncollectible reserve	0.8	4.9	(4.1)
Depreciation and amortization	72.7	66.9	5.8
Property and school taxes[2]	61.2	57.7	3.5
Weather related service restoration	8.2	7.2	1.0
Distribution and transmission maintenance	6.4	6.1	0.3
Information technology ("IT")	16.3	9.6	6.7
Labor and related benefits	100.5	94.9 [3]	5.6
Incremental resilience expense - Storm Isaias	1.5	-	1.5

Tree trimming	25.3	22.9	2.4
Other expenses	74.8	72.7 (3)	2.1
Subtotal	368.9	346.9	22.0
Total Operating Expenses	$ 696.2	$ 614.9	$ 81.3

(1) Includes expenses that, in accordance with the 2018 and 2021 Rate Orders, are adjusted in the current period to equal the revenues billed for the applicable expenses and the differences are deferred.
(2) In accordance with the 2018 and 2021 Rate Orders, Central Hudson is authorized to continue to defer for the benefit of or recovery from customers 90% of any difference between actual property tax expense and the amounts provided in rates for each Rate Year. Central Hudson's portion is limited to 5 basis points, with a maximum of approximately $0.6 million, pre-tax per Rate Year.
(3) Certain expenses reported for the twelve months ended December 31, 2020 have been reclassified to "Labor and related benefits" to conform to the current period presentation.

Operating Expenses:

The year over year increase in operating expenses is primarily attributed to higher purchased commodity cost for both electric and natural gas, driven by higher commodity prices. Further impacting the increase are IT and labor expenses related to the implementation of the new CIS and higher expenses incurred as provided for in delivery rates including property taxes, IT, tree trimming and distribution and transmission maintenance expenses. Partially offsetting these increases in the current year is the decrease in COVID-19 related operating expenses which for 2020 included the sequestration of key employees to ensure the continued reliability of system operations, additional personal protective equipment and cleaning supplies along with an increase in the allowance for uncollectible accounts during 2020 based on a qualitative assessment and estimated forecast of economic conditions.

Variations in purchased natural gas and electricity costs and other expenses currently matched to revenues do not have a direct impact on earnings due to Central Hudson’s regulatory mechanism for the full deferral of these expenses.

Financial Position

CH Energy Group – Regulated – Central Hudson
Significant Changes in the Balance Sheets
For the year ended December 31, 2021
(In millions)

Balance Sheet Account	Increase (Decrease)	Explanation
Accounts receivable, net of allowance for uncollectible accounts	43.4	Increase is primarily due to higher commodity prices and the impacts of the COVID-19 pandemic on customers, including legislative actions related to suspending service terminations for non-payment and offering more flexible payment arrangements, as well as an increase in the amounts billed in the month of December 2021 due to delays following the implementation of Central Hudson's new billing system.
Other receivables	5.7	Increase is primarily due to billings for contributions in aid of construction to developers for their share of various capital projects.
Regulatory assets - current	21.8	Increase is primarily driven by higher amounts to be billed to customers for higher purchased commodity costs.

Regulatory assets - long term	11.7	Increase is primarily related to costs incurred for energy efficiency programs, major storm expenses in excess of the rate allowance and the additional revenue requirement earned for the replacement of leak prone pipe, partially offset by collections through the RAMs and amounts collected in rates in excess of environmental expenses.
Prefunded pension costs	70.5	Increase is the result of a decrease in the projected benefit obligation due to the increase in discount rate and higher investment gains on the pension plan assets. Small liability gains and losses were incurred due to changes in mortality, demographics projections and census data.
Prefunded OPEB costs	24.0	Increase is the result of a decrease in the projected benefit obligation due to the increase in discount rate and higher investment gains on the OPEB plan assets.
Other investments	8.9	Increase is primarily due to funding of the non-qualified Supplemental Executive Retirement Plan.
Other assets - long term	8.6	Increase reflects $9.3 million received and held in escrow for a System Deliverability Upgrade project pursuant to terms and conditions of the NYISO Open Access Transmission Tariff ("OATT").
Long term debt, including current maturities	85.9	Increase is due to issuance of $75 million and $55 million in long-term debt in March and October 2021, respectively, partially offset by the repayment of $44.2 million of maturing debt in April 2021.
Notes payable	92.0	Increase is related to short-term borrowings to meet higher working capital needs.
Accounts payable	6.4	Increase is primarily due to higher costs associated with purchased gas and electric commodity costs.
Regulatory liabilities - current	(25.6)	Decrease is primarily due to bill credits provided to customers per the 2018 Rate Order, payments to New York State Energy Research and Development Authority ("NYSERDA ") and amounts returned to customers for revenues previously billed above revenue targets. This decrease was partially offset by an increase in unrealized gains on derivatives.
Fair value of derivative instruments - current liabilities	5.4	Increase in liability is due to higher unrealized mark-to-market losses related to open electric and natural gas derivative contracts primarily due to a significant increase in commodity prices.
Accrued environmental remediation costs	(3.3)	Net decrease is primarily due to expected costs incurred related to the North Water Street MGP site.
Other current liabilities	(6.5)	Decrease is primarily due to work performed for community distributed generator developers for the interconnection of solar projects.
Other liabilities - long term	7.5	Increase is primarily due to $9.3 million received and held in escrow for a System Deliverability Upgrade project, partially offset by a payment of deferred payroll taxes in accordance with the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.
Regulatory assets/liabilities – deferred pension and OPEB costs	100.8	Increase in net regulatory liabilities is primarily driven by a reduction in the projected benefit obligation resulting from an increase in the discount rate and by investment gains on the pension and OPEB plan assets
Accrued pension costs	(25.1)	Decrease is primarily due to a decrease in the projected benefit obligation due to an increase in the discount rate and investment gains on retirement plan assets.
Accumulated deferred income tax	26.5	Increase is primarily due to the accounting requirement to recognize deferred taxes for the difference between tax basis of assets and liabilities and the book basis. These amounts are fully deferred for future return to or recovery from customers.

Liquidity and Capital Resources

CH Energy Group - Regulated, Non-regulated and Holding Company Summary of Cash Flow
Period Ended December 31

(In millions)

	Year to Date	
	2021	**2020**
Cash, cash equivalents and restricted cash - beginning of period	$ 12.8	$ 21.1
Cash from operations pre-working capital	158.4	142.4
Working capital	(97.5)	(11.4)
Operating Activities	60.9	131.0
Investing Activities	(240.3)	(256.8)
Financing Activities	184.7	117.5
Cash, cash equivalents and restricted cash - end of period	$ 18.1	$ 12.8

Operating Activities: The increase in cash from operations pre-working capital in 2021 as compared to 2020 was primarily attributable to the increase in delivery rates which provided earnings on rate base growth, lower storm restoration costs, higher customer and other advances, the billing of the delayed delivery rate increases, and lower environmental remediation expenses, partially offset by energy efficiency heat pump programs and lost revenues due to the COVID-19 pandemic. Working capital increased significantly in 2021 primarily due to the impacts of pandemic on customer collections, refunds to customers through the RDM, higher electric energy and natural gas commodity costs not yet billed to customers, lower contributions in aid of construction for developers' share of capital projects and the payment of payroll taxes previously delayed in accordance with the CARES Act.

Investing Activities: Cash used in investing activities during 2021 decreased $17 million, as compared to 2020 due to lower investment in Central Hudson's electric and gas transmission and distribution systems, partially offset by higher investments in software systems.

Financing Activities: The increase in cash from financing activities of $67 million was primarily driven by the increase in short-term borrowings of $77 million due to higher working capital needs, partially offset by repayments of long-term borrowings and lower equity capital contributions in 2021 when compared to 2020.

Anticipated Sources and Uses of Cash

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

Central Hudson expects to fund capital expenditures with cash from operations, a combination of short-term and long-term borrowings and equity infusions. Central Hudson may alter its plan for capital expenditures as its business needs require. Central Hudson intends to fund growth in its long-lived assets in a manner that maintains an equity ratio aligned with its delivery rates. That ratio is currently 50% and is expected to decrease to 48% over the three years in the 2021 Rate Order.

Central Hudson utilizes short-term debt to fund seasonal and temporary variations in working capital requirements. Increases in wholesale energy prices, such as those experienced in 2021, result in a corresponding increase in the current level of working capital. While commodity cost adjustment mechanisms provide short-term recovery of these cost increases, short-term debt is used to supplement liquidity until commodity prices return to normal levels. Delays in collections of accounts receivable from customers have also contributed to increased working capital requirements in 2021. However, potential funding from various federal and state programs is expected to provide relief for customers with arrears and deferral authorization and regulatory recovery mechanisms associated with bad debt write-offs should alleviate this pressure on working capital in future periods.

Central Hudson's secondary sources of funds are its cash reserves and credit facility. Central Hudson's ability to use its credit facility is contingent upon maintaining compliance with certain financial covenants. Central Hudson does not anticipate that those covenants will restrict its access to funds in 2022.

