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

QUARTERLY FINANCIAL REPORT

for the period ended

MARCH 31, 2024

QUARTER ENDED MARCH 31, 2024

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FINANCIAL STATEMENTS (UNAUDITED)

CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating Revenues		
Electric	$ 197,889	$ 228,594
Natural gas	80,678	98,774
Total Operating Revenues	278,567	327,368
Operating Expenses		
Operation:		
Purchased electricity	65,575	107,316
Purchased natural gas	24,683	46,287
Other expenses of operation - regulated activities	100,575	95,426
Other expenses of operation - non-regulated	83	27
Depreciation and amortization	22,525	20,820
Taxes, other than income tax	26,175	24,147
Total Operating Expenses	239,616	294,023
Operating Income	38,951	33,345
Other Income and Deductions		
Income from unconsolidated affiliates	1,016	1,014
Interest on regulatory assets and other interest income	1,574	2,059
Regulatory adjustments for interest costs	414	372
Non-service cost components of pension and other post-employment benefits ("OPEB")	7,185	6,570
Other - net	141	63
Total Other Income	10,330	10,078
Interest Charges		
Interest on long-term debt	13,774	11,538
Interest on regulatory liabilities and other interest	(622)	1,611
Total Interest Charges	13,152	13,149
Income Before Income Taxes	36,129	30,274
Income Tax Expense	8,490	6,755
Net Income	$ 27,639	$ 23,519

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net Income	$ 27,639	$ 23,519
Other Comprehensive Income ("OCI"):		
Employee future benefits, net of tax expense	2	2
Comprehensive Income	$ 27,641	$ 23,521

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

CH ENERGY GROUP

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating Activities:		
Net income	$ 27,639	$ 23,519
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	18,049	16,653
Amortization	4,476	4,167
Deferred income taxes - net	8,575	7,310
Uncollectible expense	2,367	2,731
Distributed (undistributed) equity in earnings of unconsolidated affiliates	(1,016)	(165)
Pension credit	(1,997)	(2,812)
OPEB credit	(1,694)	(2,194)
Regulatory liability - rate moderation	(8,482)	(3,847)
Regulatory asset - revenue decoupling mechanism ("RDM") recorded	243	(863)
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues, and other receivables	(16,837)	(22,676)
Fuel, materials, and supplies	(2,872)	(3,421)
Special deposits and prepayments	(2,636)	2,063
Income and other taxes	(305)	(728)
Accounts payable	(1,044)	(9,019)
Accrued interest	671	465
Customer advances	(3,568)	(1,075)
Other advances	875	(1,110)
Corporate alternative minimum tax ("AMT")	-	(2,700)
Pension plan contribution	(452)	(362)
OPEB contribution	(629)	(22)
Regulatory asset - RDM collected	6,401	474
Regulatory asset - major storm	(5,171)	(14,490)
Regulatory asset - site investigation and remediation ("SIR")	2,311	2,510
Regulatory asset - Arrears Management Program ("AMP")	900	(20,974)
Regulatory asset - uncollectible write-offs	(7,924)	(475)
Regulatory liability - energy efficiency ("EE") programs including clean energy fund ("CEF")	1,685	(5)
Regulatory asset - rate adjustment mechanisms ("RAM")	3,703	3,486
Regulatory asset - deferred natural gas and electric costs	6,145	8,788
Other - net	10,388	4,948
Net cash provided by (used in) operating activities	39,801	(9,824)
Investing Activities:		
Additions to utility plant	(66,008)	(57,825)
Other - net	(1,088)	6,926
Net cash used in investing activities	(67,096)	(50,899)
Financing Activities:		
Proceeds from issuance of long-term debt	-	90,000
Net change in short-term borrowings	39,000	(75,000)
Capital contributions	-	67,500
Other - net	-	(492)
Net cash provided by financing activities	39,000	82,008
Net Change in Cash, Cash Equivalents, and Restricted Cash	11,705	21,285
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	4,320	5,010
Cash, Cash Equivalents, and Restricted Cash at End of Period	$ 16,025	$ 26,295
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	$ 12,825	$ 11,946
Federal and state income taxes paid, net	$ 991	$ 3,548
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Non-Cash Investing Activities:		
Accrued capital expenditures	$ 14,154	$ 10,605