CH Energy Group and Central Hudson are actively monitoring effects on cash flow related to the impact of COVID-19 on the economy of its utility service territory, customers, and operations. As a provider of essential electricity and natural gas services, Central Hudson has seen uninterrupted demand throughout the pandemic and economic recovery. Cash expended by the Company for pandemic response activities was partially mitigated by reductions in other planned expenditures in 2021 and is not expected to have a significant impact on cash flow in future periods. Central Hudson has not experienced any issues with accessing capital markets during the pandemic, having successfully secured new financing throughout 2020 and 2021, all at favorable interest rates. Central Hudson's 2021 Rate Order was approved in the fourth quarter of 2021 and was implemented retroactively to July 1, 2021. Management took initiatives to mitigate the impact of new rates on customers during this difficult economic environment as illustrated by the rate decrease in the 2021 Rate Order in the first year for electric delivery revenues. The increase in rates over the subsequent two years should continue to provide the necessary cost recovery to ensure safe and reliable service, as well as a reasonable rate of return on its investment.

At this time, CH Energy Group believes cash generated from operations and funds obtained from equity infusions from Fortis, as well as its financing program will be sufficient for 2022 and the foreseeable future to meet working capital needs, fund Central Hudson's capital program, CHET's current investment obligations in Transco and meet Central Hudson's public service obligations and growth objectives.

Committed Credit Facilities

On March 13, 2020, Central Hudson entered into a $200 million, five-year revolving credit agreement with five commercial banks to replace the agreement that was set to expire on October 15, 2020. Proceeds received from the revolving credit agreement are used for working capital needs and for general corporate purposes. Letters of credit are available up to $15 million from three participating banks. The credit facility is subject to certain covenants and certain restrictions and conditions as well as Central Hudson is required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's ("S&P") or Moody's rating on the average daily unused portion of the credit facility.

At December 31, 2021 there were $100 million in borrowings outstanding under the committed credit arrangements for Central Hudson. At December 31, 2020 there were no amounts outstanding under the committed credit arrangements for Central Hudson.

The PSC issued a Financing Order, effective November 22, 2021, authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed $250 million; and approval to issue and sell new long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed $445.7 million, including up to $412 million for traditional utility purposes and $33.7 million to refinance its variable interest debt.

Uncommitted Credit

At December 31, 2021, Central Hudson had uncommitted short-term credit arrangements with two commercial banks totaling $30 million. CH Energy Group and Central Hudson had $7 million and $15 million respectively, in borrowings outstanding under Central Hudson's uncommitted credit agreements.

Central Hudson's Bond Ratings

	December 31, 2021		December 31, 2020	
	Rating(1)	**Outlook**	**Rating(1)**	**Outlook**
S&P	A-	Stable	A-	Stable
Moody's	Baa1	Stable	A3	Negative
Fitch	A-	Stable	A-	Stable

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

On September 22, 2021, Moody's downgraded Central Hudson's senior unsecured credit rating from A3 with a negative outlook to Baa1 with a stable outlook. Moody's stated the downgrade reflects the projected weakness in financial metrics, including a reduction in operating cash flow following the passage of federal tax reform and declining revenue and cash flow from the reduction in regulatory liability balances and growth in regulatory assets resulting from the Company's proposed rate settlement, as well as increased political intervention into utility finances. On November 30, 2021, Fitch affirmed its rating (A-) and stable outlook.

On January 25, 2022, Standard and Poor's ("S&P") affirmed the rating of Central Hudson's senior unsecured debt and changed their rating outlook from stable to negative. S&P indicated that the outlook reflects the potential for a one-notch downgrade over the next 12 months due to expected weaker financial measures for Central Hudson. In addition, S&P cited that the impact of Central Hudson's 2021 Rate Order, and the Company's elevated capital expenditures program as negative factors that could impact the Company's financial ratios.

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

On March 16, 2021, Central Hudson issued $75 million of Series U Senior Notes, with an interest rate of 3.29% per annum and a maturity date of March 16, 2051. On October 28, 2021, Central Hudson issued $55 million of Series V Senior Notes, with an interest rate of 3.22% per annum and a maturity date of October 30, 2051. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of $44.2 million of maturing debt on April 1, 2021 and the repayment of short-term borrowings.

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

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

CH Energy Group

	December 31, 2021		December 31, 2020	
		%		%
Long-term Debt(1)	$ 931.5	47.1	$ 847.5	49.3
Short-term Debt	107.0	5.4	15.0	0.9
Common Equity	939.3	47.5	855.8	49.8
Total	$ 1,977.8	100.0	$ 1,718.3	100.0

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

Central Hudson

	December 31, 2021		December 31, 2020	
		%		%
Long-term Debt(1)	$ 922.8	47.0	$ 837.0	49.1
Short-term Debt	107.0	5.5	15.0	0.9
Common Equity	932.2	47.5	852.4	50.0
Total	$ 1,962.0	100.0	$ 1,704.4	100.0

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

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

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

Critical Accounting Estimates

The preparation of Central Hudson's consolidated financial statements requires management to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and contingent liabilities. Estimates are based on the Company's historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making estimates about the carrying values of assets and liabilities. The accuracy of these estimates and the likelihood of future changes depend on a range of possible outcomes and a number of underlying variables, many of which are beyond our control. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following judgments and estimates are critical in the preparation of Central Hudson's consolidated financial statements.

- Central Hudson is subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Regulatory accounting guidance results in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses and requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as expense or revenue in non-regulated businesses. Management periodically assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to Central Hudson and other regulated entities, and the status of any pending or potential deregulation legislation. Based on this assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels and is subject to change in the future. If future recovery of costs ceases to be probable, the regulatory asset would be written-off, which would materially impact earnings. Additionally, the regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets.

- Depreciation and amortization is based on estimates of the useful lives and estimated net salvage value of properties.
- Estimates for uncollectible accounts are based on customer accounts receivable aging data as well as consideration of various quantitative and qualitative factors, including special collection issues, a historical analysis of the relationship of write-offs to accounts receivable balances in arrears, and estimated impacts of the current and future economic conditions.
- The tax reserve recorded by Central Hudson relates to a change in 2010 to its tax return methodology for claiming deductions for incidental repair and maintenance expenditures on its utility assets. Although management believes that its methodology for claiming the deduction is consistent with the Internal Revenue Code and case law, management cannot predict whether the Internal Revenue Service will accept the entirety of the deduction claimed.
- The estimates for other operating reserves are based on assessments of future obligations related to injuries and damages and workers' compensation claims.
- Unbilled revenues are determined based on the estimated sales for service rendered to customers whose meters are not read on the last day of the month.
- The significant assumptions and estimates used to account for the pension plan and OPEB benefit expenses and liabilities are the discount rate, the expected long-term rate of return on the Retirement Plan and OPEB plans assets, the rate of compensation increase, the healthcare cost trend rate, mortality assumptions, and the method of amortizing gains and losses.
- Estimates are also reflected for certain commitments and contingencies where there is sufficient basis to project a future obligation, including environmental remediation costs and NRAs associated with gas code rule compliance audits.

Changes in Internal Controls over Financial Reporting

During the third quarter of 2021, Central Hudson implemented a new CIS resulting in a material change in internal controls over financial reporting. Central Hudson replaced its legacy CIS, which was a meter premise-based system, with a customer-based solution focusing on core meter to cash capabilities and core utility business processes. The new system provides enhanced internal controls over financial reporting through further automation of (1) business process controls and (2) segregation of duties over metering, billing, and payment transactions. Pre-implementation planning, design and testing was conducted by management to ensure that internal controls surrounding the system implementation process, the application, the related business processes, and closing process were operating effectively to prevent material financial statement errors. Such procedures included the review of required documents, user acceptance testing, change management procedures, access controls, data migration strategies and reconciliations, key configuration and key report testing, application interface testing and other standard application controls. Central Hudson continues to conduct post-implementation monitoring and process modifications in order to maintain an effective control framework.

There have been no changes, except as previously discussed, in internal controls over financial reporting for CH Energy Group or Central Hudson during the twelve months ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Regulatory Proceedings

2021 Rate Order

On November 18, 2021, the PSC issued an Order Approving Rate Plan in Cases 20-E-0428 and 20-G-0429, the "2021 Rate Order", as defined. The 2021 Rate Order adopts the terms set forth in the August 24, 2021 Joint Proposal. The 2021 Rate Order also fully and finally resolves all issues and concerns raised and/or asserted, or that could have been raised and/or asserted in the Sales Tax Refund Proceeding (Case 20-M-0134). The 2021 Rate Order was effective December 1, 2021, and includes a make-whole provision that provides new rates to become effective retroactive to July 1, 2021, with Rate Year ("RY") RY1, RY2, and RY3 defined as the twelve months ending June 30, 2022, June 30, 2023, and June 30, 2024, respectively.

The 2021 Rate Order provides electric delivery revenue (decreases)/increases of $(3.1) million, $19.5 million and $20.7 million in Rate Year 1, Rate Year 2 and Rate Year 3, respectively and gas delivery revenue increases of $4.7 million, $6.3 million and $6.4 million in Rate Year 1, Rate Year 2 and Rate Year 3, respectively. The Rate Order also provides electric bill credits of $(2.0) million in Rate Year 1, $9.5 million in Rate Year 2, and $21.5 million in Rate Year 3; and gas bill credits of $0.8 million in Rate Year 1, $3.2 million in Rate Year 2 and $5.6 million in Rate Year 3.