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

CH ENERGY GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In Thousands)

	March 31, 2024	December 31, 2023	March 31, 2023
ASSETS			
Utility Plant (Note 3)			
Electric	$ 1,898,706	$ 1,884,513	$ 1,804,009
Natural gas	856,973	845,649	792,447
Common	478,697	476,744	455,113
Gross Utility Plant	3,234,376	3,206,906	3,051,569
Less: Accumulated depreciation	769,372	758,277	713,166
Net	2,465,004	2,448,629	2,338,403
Construction work in progress	198,473	183,204	146,852
Net Utility Plant	2,663,477	2,631,833	2,485,255
Non-utility property & plant	524	524	524
Net Non-Utility Property & Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	15,329	3,624	25,599
Accounts receivable from customers - net of allowance for uncollectible accounts of $11.1 million, $11.1 million, and $11.1 million, respectively (Note 2)	259,428	239,862	246,862
Accounts receivable - affiliates (Note 17)	176	158	779
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of $0.1 million, $0.1 million, and $0.1 million, respectively (Note 2)	25,430	28,615	24,354
Other receivables	16,429	18,326	20,304
Fuel, materials, and supplies (Note 1)	39,058	36,186	34,659
Regulatory assets (Note 4)	94,690	110,621	119,466
Income tax receivable	757	442	1,243
Fair value of derivative instruments (Note 15)	6	161	-
Special deposits and prepayments	39,153	36,517	40,643
Total Current Assets	490,456	474,512	513,909
Deferred Charges and Other Assets			
Regulatory assets - other (Note 4)	252,023	254,079	257,472
Prefunded pension costs (Note 11)	115,363	113,229	59,872
Prefunded OPEB costs (Note 11)	47,904	46,185	32,013
Investments in unconsolidated affiliates (Note 6)	30,727	29,711	27,112
Other investments (Note 16)	48,376	46,001	44,647
Other	8,111	8,505	8,988
Total Deferred Charges and Other Assets	502,504	497,710	430,104
Total Assets	$ 3,656,961	$ 3,604,579	$ 3,429,792

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

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

	March 31, 2024	December 31, 2023	March 31, 2023
CAPITALIZATION AND LIABILITIES			
Capitalization (Note 9)			
CH Energy Group Common Shareholders' Equity			
Common Stock (30,000,000 shares authorized: $0.01 par value; 15,961,400 shares issued and outstanding)	$ 160	$ 160	$ 160
Paid-in capital	561,602	561,602	555,602
Retained earnings	684,451	656,812	607,953
Accumulated OCI	167	165	168
Total Equity	1,246,380	1,218,739	1,163,883
Long-term debt (Note 10)			
Principal amount	1,221,801	1,241,801	1,184,046
Unamortized debt issuance costs	(5,985)	(6,143)	(6,202)
Net long-term debt	1,215,816	1,235,658	1,177,844
Total Capitalization	2,462,196	2,454,397	2,341,727
Current Liabilities			
Current maturities of long-term debt (Note 10)	52,245	32,245	32,100
Short-term borrowings (Note 8)	60,000	21,000	30,000
Accounts payable	60,530	72,122	66,702
Accounts payable - affiliates (Note 17)	-	199	-
Accrued interest	13,645	12,974	11,150
Accrued vacation and payroll	14,434	10,780	13,648
Customer advances	14,586	18,154	15,878
Customer deposits	6,740	6,686	6,756
Regulatory liabilities (Note 4)	60,722	62,647	78,438
Fair value of derivative instruments (Note 15)	5,465	12,499	11,688
Accrued environmental remediation costs (Note 13)	1,286	1,066	4,037
Other advances	10,978	10,103	10,770
Other current liabilities	16,859	21,187	17,024
Total Current Liabilities	317,490	281,662	298,191
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	121,442	121,166	72,825
Regulatory liabilities - deferred OPEB costs (Note 4)	31,914	32,633	23,106
Regulatory liabilities - other (Note 4)	281,556	271,792	267,036
Operating reserves	4,252	3,495	3,495
Accrued environmental remediation costs (Note 13)	71,142	71,236	69,531
Other liabilities	39,770	37,506	32,799
Total Deferred Credits and Other Liabilities	550,076	537,828	468,792
Accumulated Deferred Income Tax (Note 5)	327,199	330,692	321,082
Commitments and Contingencies			
Total Capitalization and Liabilities	$ 3,656,961	$ 3,604,579	$ 3,429,792