The Company's electric and gas revenue requirements reflect a common equity ratio of 50% for Rate Year 1, 49% for Rate Year 2 and 48% for Rate Year 3 and a Return on Equity ("ROE") of 9.0%. Earnings above 9.5% and up to 10.0% will be shared 50% / 50% between the shareholder and ratepayers. Earnings above 10.0% and up to 10.5% will be shared 25% / 75% between the shareholder and ratepayers. Earnings above 10.5% will be shared 10% / 90% between the shareholder and ratepayers.

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

The 2021 Rate Order:

- establishes the Company's future energy infrastructure investments, programs and operations;
- stabilizes electric delivery rates in the first year with a slight decrease for residential customers;
- reflects modest increases in gas delivery rates producing bill impacts just under two percent each RY;
- includes increased electric bill discounts for income qualified households and expanded access into Central Hudson's Energy Affordability Program;
- reflects investments in clean energy efficiency ground and air-source electric heat pumps, electric vehicle charging, and system upgrades that support utilization of renewable sources;
- implements ten Earnings Adjustment Mechanisms ("EAMs") which reflect a maximum earnings potential of 100 basis points;
- maintains the current CAIDI metric and reflects increasingly stringent SAIFI targets, continues and further enhances existing gas safety performance metrics and public safety programs, and includes higher performance requirements for Customer Service Performance Indicators with a net increase in total potential NRAs;

- provides Central Hudson with required resources to support ongoing O&M and necessary investments to reinforce electric and gas system reliability and resiliency through storm hardening, expanded vegetation management/tree trimming, continued investment for LPP replacement or elimination, and deployment of new technologies, as well as IT systems to further protect against cyber security risks and;
- includes several deferrals that provide the Company authorization to defer COVID-19 Incremental O&M Costs net of savings, lost revenues (finance charges and reconnection fee revenues), and uncollectible write-offs.

Central Hudson 2021 Financing Order

On November 18, 2021, the Commission approved the Company's request under Section 69 of the Public Service Law authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed $250 million; and approval to issue and sell new long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed $445.7 million, including $412 million for traditional utility purposes and up to $33.7 million to refinance its variable interest debt. Central Hudson filed a letter indicating its unconditional acceptance of the November 18, 2021 Order on December 6, 2021.

August 2020 Tropical Storm Isaias

On August 5, 2020, the New York State Governor instituted proceeding 20-01633 directing the Commission to initiate an investigation of certain New York State utilities' responses to Tropical Storm Isaias, which impacted Central Hudson's service territory on August 4, 2020. On November 19, 2020, New York State Department of Public Service ("DPS") issued an interim Storm Report setting forth preliminary findings, including purported failures by the identified utilities to comply with their respective Commission approved Emergency Response Plans and Show Cause ("Show Cause Order") that initiated proceedings against Central Hudson and the other utilities. The Show Cause Order identified 32 apparent violations by Central Hudson, which, if established, could have resulted in up to $16 million of penalties. Central Hudson filed its response to the Show Cause Order on December 21, 2020. The Company performed a thorough investigation and, as indicated in its response, believed no penalty should be issued because the facts demonstrated that Central Hudson fully complied with its Commission-approved Emergency Response Plan, which served as the standard against which Central Hudson should be evaluated. On February 23, 2021, Central Hudson filed a Notice of Impending Settlement Negotiations. On July 7, 2021, Central Hudson and New York State DPS entered into a Settlement Agreement, which included a commitment by Central Hudson to establish a $1.5 million regulatory liability to be used by Central Hudson to support or advance storm restoration and/or electric system resiliency and reliability in excess of amounts funded by customers. The Commission approved the Settlement Agreement within the Order Granting Motion and Adopting Settlement Agreement on July 15, 2021. The Settlement Agreement does not include any finding or admission of any violation by Central Hudson, and it specifies that the settlement amount is not a penalty.

Central Hudson Reverse Sales Tax Refund

On March 16, 2020, Central Hudson filed a petition for the disposition of a sales tax refund, pursuant to PSL Section 113(2) under Case 20-M-0134. The tax refund is the result of a reverse sales tax audit that Central Hudson initiated with the New York State Department of Taxation & Finance for the claim period of June 1, 2017 through December 31, 2018. The Commission solicited comments on the filing via notice published in the April 22, 2020 edition of the New York State Register. Central Hudson asked the Commission to take notice of a tax refund received from the New York State Department of Taxation and Finance, in the amount of approximately $3.4 million on October 16, 2019 and waive the rule requiring the Company to give the Commission notice of the refund within 60 days. Central Hudson proposed that the refund received be allocated (1) for the benefit of ratepayers; and (2) to reimburse the costs incurred by Central Hudson in securing the refund. The Company proposed to retain approximately $0.6 million, or 24% of the refund, net of costs to achieve. Most of the refund has been credited to plant as the majority of the refund related to sales taxes that were capitalized as part of plant costs. The petition requested the PSC approve Central Hudson retaining the portion of the net refund related to amounts that were previously recorded to sales tax expense.

On June 18, 2020, Multiple Intervenors ("MI") filed comments in response to Central Hudson's petition that recommends the Commission direct Central Hudson to distribute customers' share of the tax refund directly to customers in the form of bill credits as expeditiously as practicable to provide immediate financial assistance to customers when it is most needed and proposed the refund should be returned to customers utilizing the same allocation methodology as was employed by Central Hudson to collect the taxes in the first place. Staff's testimony in the August 2020 filing requested that this proceeding be incorporated into the Rate Case filing rather than ruled upon separately. On August 12, 2021, a Notice of Impending Settlement Negotiations was filed in both the Company's rate proceedings, Cases 20-E-0428 and 20-G-0429, and the Sales Tax Refund Proceeding, Case 20-M-0134, stating that in connection with the previously noticed settlement discussions in the rate proceedings, the Company and Staff had agreed to initiate confidential settlement negotiations regarding the Refund Petition. The parties' settlement negotiations in the rate cases and the Sales Tax Refund Proceeding were successful and resulted in the filing of the Joint Proposal. The 2021 Rate Order fully and finally resolves all issues and concerns raised and/or asserted, or that could have been raised and/or asserted in the Sales Tax Refund Proceeding Case 20-M-0134.

FERC System Deliverability Upgrades Proceeding

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO OATT to establish a Facilities Charge for System Deliverability Upgrades ("SDU") being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, operation and maintenance of the SDU and a reasonable return on its investment. Project costs to be recovered by Central Hudson and allocated to the Load Serving Entities ("LSEs") pursuant to Rate Schedule 12 of the NYISO OATT are expected to be approximately $2.6 million plus operation, maintenance and other applicable costs and will be updated annually. Parties submitted an Offer of Settlement with the FERC on June 30, 2021, which included an updated ROE of 9.4% plus a 50 basis point adder for a total ROE of 9.9%. The settlement was certified as uncontested by the designated settlement judge on August 3, 2021 and was subsequently approved by FERC on October 4, 2021.

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

Central Hudson Management and Operations Audit

In a July 16, 2018 Order, the Commission approved Central Hudson's Revised Audit Implementation Plans filed on December 14, 2017 and June 26, 2018. The Company's implementation plans addressed the Overland Final Audit Report released October 24, 2017 that included 55 recommendations. On March 15, 2021, Central Hudson filed its update reporting that it considered all audit recommendations complete. On September 20, 2021, DPS Staff filed a letter confirming the completion of its implementation oversight of these recommendations.

On December 16, 2021, the Commission instituted a proceeding for a new Central Hudson audit in its Order Initiating a Management & Operations Audit. The audit will be conducted by an independent auditor to be selected by DPS Staff at the March 2022 Commission session, following a solicitation. The scope of the audit includes issues from the previous audit for follow-up, assessment of the

Company's information systems planning and implementation, improvements to electric load forecasting, and pipeline safety.

General COVID-19 Related Orders and Proceedings

On March 7, 2020, New York State Governor Andrew Cuomo issued Executive Order 202 Declaring a Disaster Emergency in the State of New York which addresses the threat that COVID-19 poses to the health and welfare of New York's residents and visitors. Central Hudson has suspended terminations or shut-offs for customers and has aided customers impacted by COVID-19 who may be experiencing financial hardship. Effective April 1, 2020, Central Hudson began waiving finance charges for late payments.

On April 6, 2020, the Commission issued an Order Suspending Certain Payment Obligations related to Standardized Interconnection Requirements. These payments relate to the final 75% of estimated interconnection costs paid to the utility by applicants and are suspended for the length of the Disaster Emergency plus thirty calendar days. This Order also directed electric utilities to continue all interconnection activities that can be conducted in accordance with the Governor's orders relating to the conduct of essential and non-essential work.

On April 15, 2020, the Commission issued an Order Granting Extension of Time to Complete Gas Service Line Inspections and Leakage Surveys. These extensions were necessary to protect the health and safety of Local Distribution Companies ("LDCs") employees, customers, and the general public during the COVID-19 pandemic because completing these inspections would require LDC employees to enter buildings for non-emergency reasons, which would risk community contact transmission of the COVID-19 virus. On September 2, 2020, the National Gas Association, on behalf of the New York State LDCs, submitted a report with a progress summary and proposed next steps to complete the Gas Service Line Inspection and Leakage Surveys with Staff and proposed to work collaboratively with Staff to further advance completion of baseline inspections hindered by access issues.