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

CH ENERGY GROUP

CONDENSED CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share amounts)

	Three Months Ended March 31, 2024					
	Common Stock					
	Shares Issued	Amount	Paid-In Capital	Retained Earnings	Accumulated OCI	Total Equity
Balance at December 31, 2023	15,961,400	$ 160	$ 561,602	$ 656,812	$ 165	$ 1,218,739
Net income				27,639		27,639
Employee future benefits, net of tax					2	2
Balance at March 31, 2024	15,961,400	$ 160	$ 561,602	$ 684,451	$ 167	$ 1,246,380

	Three Months Ended March 31, 2023					
	Common Stock					
	Shares Issued	Amount	Paid-In Capital	Retained Earnings	Accumulated OCI	Total Equity
Balance at December 31, 2022	15,961,400	$ 160	$ 488,102	$ 584,434	$ 166	$ 1,072,862
Net income				23,519		23,519
Capital contribution			67,500			67,500
Employee future benefits, net of tax					2	2
Balance at March 31, 2023	15,961,400	$ 160	$ 555,602	$ 607,953	$ 168	$ 1,163,883

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

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating Revenues		
Electric	$ 197,889	$ 228,594
Natural gas	80,678	98,774
Total Operating Revenues	278,567	327,368
Operating Expenses		
Operation:		
Purchased electricity	65,575	107,316
Purchased natural gas	24,683	46,287
Other expenses of operation	100,575	95,426
Depreciation and amortization	22,525	20,820
Taxes, other than income tax	26,088	24,095
Total Operating Expenses	239,446	293,944
Operating Income	39,121	33,424
Other Income and Deductions		
Interest on regulatory assets and other interest income	1,574	2,059
Regulatory adjustments for interest costs	414	372
Non-service cost components of pension and OPEB	7,192	6,575
Other - net	167	86
Total Other Income	9,347	9,092
Interest Charges		
Interest on long-term debt	13,695	11,424
Interest on regulatory liabilities and other interest	(622)	1,611
Total Interest Charges	13,073	13,035
Income Before Income Taxes	35,395	29,481
Income Tax Expense	8,293	6,516
Net Income	$ 27,102	$ 22,965

CENTRAL HUDSON
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net Income	$ 27,102	$ 22,965
OCI:		
Employee future benefits, net of tax expense	2	2
Comprehensive Income	$ 27,104	$ 22,967

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

CENTRAL HUDSON
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating Activities:		
Net income	$ 27,102	$ 22,965
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	18,049	16,653
Amortization	4,476	4,167
Deferred income taxes - net	8,375	7,073
Uncollectible expense	2,367	2,731
Pension credit	(1,997)	(2,812)
OPEB credit	(1,694)	(2,194)
Regulatory liability - rate moderation	(8,482)	(3,847)
Regulatory asset - RDM recorded	243	(863)
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues, and other receivables	(16,863)	(24,063)
Fuel, materials, and supplies	(2,872)	(3,421)
Special deposits and prepayments	(2,715)	2,061
Income and other taxes	(1,010)	68
Accounts payable	(2,072)	(8,228)
Accrued interest	592	350
Customer advances	(3,568)	(1,075)
Other advances	875	(1,110)
Pension plan contribution	(452)	(362)
OPEB contribution	(629)	(22)
Regulatory asset - RDM collected	6,401	474
Regulatory asset - major storm	(5,171)	(14,490)
Regulatory asset - SIR	2,311	2,510
Regulatory asset - AMP	900	(20,974)
Regulatory asset - uncollectible write-offs	(7,924)	(475)
Regulatory liability - EE programs including CEF	1,685	(5)
Regulatory asset - RAM	3,703	3,486
Regulatory asset - deferred natural gas and electric costs	6,145	8,788
Other - net	10,298	6,078
Net cash provided by (used in) operating activities	38,073	(6,537)
Investing Activities:		
Additions to utility plant	(66,008)	(57,825)
Other - net	(1,021)	10,342
Net cash used in investing activities	(67,029)	(47,483)
Financing Activities:		
Proceeds from issuance of long-term debt	-	90,000
Net change in short-term borrowings	39,000	(75,000)
Capital contributions	-	60,000
Other - net	-	(492)
Net cash provided by financing activities	39,000	74,508
Net Change in Cash, Cash Equivalents, and Restricted Cash	10,044	20,488
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	2,218	3,371
Cash, Cash Equivalents, and Restricted Cash - End of Period	$ 12,262	$ 23,859
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	$ 12,825	$ 11,946
Federal and state income taxes paid, net	$ 1,617	$ -
Non-Cash Investing Activities:		
Accrued capital expenditures	$ 14,154	$ 10,605