On April 10, 2020, MI filed a petition with the Commission requesting an expeditious ruling and recommendation that, at a minimum, surcharges and collections devoted towards funding programs and projects be either reduced or delayed providing relief to customers. The petition also proposed that prior collections from customers for such programs and projects that remain uncommitted be returned to customers and to the extent activity in such programs and projects has been paused due to the pandemic, current customer collections to fund such programs similarly should be paused. MI filed supplemental comments to support its April 10, 2020 petition that cited NYSERDA's "Clean Energy Fund Quarterly Performance Report through December 31, 2019" (dated March 2020) that indicated (1) As of December 31, 2019 $1.2 billion of the amount approved for collection across all New York State utilities remained unspent and uncommitted and could be utilized to provide much-needed rate relief to customers during these very-challenging times and (2) Central Hudson had a regulatory liability of approximately $59.3 million as of June 30, 2020 associated with CEF collections from customers in excess of amounts drawn by NYSERDA for program spending. The Commission incorporated this filing into the new proceeding, Case 20-M-0266 further discussed below.

On April 20, 2020, Public Utility Law Project of New York ("PULP") filed a petition with the PSC requesting the Commission to commence a proceeding to investigate and consider the effects of COVID-19 and the impacts of Governor Cuomo's Executive Order 202 on the rates and provisions of utility services. The petition urged that utilities currently in litigation, settlement or with recently filed rates cases be required to file up-to-date rate case quality data, and that these utilities should be required to file potential austerity updates and adjust their requested return on equity and debt to equity ratios. PULP also stated that rate increases included in approved multi-year rate plans currently in effect are based on inaccurate data and will devastate individuals already suffering in the aftermath of the COVID-19 crisis. PULP's petition identified a need for the Commission and the Office of Temporary and Disability Assistance to determine a method that will ensure customers can still receive Emergency

Home Energy Assistance during the moratorium on utility service shutoffs. The Commission incorporated this filing into the new proceeding, Case 20-M-0266 further discussed below.

On June 17, 2020 and May 11, 2021, Governor Cuomo signed legislation amending Public Service Law 66, Section-32 to prohibit any utility corporation or municipality from terminating or disconnecting services to any residential customer for the non-payment of an overdue charge for the duration of the COVID-19 state disaster emergency declared pursuant to Executive Order 202. Further, the law imposed a duty on utility corporations and municipalities to restore service, to the extent not already required under the law, to any residential customer within forty-eight hours if such service was terminated during the pendency of the COVID-19 State of Emergency. The moratorium on utility service shutoffs during the COVID-19 state of emergency ended on December 21, 2021.

Central Hudson's Rate Plan, approved on November 18, 2021, includes several deferrals that provide the Company authorization to defer COVID-19 Incremental O&M Costs net of savings, lost revenues (finance charges and reconnection fee revenues), and uncollectible write-offs.

Low Income Energy Affordability & COVID-19 Proceeding

On June 11, 2020, the Commission established a new proceeding, Case 20-M-0266 to identify and address the effects of the COVID-19 pandemic on utility service in New York State, including all entities subject to Commission jurisdiction or permitting authority. The proceeding included, but is not limited to, impacts on rate-setting, rate design, utility financial strength, low-income programs, collections and termination of service ensuring the provision of safe and adequate service at just and reasonable rates in recognition of the ramifications from the COVID-19 pandemic and the extent to which the Commission's clean energy programs should be maintained or accelerated. Public comments on the following topics: collection and termination of service, commission principles in serving the public interest and rate and financial aspects, as provided in an Appendix to the Order, were filed by parties on July 13, 2020 and reply comments were filed August 28, 2020. As requested by Staff, utilities are providing on a monthly basis, financial information to enable an assessment of the COVID-19 impacts on utility earnings and cash flow. Central Hudson is providing the monthly requested information to Staff with regards to COVID-19 lost finance charge revenues and incremental costs, including the increase in past due balances and the uncollectible reserve and cost reductions.

On February 4, 2021, Staff issued a whitepaper on New York State Energy Affordability Policy ("EAP"), Case 14-M-0565, proposing potential modifications and improvements to the distribution utility's energy affordability program for low-income customers. The report includes 24 recommendations to the Commission's EAP, which also incorporates specific related comments received in the COVID-19 Proceeding in Case 20-M-0266. The recommendations include: (1) proposed modifications to the utilities' EAP budget development methodologies, (2) recommendations for greater statewide standardization of utility programs to the maximum extent feasible, including continued automatic enrollment of low-income participants into each utility's levelized budget billing programs, inclusion of all ratepayers that are recipients of any financial assistance programs described in the Staff whitepaper and adopting a uniform statewide annual filing date to submit updates to their energy affordability programs and tariff amendments, and (3) development of customer Arrears Management Programs funded 50% by the Utility shareholders with an overall funding level that is based on 10% of the difference between pre-COVID arrears and post-COVID arrears. In response to the Staff whitepaper, Central Hudson along with the Joint Utilities ("JU") filed interrogatory responses associated with the capabilities of current billing systems to implement the proposed arrears management program.

On August 12, 2021, the Commission issued an Order adopting EAP modifications and directing the Utilities to file several compliance filings and studies to standardize and improve customer enrollment processes and provide additional data in order to analyze future EAP changes. Modifications to the EAP provide relief to low-income customers by increasing the number of customers enrolled in the utility low-income assistance programs and increasing bill discount levels for program participants. In the near term, utilities will streamline EAP participation by including customers who can provide documentation of proof of their enrollment in public assistance programs associated with the federal Lifeline program, known as "self-certification." Additionally, the Commission directed each utility to calculate bill discounts using the midpoint income calculation for each tier as described in the Staff whitepaper, which is expected to increase Central Hudson's Electric EAP budgets from $2.4 million to $9.6 million. Further, the Commission ordered the utilities to analyze and address: 1) the standardization of certain aspects of the utility programs; 2) the identification of low-income customers through data sharing and file matching between utilities and the New York State Office of Temporary and Disability Assistance and a customer self-certification mechanism; 3) the stratification of low-income customers into additional tiers or usage groups to enhance bill discount targets; and, 4) the identification of highest usage low income customers for participation in energy efficiency programs. Finally, the Commission stated that Staff's whitepaper recommendations 18-21, which focused on Arrears Management Programs and COVID-19 relief, will be addressed in a future Commission Order.

In accordance with the August 12, 2021 Order, the JU filed the EAP Self-Certification Process & Template on December 17, 2021. In a subsequent filing due on February 7, 2022, the JU will file its outreach and education materials to inform and recruit customers into this process. Central Hudson is an active participant in the EAP working group which is tasked with addressing various aspects of the August 12 Order and Staff Whitepaper, including assessment of an Arrears Management Program.

Strategic Use of Energy Data Proceeding

On March 19, 2020, the Commission issued an Order Instituting Proceeding: Strategic Use of Energy Related Data in Case 20-M-0082 to combine the multiple proceedings where data related topics have been addressed in recent years. On February 11, 2021, the Commission issued an Order Implementing an Integrated Energy Data Resource ("IEDR") and, on April 15, 2021, issued an Order Adopting Data Access Framework ("DAF") and Establishing Further Process. The two Orders establish a statewide data repository, and the framework for the repository, which will be administered by NYSERDA and is meant to assist Energy Service Entities ("ESE") in developing Distributed Energy Resources ("DER") to help New York meet its CLCPA goals.

The Order Implementing an IEDR requires utilities to establish an IEDR Implementation Team, led by a member of the Company's senior management team. The Commission established a budget cap of $13.5 million for the Program Sponsor's efforts for Phase 1, including $12 million for procured resources and $1.5 million for the NYSERDA administrative costs as Project Sponsor. The Order directs that program costs be allocated and collected from the jurisdictional electric utilities in the same manner as the current authorized costs are being allocated and collected via the existing Bill-As-You-Go ("BAYG") agreements that NYSERDA has with each utility. Phase 1 should be completed in 24 – 30 months. Phase 2 should be completed in 30 – 36 months following completion of Phase 1. Operation of the utility's IEDR data feeds should persist for the life of the IEDR (multiple decades). The Order directs utilities to file quarterly reports on IEDR project planning and investment and NYSERDA to file an initial Implementation Plan, an updated BAYG Summary, quarterly reports and program reports on Phase 1 and Phase 2.

The Order Adopting a DAF incorporates the existing Commission established data access requirements to date including cybersecurity and privacy requirements and establishes data quality and integrity standards criterion to be met by the utility, or data custodian, for application or use case specific purposes. The Order also establishes a process that ensures the utilities will play a role with increasing customers' familiarity with appropriate data sharing options. The JU made numerous filings in compliance with the Order including the identification of available data points that were omitted from the data sets in the Order, a proposal for an alternative method of account identification for completing ESE customer transactions, and the submission of a Consent Process Assessment and Customer Consent Engagement Plan. On September 20, 2021, the JU filed a comprehensive Data Access Implementation Plan ("DAIP") that provides a uniform method for developing statewide data access requirements. Implementation of the DAIP, when approved by the Commission, will require significant work including the procurement of a Data Ready Certification provider and development of the associated platform.

Utility Energy Registry

The Utility Energy Registry ("UER") is an online platform to provide streamlined public access to aggregated community-scale energy usage data. On April 20, 2018, the Commission directed NYSERDA and the utilities to fully implement the UER, adopt the data sets and privacy screens for inclusion of certain data sets on the platform, and establish reporting requirements. On August 12, 2021, the Commission issued an Order adopting UER modifications including directing NYSERDA to form a standing UER working group to manage and publish versions of the New York State UER Protocols, identify refinements and additions to the structure of the reported data fields, and rebalance the application of UER use case specific privacy screens.

On September 13, 2021, Central Hudson and the JU requested rehearing of the Commission's changes to the privacy screen applied to aggregated data before it is sent to the UER. The rehearing request states that the UER Modification Order departs from established Commission policy and relied on an incorrect assumption. The JU rehearing request also outlines how the Commission-directed changes to the privacy screen create a heightened risk of exposure for customers whose energy usage represents a high percentage of the aggregated data.

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

On April 3, 2020, Governor Cuomo signed the ARECB Act into law in recognition that achieving the CLCPA climate protection targets requires restructuring and repurposing the State's electric transmission and distribution infrastructure. The ARECB Act has resulted in activities as discussed further below under the Renewable Energy Facility Host Community Benefit Program and Transmission Planning Proceedings subheadings.

Renewable Energy Facility Host Community Benefit Program

On February 11, 2021, the Commission issued Order Adopting a Host Community Benefit Program to provide residential electric utility customers within a Host Community an annual bill credit. The credit will be provided on electric utilities' bills for accounts of residential customers within the town or city that hosts a Facility. The Renewable Owner will pay an annual Program Fee for ten years, in the amount of $500 per MW and $1,000 per MW of nameplate capacity for solar and wind facilities, respectively. Central Hudson filed its Implementation Plan for the Host Community Benefit Program for Commission consideration and approval on September 30, 2021. The Company is awaiting an order or further action in this proceeding subsequent to the expiration of the comment period on February 13, 2022.

Transmission Planning – Accelerated Renewable Energy Growth and Community Benefit –

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

On November 2, 2020, the JU filed the Utility Transmission and Distribution ("LT&D") Investment Working Group Report which included specific proposals for categorizing LT&D projects into Phase 1 and Phase 2 based on actionability and addressing various components of project planning and prioritization, including a benefit-cost analysis proposal.

The Commission issued Order on Phase 1 LT&D Project Proposals on February 11, 2021. The Order addressed certain aspects of the proposed project assessment criteria filed by the JU which includes Phase 1 and Phase 2 LT&D project categories and directed the JU to proceed with development of the

Phase 1 projects which have been incorporated into the Utilities' capital planning processes and rate plans. To the extent proposed projects are not included in rate plans, they shall be included, with supporting information, in the JU's next rate filings. If projects are needed to meet CLCPA deadlines sooner than can be achieved through a utility's next rate filing, the utility may file a separate petition. The utility should consider whether projects can be reprioritized within its current budgets before filing a petition for additional cost recovery. Semi-annual reports detailing the status of the funded Phase 1 projects are required. Staff filed a straw proposal on March 16, 2021, setting forth proposed study methodologies that will generate an improved understanding of system headroom for the purpose of evaluating the CLCPA benefits of potential projects. Comments on Staff's proposal were filed June 22, 2021. Central Hudson filed its first semi-annual report regarding the status of the funded Phase 1 projects on July 1, 2021.

On March 19, 2021, in the proceeding reviewing the NYISO Public Policy Transmission Needs for 2020, the Commission issued an Order that found that certain aspects of the CLCPA regarding offshore wind are driving the need for additional transmission facilities between Long Island and New York City, and therefore constitute a Public Policy Requirement ("PPR"). In particular, the CLCPA requires the Commission to establish programs whereby (1) a minimum of 70 percent of electricity is derived from renewable sources by 2030 and (2) at least 9,000 MW of offshore wind is procured by 2035. The Commission referred the identified PPR to the NYISO for the solicitation of potential solutions and the preparation of analyses related to those solutions.

On September 9, 2021, the Commission issued an Order that addressed the CLCPA investment criteria and Phase 2 upgrades and improves headroom calculations and visibility of headroom data to stakeholders. The Order identifies the need to better align the proposed benefit cost analysis approach with CLCPA objectives. The Order directs the JU to coordinate with NYSERDA, the NYISO and DPS Staff on various compliance filings which are due between December 2021 and March 2022.

On December 17, 2021 the Joint Utilities filed with the Public Service Commission the Utilities' Coordinated Grid Planning Process and Revised Benefit Cost Analysis Proposals in compliance with ordering Clauses 1 and 2 of the New York Public Service Commission's (Commission) *Order on Local Transmission and Distribution Planning Process and Phase 2 Project Proposals* issued and effective September 9, 2021.

<u>Modifications to New York State Standard Interconnection Requirements</u>

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

Subsequently on July 16, 2021, The Commission issued an Order adopting amendments to cost-sharing mechanisms proposed by the JU, subject to modifications which include minimum subscription thresholds and a "free-rider" protection mechanism. The Order directed the JU to complete the following: consult with other participants in the Interconnection Policy Working Group ("IPWG") and file relevant revisions to the Standardized Interconnection Requirements (including addressing the "free-rider" concern); consult with DPS Staff and the IPWG to identify and propose relevant adjustments to hosting capacity maps; and file a proposal for a reimbursement mechanism. In accordance with the Order and subsequently approved extension by the Commission, the JU filed its proposed hosting map capacity adjustments and proposed cost reimbursement mechanism on October 28, 2021.

Clean Energy Standard ("CES") / Clean Energy Fund ("CEF")
In June 2015, Governor Cuomo announced New York State's 2015 State Energy Plan as a comprehensive roadmap to build a clean, resilient and affordable energy system for New York State. Governor Cuomo directed the New York State Department of Public Service to develop a CES through GHG emission reduction targets through an enforceable mandate. Administered by NYSERDA, the CES is a framework for the direct procurement of qualifying generation through three financial mechanisms: Renewable Energy Credits, Offshore Wind Renewable Energy Credits, and Zero-Emissions Credits ("ZECs").

CEF Backstop

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

ZECs

On September 20, 2019, the Commission issued Order Approving Zero Emissions Credit Implementation Plan which adopts a "pay-as-you-go" model to address the program design issue that payment obligations were not responsive to changes in LSEs' loads. Under the "pay-as-you-go" model, changes in LSE load can be automatically adjusted, eliminating the need for LSEs to petition the Commission for relief. NYSERDA is required to provide each affected LSE with a revised agreement. Central Hudson provided NYSERDA with an executed copy of the Agreement for the Sale of Zero-Emission Energy Certificates on January 2, 2020.

CES Administration Budget

On December 16, 2021 the Commission approved NYSERDA's 2022 CES administration budget of $30.2 million as proposed by NYSERDA. This budget will fund program salaries and overhead, New York State cost recovery expense, technical support, and system development. NYSERDA is authorized to fund these expenditures through a combination of surplus funds received in previous years, including bid fees, Alternative Compliance Payments and interest income. For the ZEC program, NYSERDA will continue to fund its administration through a ZEC adder.

Value of Distributed Energy Resources Proceeding – Value of "D"
In December 2015, the Commission instituted Case 15-E-0751, "In the Matter of the Value of Distributed Energy Resources ("VDER")" to propose valuation methods for DER. Through this proceeding, the Commission has taken a number of actions including the sunsetting of statutory net energy metering ("NEM") under Public Service Law and the implementation of the Value Stack as the preferred compensation methodology for energy injected into the grid from DER technologies. The Commission has also established a number of transitional mechanisms to moderate the impact of the changeover from statutory NEM to the Value Stack, including the limited extension of NEM with slightly

more restrictive provisions than statutory NEM. On August 13, 2021, the Commission issued an Order Adopting Net Metering Successor Tariff Filings with Modifications continuing the extension of limited NEM for certain projects interconnected on and after January 1, 2022, and requiring certain projects interconnected on and after January 1, 2022, regardless of compensation method (NEM or Value Stack) to be subject to a Monthly Customer Benefit Contribution eliminating the ability of these projects to avoid funding of public benefit programs.