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

CENTRAL HUDSON

CONDENSED BALANCE SHEET (UNAUDITED)

(In Thousands)

	March 31, 2024	December 31, 2023	March 31, 2023
ASSETS			
Utility Plant (Note 3)			
Electric	$ 1,898,706	$ 1,884,513	$ 1,804,009
Natural gas	856,973	845,649	792,447
Common	478,697	476,744	455,113
Gross Utility Plant	3,234,376	3,206,906	3,051,569
Less: Accumulated depreciation	769,372	758,277	713,166
Net	2,465,004	2,448,629	2,338,403
Construction work in progress	198,473	183,204	146,852
Net Utility Plant	2,663,477	2,631,833	2,485,255
Non-Utility Property and Plant	524	524	524
Net Non-Utility Property and Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	11,566	1,522	23,163
Accounts receivable from customers - net of allowance for uncollectible accounts of $11.1 million, $11.1 million, and $11.1 million, respectively (Note 2)	259,428	239,862	246,862
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of $0.1 million, $0.1 million, and $0.1 million, respectively (Note 2)	25,430	28,615	24,354
Other receivables	16,650	18,503	22,210
Fuel, materials, and supplies (Note 1)	39,058	36,186	34,659
Regulatory assets (Note 4)	94,690	110,621	119,466
Income tax receivable	396	-	-
Fair value of derivative instruments (Note 15)	6	161	-
Special deposits and prepayments	39,080	36,365	40,636
Total Current Assets	486,304	471,835	511,350
Deferred Charges and Other Assets			
Regulatory assets - other (Note 4)	252,023	254,079	257,472
Prefunded pension costs (Note 11)	115,533	113,404	60,062
Prefunded OPEB costs (Note 11)	47,904	46,185	32,013
Other investments (Note 16)	47,360	45,053	43,763
Other	8,110	8,502	8,986
Total Deferred Charges and Other Assets	470,930	467,223	402,296
Total Assets	$ 3,621,235	$ 3,571,415	$ 3,399,425

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

CENTRAL HUDSON

CONDENSED BALANCE SHEET (CONT'D) (UNAUDITED)

(In Thousands, except share amounts)

	March 31, 2024	December 31, 2023	March 31, 2023
CAPITALIZATION AND LIABILITIES			
Capitalization (Note 9)			
Common Stock (30,000,000 shares authorized: $5 par value; 16,862,087 shares issued and outstanding)	$ 84,311	$ 84,311	$ 84,311
Paid-in capital	386,452	386,452	386,452
Accumulated OCI	167	165	168
Retained earnings	752,963	725,861	673,078
Capital stock expense	(4,633)	(4,633)	(4,633)
Total Equity	1,219,260	1,192,156	1,139,376
Long-term debt (Note 10)			
Principal amount	1,219,400	1,239,400	1,179,400
Unamortized debt issuance costs	(5,969)	(6,124)	(6,177)
Net long-term debt	1,213,431	1,233,276	1,173,223
Total Capitalization	2,432,691	2,425,432	2,312,599
Current Liabilities			
Current maturities of long-term debt (Note 10)	50,000	30,000	30,000
Short-term borrowings (Note 8)	60,000	21,000	30,000
Accounts payable	60,559	73,378	68,047
Accrued interest	13,553	12,961	11,016
Accrued vacation and payroll	14,434	10,780	13,648
Customer advances	14,586	18,154	15,878
Customer deposits	6,740	6,686	6,756
Regulatory liabilities (Note 4)	60,722	62,647	78,438
Fair value of derivative instruments (Note 15)	5,465	12,499	11,688
Accrued environmental remediation costs (Note 13)	1,286	1,066	4,037
Accrued income and other taxes	-	614	-
Other advances	10,978	10,103	10,770
Other current liabilities	16,839	21,168	17,049
Total Current Liabilities	315,162	281,056	297,327
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	121,442	121,166	72,825
Regulatory liabilities - deferred OPEB costs (Note 4)	31,914	32,633	23,106
Regulatory liabilities - other (Note 4)	281,556	271,792	267,036
Operating reserves	4,252	3,495	3,495
Accrued environmental remediation costs (Note 13)	71,142	71,236	69,531
Other liabilities	38,533	36,359	31,736
Total Deferred Credits and Other Liabilities	548,839	536,681	467,729
Accumulated Deferred Income Tax (Note 5)	324,543	328,246	321,770
Commitments and Contingencies			
Total Capitalization and Liabilities	$ 3,621,235	$ 3,571,415	$ 3,399,425