In addition to compensation policy, the Commission has explored rate design issues through the VDER proceeding including focus on standby and buyback rates. On November 25, 2020, the DPS Staff issued a Whitepaper on Allocated Cost of Service ("ACOS") Methods Used to Develop Standby and Buyback Service Rates. The whitepaper recommends a standardized ACOS study methodology and rate design for standby rates and buyback service rates for stand-alone energy storage systems. The central issue in this proceeding is the allocation of costs between the categories comprising the contract demand charge and the as-used demand charge, such that standby rates truly reflect cost causation. The JU and other parties have presented various methods of cost allocation through public filings, technical conference discussions, and written comments. In the DPS Staff and NYSERDA's Whitepaper on Allocated Cost of Service Methods Used to Develop Standby and Buyback Service Rates, DPS Staff proposed a decision tree framework for performing these allocations. The JU and other parties have interpreted the decision tree methodology in different ways, and parties have made various recommendations to change this methodology. In the spirit of trying to find an approach that might be acceptable to the parties, the JU developed an alternative methodology for the allocation of costs that can be applied within the decision tree framework. This alternative methodology was presented to parties during a technical conference in July 2021 and was the subject of initial and reply comments in August and September. Without waiving previous positions, the JU believe that this proposal considers concerns of non-utility parties and presents an analytical method that can be readily and consistently implemented in utility rate cases. In addition to standby rate design, the JU continue to urge the following (1) rejection of long-term non-transparent subsidies for stand-alone storage facilities; (2) affirmation that storage projects continue to pay delivery charges; (3) rejection of the claim that Buyback Contract Demand Charges are neutral to storage providers and customers because the providers flow their costs into wholesale bids; (4) maintenance of Buyback Contract Demand Charges for energy storage systems; (5) rejection of maintenance of the reliability credit or the change of application of the credit from Contract Demand Charges to daily as-used demand charges, and (6) rejection of grandfathering current standby rate customers. We are awaiting an Order in this proceeding or further Commission action.

Community Distributed Generation ("CDG")

Since its inception in 2015, the CDG program has been regularly refined by the Commission to streamline and improve billing procedures, including the implementation of consolidated billing in 2020 to eliminate a separate payment from CDG subscribers to CDG by including this process in the utility billing/crediting process. On May 17, 2021, the Commission issued an Order Clarifying Banking Rules Under the Community Distributed Generation Program, citing the CDG program's successful contribution to New York's nation-leading distributed solar adoption rate, and its integration in the CLCPA's clean CDG expansion target. This order adopted rules to consistently address across utilities the treatment of banked credits, those credits remaining on a subscriber's account when its monthly allocated credit exceeds its monthly utility bill, in situations where the subscriber terminates participation in the CDG project. This order also provided clarification of existing banking rules including the lifespan of banked credits and frequency of credit reallocation opportunities.

Changes to the Retail Access Energy Market

On December 12, 2019, the Commission issued Order Adopting Changes to the Retail Access Energy Market and Establishing Further Process. The provisions of the Order strengthen protections for residential and small commercial (mass-market) customers in the retail energy market. The Order increases Energy Services Companies ("ESCOs") accountability by enhancing eligibility criteria, improves transparency of ESCO product and pricing information and prohibits ESCO product offerings that lack energy service-based values by restricting the types of products and services ESCOs are allowed to offer mass-market customers.

Beginning in February 2020, any product marketed by an ESCO must meet one of the following criteria with limited exceptions: 1) it must guarantee savings compared to the utility; 2) it must be a fixed rate product with a price limit; or 3) it must be a renewably sourced product. The Order directs utilities to publish their 12-month trailing average utility supply rate within 15 days of the close of the quarter, starting with the quarter ended December 31, 2019. The Order also directs Staff and the utilities to develop individualized billing plans that set forth timely and cost-effective pathways towards maximizing the dissemination of useful price comparison information to customers. The Order required ESCOs to submit a new application to serve customers within 90 days that provides information on marketing methods, categories of approved commodity products it will offer, complaint history, security breaches, history of bankruptcy, dissolution, merger or acquisition activities, proof of financial assurances and officer certification of compliance with applicable laws and regulations.

On September 18, 2020, the Commission issued an Order on Rehearing, Reconsideration and Providing Clarification in Case 98-M-1343. The Order establishes new enrollment guidelines for products offered to mass-market customers (guaranteed savings reconciled on an annual basis, “no more than” pricing relative to utility supply service and renewably sourced electric commodity product). The Order became effective February 15, 2021 for ESCOs enrolling customers. Utilities are required to update their Uniform Business Practices Manuals to conform to these changes and file revised tariffs, as necessary. On November 20, 2020, the DPS Staff issued Updated Guidance Regarding ESCO Eligibility Review to Reflect the directives and revised timelines of the Commission’s Order on Rehearing, Reconsideration, and Providing Clarification issued on September 18, 2020. Several ESCOs are participating in this program and have filed applications with the Commission.

Climate Leadership and Community Protection Act

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

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

A 22-member Climate Action Council (“CAC”), which includes technical experts appointed by the governor and led by NYSERDA and the DEC, was established and charged with preparing and approving a scoping plan within 3 years outlining recommendations to attain the statewide GHG emissions limits. On December 30, 2021, the CAC published its draft scoping plan and initiated a public comment period that ends on May 1, 2022. The plan includes an assessment of current emissions and clean energy efforts, scenarios for future climate impacts and recommended pathways for achievement of CLCPA targets with respect to electric generation and across all sectors of the state's economy. The plan also includes a prioritization of measures to improve emissions within Disadvantaged Communities, as required by the CLCPA. Central Hudson anticipates developing comments to the draft scoping plan that are in alignment with the best interests of its customers.

Climate Change Vulnerability Study

On March 19, 2021, the City of New York Environmental Defense Fund, Natural Resources Defense Council and Sabin Center for Climate Change Law filed a petition with the Commission requesting that every major utility conduct a distinct climate change vulnerability study which should include the following:

(1) assess how future projections of climate risks and climate variability for New York State and utilities' specific service area will impact their key assets and facilities, utilities overall system operations, supply chain, worker safety, and emergency response capabilities;

(2) identify and prioritize key vulnerabilities based upon the assessment in step 1;

(3) evaluate and develop options to ameliorate, mitigate, or minimize the risks identified, including risk mitigation relative to cost, and specifically for electric and gas utilities, consider the required transformation to achieve climate change mitigation targets; and

(4) develop a plan and organizational approach to achieve effective and accountable climate governance, including ensuring executive accountability, collecting and monitoring climate and weather indicators, incorporating climate resiliency into existing planning processes and developing resiliency metrics to track progress over time.

On June 28, 2021 the JU filed a response to the matters raised in the Climate Change Study Petition centering on the need for: (1) a statewide process to develop climate scenarios; (2) management and executive oversight; (3) a defined correlation of this work to the goals established in the CLCPA; (4) a consistent set of resilience metrics; and (5) cost recovery of any incremental costs incurred to perform the study. The JU comments note there are numerous climate change efforts that can impact the development of climate vulnerability studies and climate adaptation plans in New York State including legislation that the New York State Legislature passed on June 10, 2021, and subsequently signed by Governor Kathy Hochul on December 22, 2021, requiring electric utilities to develop vulnerability studies and storm hardening plans.

The Sabin Center for Climate Change Law and the Initiative on Climate Risk and Resilience Law jointly filed comments in support of the Climate Change Study, which included an assertion that "utilities cannot adequately plan for storms based on historical data that does not account for the changing climate" but instead must rely on a "long-term assessment of risks based on future climate predictions." On August 9, 2021, the JU filed reply comments to address this assertion, stressing the importance of using historical data as a baseline for any reliability, resiliency, and storm response planning.

Climate Change Risk Reporting

On October 15, 2020, the Commission issued Case 20-M-0499, an Order Instituting Proceeding to consider adoption of the Financial Stability Board's Task Force on Climate-related Financial Disclosure recommendations for a uniform approach and set of corporate-related financial disclosures at the utility operating company level. The Commission's Order states that for public utilities with significant assets and changing physical infrastructure needs, increased transparency of climate related financial risks would allow for better planning and investment consistent with New York State's climate goal of a carbon neutral economy by 2050. The Order seeks to gather information from utility operating companies and other interested parties, including pros/cons and costs/benefits of climate risk disclosure and the use of a uniform framework. On December 15, 2020, the JU filed comments in response to the Commission's October Order supporting the use of enhanced climate risk reporting at the operating company level based on the AGA/EEI Template and recommended that this information be provided through separate annual filings with the Commission in a new proceeding.

Electric Vehicle Supply Equipment ("EVSE") Make-Ready Program ("MRP")

On July 16, 2020, the PSC issued Order Establishing Electric Vehicle Infrastructure Make Ready Program and Other Programs. The Order establishes a statewide EVSE MRP with a total statewide budget capped at $701 million through 2025 including $206 million for the benefit of low/moderate income and environmental justice communities. Central Hudson's approved budget for the MRP program was approximately $26 million through 2025, including direct current fast charger ("DCFC") incentives. The program also provides an EAM opportunity for the Company concurrent with the program's midpoint review scheduled for 2022, and subsequent endpoint review scheduled for 2025.

The MRP is targeted at public/workplace chargers and DCFC and includes a Medium Duty and Heavy Duty MRP Pilot Program. The MRP includes provisions and incentives for "future proofing" i.e., installation of supplemental infrastructure that will allow for more economical expansion of stations in the future. The Order requires utilities offer a Fleet Assessment Service and creates three new NYSERDA Environmental Justice prize competitions totaling $85 million. The JU filed an MRP Participant Guide and Central Hudson filed its MRP Implementation Plan on August 17, 2020 and September 14, 2020, respectively. As required by the Order, utilities developed an online MRP application portal in a phased approach with Phase 1 and Phase 2 completed on October 16, 2020 and January 19, 2021, respectively. On December 4, 2020, Central Hudson filed tariffs for recovery of the Electric Vehicle MRP costs its Charging Proposal with the PSC. In addition, Central Hudson completed publication of load serving capacity maps tailored to support electric vehicle charging station siting by December 31, 2020 and is working with developers to determine the feasibility of future proofing plans from a grid and site perspective at each participating station.

The Company completed a Request for Proposal ("RFP") solicitation in 2021 for program implementation support, and selected a program implementation partner. Together, Central Hudson has been undertaking marketing and recruitment efforts to installers, developers, and station hosts; generating a pipeline of charging station projects planned for completion at a variety of location types. In Q3 of 2021, NYSERDA announced that its Charge Ready program, which had been offering a substantial incentive of $4,000 per Level 2 charger in addition to the utility MRP incentives, had expended all available funding and would no longer accept applications. NYSERDA and the Department of Public Service have been engaged on this issue, but there are no immediate plans to replenish the Charge Ready funding. Early signs indicate this is having a significant negative impact on Central Hudson's MRP project pipeline as many site hosts have withdrawn their applications citing that the projects are no longer economical.

On December 31, 2021, Assembly Bill A3876 was approved by Governor Hochul which compels utilities to file an electric vehicle commercial charging tariff with the Commission. The intent of this tariff is to provide a rate alternative that is advantageous to operators of high demand, low utilization charging stations, compared to current demand-based rates. Governor Hochul directed the Commission to institute a proceeding to address this issue further, broadening their scope beyond the bill's "narrow" focus on tariffs and ensuring equitable rate design.

Energy Efficiency Proceeding

On January 16, 2020, the Commission issued Order Authorizing Utility Energy Efficiency and Building Electrification Portfolios Through 2025. The Order significantly expanded the scope, reach, and budget authorization for utility administered Energy Efficiency programs, particularly those focused on serving Low-Moderate Income ("LMI") customers. The Order also directed a statewide heat pump program to be jointly administered by the Joint Utilities with support from NYSERDA. The New York State Clean Heat (heat pump) program was subsequently launched on April 1, 2020. Within the Order, the JU was also directed to convene an LMI Joint Management Committee ("JMC"), in partnership with NYSERDA, which would develop various aspects of a statewide, coordinated LMI program framework.

LMI programs were the primary focus of Energy Efficiency policy activity in 2021. The LMI JMC has taken meaningful steps forward which include creation of the NY Energy Advisor, executing agreements to facilitate data and cost sharing across program administrators, launching a statewide comprehensive affordable multi-family program, and improving coordination with NYSERDA's EmPower New York program. Despite significant efforts, the JMC has struggled to address the portfolio's difficult design and implementation challenges in a timely or efficient manner. In recognition of this, the Commission has directed the formation of an LMI Executive Council, with an overall purpose to advise and hold the LMI JMC accountable. The Executive Council has representation from each utility, NYSERDA, and DPS Staff and has been actively meeting since the fourth quarter of 2021. Despite challenges related to LMI programs, Central Hudson continues to meet or exceed its mandated savings targets in energy efficiency and heat pump programs.

Energy Storage

On April 16, 2021, the Commission issued an Order in Case 18-E-0130 directing modifications to energy storage solicitations. In the Order, the Commission adopted the JU request to extend the in-service date for qualified projects by three years to December 31, 2025 and to extend the maximum contract duration from seven to ten years. However, the Commission denied the JU proposal for a utility ownership model of energy storage assets finding that competitive ownership of energy storage assets and of DER is a core principle, noting that existing limitations on utility ownership of energy storage should be maintained. On May 14, 2021, in compliance with the Order, Central Hudson filed its Implementation Plan for a competitive direct procurement process to deploy a total of at least 10 MW of qualified energy storage systems. The updated plan provided preliminary details regarding the procurement process. In accordance with the Implementation Plan, Central Hudson publicly posted a set of draft RFP materials on August 23, 2021 for the purposes of stakeholder review and feedback prior to the formal solicitation. The final RFP and contract documents were publicly posted on October 4, 2021. After an initial bidder qualification process in late 2021 and two rounds of bidders' proposal submittals, Central Hudson will review bid proposals and determine if there are any winning bidder(s) with which to begin contract negotiations by July 25, 2022.

Cybersecurity Protocols Proceeding

On June 14, 2018, the PSC instituted Proceeding on Motion of the Commission Regarding Cybersecurity Protocols and Protections in the Energy Market Place, under Case 18-M-0376. The Order was established to ensure that appropriate protections are being implemented and followed throughout the industry.

On February 4, 2019, the JU filed a Petition for Approval of the Business-to-Business Process Used to Formulate a Data Security Agreement ("DSA") and for Affirming the JUs' Authority to Require and Enforce Execution of the DSA by Entities Seeking Access to the Utility Customer Data or Utility Systems. The JUs proposed cybersecurity standards that should be applicable to any entity that electronically exchanges data with the utility, including energy service companies, distributed energy resource suppliers, direct customers and their applicable contractors. On October 17, 2019, the Commission issued an Order Establishing Minimum Cybersecurity and Privacy Protections. The Order adopts minimum cybersecurity and data privacy requirements for entities that receive from, or exchange customer data with, utilities on an electronic basis other than by mail. The JUs filed a revised DSA and Self Attestation on January 9, 2020 and executed agreements with each Energy Service Entity a DSA in compliance with the Order. The Commission granted several extension requests to file a DSA for State entities. The JU filed DSAs for State entities on July 13, 2020 and August 21, 2020. The Commission will continue to develop cybersecurity and data privacy requirements and modify or expand upon them in the future, as appropriate. The Commission is establishing statewide data standards, including the DSA in Case 20-M-0082.

Cyber Mutual Assistance ("CMA") Program Equipment Transfers
On July 15, 2021 the Commission issued an Order granting the JU request for pre-authorization of future leases and/or transfers of equipment made by electric and/or gas utilities participating in the CMA Program. The CMA Program was developed to counter the increasing and evolving threats to the cybersecurity of energy infrastructure. The order requires utilities to notify the Commission of their CMA membership status, to notify DPS Staff whenever they request, receive or provide assistance under the CMA program and to provide the Director of the Office of Resilience and Emergency Preparedness with notice of the impact of any cyber security threat. Central Hudson filed notification of its membership in the CMA program on August 13, 2021.

Gas Planning Procedures
On February 12, 2021, Staff filed the Gas System Planning Process Proposal which offers a modernized gas planning process for the gas distribution utilities in New York State and a Staff Moratorium Proposal that identifies procedures and criteria for managing moratoria on new attachments to the gas distribution systems. On March 25, 2021, Staff held a Stakeholder Forum to provide interested entities with an opportunity to engage with Staff to better understand the proposals. The Joint Local Distribution Companies filed Initial comments on the Staff proposals on May 3, 2021 and filed Reply Comments on June 4, 2021. We are awaiting an Order in this proceeding or further Commission action.

Pipeline and Hazardous Materials Safety Administration
As a result of rulemaking Case PHMSA-2011-0023, the PHMSA, which is an agency of the United States Department of Transportation, has issued the first of the three-part Safety of Gas Transmission Pipeline Regulation updates. This first part includes Maximum Allowable Operating Pressure ("MAOP") Reconfirmation, Expansion of Assessment Requirements (creation of Moderate Consequence Areas) and Other Related Amendments. The effective date is July 1, 2020 with a required plan in place by July 1, 2021 to ensure MAOP reconfirmation is 50% completed by 2028 and 100% completed by 2035. The second part is not final but is expected to address extensive updates to response and repair criteria for integrity assessment and to expand cathodic requirements. PHMSA is additionally introducing legislation changes to current regulations to mitigate ruptures and shorten pipeline segment isolation times on all newly constructed or fully replaced gas transmission lines. The third part of the Transmission Super Rule is not applicable to the Company since it deals only with gas gathering lines. Central Hudson currently estimates that the rule will impact up to 75 miles of its transmission pipelines. NY State adopted the federal code changes into state code within Case 20-G-0560. Recovery and deferral of costs associated with Safety of Gas Transmission Final Rules were addressed within the 2021 Rate Order.

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

FERC Proceeding on System Deliverability Upgrades

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO OATT to establish a Facilities Charge for SDU being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, operation, and maintenance of the SDU and a reasonable return on its investment. Project costs to be recovered by Central Hudson and allocated to the LSEs pursuant to Rate Schedule 12 of the NYISO OATT are expected to be approximately $2.6 million plus operation, maintenance and other applicable costs and will be updated annually. Parties submitted an Offer of Settlement with the FERC on June 30, 2021, which included an updated ROE of 9.4% plus a 50 basis point adder for a total ROE of 9.9%. The settlement was certified as uncontested by the designated settlement judge on August 3, 2021 and was subsequently approved by FERC on October 4, 2021.