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

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

	Three Months Ended March 31, 2024						
	Common Stock						
	Shares Issued	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	Accum-ulated OCI	Total Equity
Balance at December 31, 2023	16,862,087	$ 84,311	$ 386,452	$ (4,633)	$ 725,861	$ 165	$ 1,192,156
Net income					27,102		27,102
Employee future benefits, net of tax						2	2
Balance at March 31, 2024	16,862,087	$ 84,311	$ 386,452	$ (4,633)	$ 752,963	$ 167	$ 1,219,260

	Three Months Ended March 31, 2023						
	Common Stock						
	Shares Issued	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	Accum-ulated OCI	Total Equity
Balance at December 31, 2022	16,862,087	$ 84,311	$ 326,452	$ (4,633)	$ 650,113	$ 166	$ 1,056,409
Net income					22,965		22,965
Capital contribution			60,000				60,000
Employee future benefits, net of tax						2	2
Balance at March 31, 2023	16,862,087	$ 84,311	$ 386,452	$ (4,633)	$ 673,078	$ 168	$ 1,139,376

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

NOTE 1 – Summary of Significant Accounting Policies

Corporate Structure

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Electric Transmission LLC ("CHET"), Central Hudson Enterprises Corporation ("CHEC"), and Central Hudson Gas Transmission LLC ("CHGT"). CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), which is a leader in the North American regulated electric and natural gas utility industry. Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its ownership interest in New York Transco LLC ("Transco"). CHGT was formed to hold CH Energy Group's ownership stake in possible natural gas transmission pipeline opportunities in New York State ("NYS"). As of March 31, 2024, there has been no activity in CHGT. CHEC had ownership interests in certain non-regulated subsidiaries that were less than 100% owned. At March 31, 2024, the investments had a cost basis of $0.

Basis of Presentation

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

The Condensed Consolidated Financial Statements of CH Energy Group and Condensed Financial Statements of Central Hudson are unaudited but, in the opinion of management, reflect all normal recurring adjustments necessary for a fair statement of the results for the interim periods presented. These unaudited Quarterly Condensed Financial Statements do not contain all footnote disclosures concerning accounting policies and other matters, which are included in the December 31, 2023 audited Financial Statements and, accordingly, should be read in conjunction with the Notes thereto. The balance sheets of CH Energy Group and Central Hudson as of March 31, 2023 are included for supplemental information.

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

Preparation of the financial statements in accordance with GAAP, includes the use of estimates and assumptions by management that affect the reported amounts of assets, liabilities, and the disclosures of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Current estimates as of and for the period ended March 31, 2024, reflect management's best assumptions at this time. As with all estimates, actual results may differ from those estimated. Estimates may be subject to future uncertainties, including the impacts on Central Hudson's service territory and customers resulting from legislative mandates and policies.