FORWARD-LOOKING STATEMENTS

Statements included in this Annual Financial Report, which are not historical in nature, are intended to be "forward-looking statements." Forward-looking statements may be identified by words such as "anticipates," "intends," "estimates," "believes," "projects," "expects," "plans," "assumes," "seeks," and other similar words and expressions. CH Energy Group is subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. The risks and uncertainties include, but are not limited to: deviations from normal seasonal temperatures and storm activity, changes in energy and commodity prices, availability of energy supplies, a cyber-attack, changes in interest rates, poor operating performance, legislative, tax and regulatory developments, the outcome of litigations, the COVID-19 pandemic, and the resolution of current and future environmental and economic issues. Additional information concerning risks and uncertainties may be found in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of CH Energy Group's Annual Financial Reports. These reports are available in the Financial Information section of the website of CH Energy Group, at www.CHEnergyGroup.com. CH Energy Group undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

ANNUAL FINANCIAL REPORT SUPPLEMENT

Holding Company Regulation

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

Central Hudson

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

Central Hudson serves a territory comprising of approximately 2,600 square miles in the Hudson Valley. Electric service is available throughout the territory, and natural gas service is provided in and about the cities of Poughkeepsie, Beacon, Newburgh, and Kingston, New York, and in certain outlying and intervening territories. The number of full time and temporary Central Hudson employees at December 31, 2021 was 1,076.

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

Regulation

Central Hudson is subject to regulation as follows:

- <u>PSC</u> – services rendered (including the rates charged), major transmission facility siting, accounting treatment of certain items, and issuance of securities. See Note 4 – "Regulatory Matters" of the Company's 2021 Annual Financial Report.

- <u>FERC</u> (under the Federal Power Act) – accounting and the acquisition and disposition of certain property.

- <u>North American Electric Reliability Corporation</u> – ownership, operation and use of a bulk power system.

- <u>DEC</u> – ownership, operation and use of hydroelectric facilities and environmental site investigation and remediation activities.

- <u>Pipeline and Hazardous Materials Safety Administration</u> – ownership, operation and use of gas pipeline system.

- <u>NYISO</u> – Daily activities, such as purchases and sales of energy and energy-related products, are subject to compliance monitoring and enforcement by the NYISO in accordance with the Market Services Tariff.

- <u>United States Army Corps of Engineers</u> – Construction, repair, replacement of gas or electric lines or facilities that may cross or are located within a federally protected wetland or water body.

Environmental Quality Regulation

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

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

The principal environmental areas relevant to Central Hudson (air, water and industrial and hazardous wastes) are described below. Unless otherwise noted, all required permits and certifications have been obtained by the applicable company. Management believes that Central Hudson was in material compliance with these permits and certifications during 2021. For further discussions related to environmental matters see Note 14 – “Commitments and Contingencies”.

Air Quality

The Clean Air Act Amendments of 1990 address attainment and maintenance of national air quality standards and impact Central Hudson electric generating facilities in South Cairo and Coxsackie, NY.

Water Quality

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

Industrial & Hazardous Substances and Wastes

Central Hudson is subject to federal, state and local laws and regulations relating to the use, handling, storage, treatment, transportation, and disposal of industrial, hazardous, and toxic wastes. See Note 14 − “Commitments and Contingencies” under the caption “Environmental Matters” for additional discussion regarding, among other things, Central Hudson’s former MGP facilities.

Rates

PSC – Costs of service, both for electric and natural gas delivery service and supply costs, are recovered from customers through PSC approved tariffs, subject to a standard of prudency. For further information, see Note 1 – “Summary of Significant Accounting Policies” under the caption “Rates, Revenues, and Adjustment Mechanisms” and Note 4 – “Regulatory Matters” under the caption “2021 Rate Order and Related Proceedings” of the Company’s 2021 Annual Report.

- Customer classes – Residential and non-residential.
- Retail electricity services – Various service classifications covering delivery service and full service (which includes electricity supply).
- Retail natural gas services – Various service classifications covering transport, retail access service, and full service (which includes natural gas supply).
- RDMs – Central Hudson’s rates include RDMs which are intended to minimize the earnings impact resulting from reduced energy consumption as energy efficiency programs are implemented by breaking the link between energy sales and utility revenues and profits. Central Hudson’s RDMs allow the Company to recognize electric delivery revenues and natural gas sales per customer at the levels approved in rates for most of Central Hudson’s electric and natural gas customer classes.

- Commodity costs – Costs of electric and natural gas commodity purchases are recovered from customers, without earning a profit on these costs. Rates are reset monthly based on Central Hudson's actual costs to purchase the electricity and natural gas needed to serve its full service customers.

FERC – Transmission rates and rates for electricity sold for resale which involve interstate commerce.

During 2021, the average price of electricity for full service customers was 17.58 cents per kWh, which includes commodity and surcharges, as compared to an average of 16.13 cents per kWh in 2020. The average delivery only price in 2021 was 8.03 cents per kWh compared with 8.36 cents per kWh in 2020. The decrease in delivery price was primarily due to a larger passback collection of specified accumulated deferred balances, pursuant to the 2018 Rate Order. This decrease in delivery price was partially offset by higher commodity costs for full-service load.

During 2021, the average price of natural gas for full-service customers was $16.85 per Mcf, which includes commodity and surcharges, as compared to an average of $14.86 per Mcf in 2020. The average delivery only price for natural gas for retail and full service in 2021 was $9.57 per Mcf compared with $8.90 per Mcf in 2020. The increase in delivery price was primarily due to an increase in the base delivery revenue pursuant to the 2018 Rate Order, and an increase in the collection of base delivery revenue resulting from a shortfall as compared to the regulatory target offset somewhat by a decrease in weather normalization adjustment collections resulting from colder than normal weather conditions. This increase in delivery price was combined with higher commodity costs for full-service load.

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

Electric

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

Type of Electric Generating Plant	Year Placed in Service/Refurbished	MW(1) Net Capability
Hydroelectric (3 stations)	1920-2021	22.4
Gas turbine (2 stations)	1969-1996	42.5
Total		64.9

(1) Reflects the name plate rating of Central Hudson's electric generating plants and therefore does not include firm purchases or sales.

Central Hudson owns substations having an aggregate transformer capacity of 5.2 million kilovolt amperes. Central Hudson's electric transmission system consists of 580 pole miles of line. The electric distribution system consists of approximately 7,200 pole miles of overhead lines and 1,700 trench miles of underground lines, as well as customer service lines and meters.

Electric Load and Capacity

Central Hudson's maximum one-hour demand for electricity within its own territory for the year ended December 31, 2021, occurred on June 29, 2021, and amounted to 1,148 MW. Central Hudson's all-time highest peak electric demand reached 1,295 MW on August 2, 2006. Central Hudson's current maximum one-hour demand for electricity within its own territory for the 2021-2022 winter capability period occurred to date on January 3, 2022, and amounted to 821 MW.

Central Hudson owns minimal generating capacity and relies on purchased capacity and energy from third-party providers to meet the demands of its full service customers. For more information, see Note 14 – "Commitments and Contingencies."

Natural Gas

Central Hudson's natural gas system consists of 161 miles of transmission pipelines and 1,300 miles of distribution pipelines, as well as customer service lines and meters. For the year ended December 31, 2021, the total amount of natural gas purchased by Central Hudson from all sources was 10,239,726 Mcf.

The peak daily demand for natural gas of Central Hudson's customers for the year ended December 31, 2021, occurred on January 29, 2021 and was 123,493 Mcf. The all-time highest winter period daily peak for Central Hudson of 141,141 Mcf occurred on January 6, 2018. Current peak demand for the 2021-2022 heating season to date occurred on January 3, 2022 and was 115,650 Mcf. Central Hudson's firm peak day natural gas capability in 2021-2022 heating season is 151,417 Mcf.

Purchased Power and Generation Costs

For the year ended December 31, 2021, the sources and related costs of purchased electricity and electric generation for Central Hudson were as follows:

Sources of Energy	Aggregate Percentage of Energy Requirements	Costs in 2021 (In Thousands)
Purchased Electricity	97.8%	$ 191,522
Hydroelectric and Other	2.2%	179
Deferred Electricity Cost		(12,964)
Total	100.0%	$ 178,737

Other Central Hudson Matters

Labor Relations: Central Hudson has four agreements with Local 320 of the International Brotherhood of Electrical Workers for its 590 unionized employees. These agreements cover construction and maintenance employees, customer service representatives, service workers, clerical and system operations employees (excluding persons in managerial, professional, or supervisory positions). One agreement is in effect through March 31, 2024 covering approximately 4.1% of total unionized employees, while the other three agreements are in effect through April 30, 2022.

Property Additions: During the three-year period ended December 31, 2021, Central Hudson made gross property additions of $705.0 million and property retirements and adjustments of $88.6 million, resulting in a net increase (including construction work in progress) in gross utility plant of $616.4 million, or 26.2%.

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

Regarding environmental matters, except as described in Note 14 - "Commitments and Contingencies" under the caption "Environmental Matters," neither CH Energy Group nor Central Hudson are involved as defendants in any material litigation, administrative proceeding, or investigation and, to the best of their knowledge, no such matters are threatened against any of them.

Environmental Expenditures

2021 actual and 2022 estimated expenditures attributable in whole or in substantial part to environmental considerations are detailed in the table below (In Millions):

	2021	2022
Central Hudson	$ 4.0	$ 6.6

The increase in 2022 estimated expenditures relates primarily to ongoing remediation activities at the North Water Street MGP remediation site. For further discussion of these activities, see Note 14 – "Commitments and Contingencies" under caption "Site Investigation and Remediation Program".