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

Regulatory Accounting Policies

Central Hudson is subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Regulatory accounting guidance results in differences in the application of GAAP, between regulated and non-regulated businesses, and requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as expense or revenue in non-regulated businesses. Regulated utilities, such as Central Hudson, defer costs and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those costs and revenues will be recoverable from or refundable to customers through the rate-making process in a period different from when they otherwise would have been reflected in income. For Central Hudson, these deferred regulatory assets and liabilities, and the related deferred taxes, are recovered from or reimbursed to customers either by offset as directed by the New York State Public Service Commission (“PSC” or “Commission”), through an approved surcharge mechanism or through incorporation in the determination of the revenue requirement used to set new rates. Changes in regulatory assets and liabilities are reflected in the Condensed Consolidated Statement of Income either in the period in which the amounts are recovered through a surcharge, are reflected in rates, or when criteria for recording the revenues are met. Current accounting practices reflect the regulatory accounting authorized in Central Hudson’s most recent Rate Orders. On November 18, 2021, the PSC issued an Order Approving Rate Plan in Cases 20-E-0428 and 20-G-0429 (the “2021 Rate Order”). On October 4, 2021, the Federal Energy Regulatory Commission (“FERC”) approved Facilities Charge for System Deliverability Upgrades (“SDU”) under Rate Schedule 12 of the New York Independent System Operator (“NYISO”) to be collected via the Open Access Transmission Tariff (“OATT”). See Note 4 – “Regulatory Matters” for additional information regarding regulatory accounting.

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

Seasonality

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

Restricted Cash

Restricted cash as of March 31, 2024, primarily consists of cash held in escrow as security deposits from companies attaching other utilities to Central Hudson-owned poles.

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)

	March 31, 2024	March 31, 2023
Cash and cash equivalents	$ 15,329	$ 25,599
Restricted cash included in other long-term assets	696	696
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	$ 16,025	$ 26,295

Central Hudson
(In Thousands)

	March 31, 2024	March 31, 2023
Cash and cash equivalents	$ 11,566	$ 23,163
Restricted cash included in other long-term assets	696	696
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	$ 12,262	$ 23,859

Accounts Receivable and Allowance for Uncollectible Accounts

Receivables and unbilled utility revenues are carried at net realizable value, based on the allowance for credit losses model. The accounts receivable balance also reflects Central Hudson's purchase of receivables from energy service companies to support the retail choice programs. The allowance for uncollectible accounts reflects management's best estimate of expected credit losses to reduce accounts receivable for amounts estimated to be uncollectible. Estimates for uncollectible accounts are based on accounts receivable aging data, as well as consideration of various quantitative and qualitative factors, including special collection issues and current and forecasted economic conditions. Finance charges can be charged on accounts receivable balances that have been outstanding for more than 20 days, see Note 2 – "Revenue and Receivables" for further details.

Financial Instruments

CH Energy Group and Central Hudson use reasonable and supportable forecasts in the estimate of credit losses and the recognition of expected losses upon initial recognition of a financial instrument, in addition to using past events and current conditions. At March 31, 2024, December 31, 2023, and March 31, 2023, there were no expected credit losses on financial instruments other than those on accounts receivable and unbilled utility revenues.

Fuel, Materials, and Supplies

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

	March 31, 2024	December 31, 2023	March 31, 2023
Fuel used in electric generation	$ 337	$ 521	$ 579
Materials and supplies	38,721	35,665	34,080
Total	$ 39,058	$ 36,186	$ 34,659

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 natural 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.

Reclassification

Certain amounts shown in the CH Energy Group and Central Hudson Balance Sheets and Note 4 – “Regulatory Matters” have been reclassified to conform to the 2024 presentation. These reclassifications had no effect on the reported results of operations.

Future Accounting Pronouncements to Be Adopted

Soon to be adopted accounting guidance is summarized below, including explanations for any applicable new guidance issued by the Financial Accounting Standards Board (“FASB”) and the expected impact on CH Energy Group and its subsidiaries.

Segment Reporting

Accounting Standards Update (“ASU”) No. 2023-06, *Improvements to Reportable Segment Disclosures* requires incremental disclosures about an entity’s reportable segments but does not change the definition of a segment or the guidance for determining reportable segments. The new guidance requires disclosure of significant segment expenses that are (1) regularly provided to, or easily computed from information regularly provided to, the chief operating decision maker and (2) included in the reported measure of segment profit or loss. The new standard also allows companies to disclose multiple measures of segment profit or loss if those measures are used to assess performance and allocate resources. This update is effective for annual periods beginning after December 15, 2023 and should be adopted retrospectively unless impracticable. CH Energy Group and its subsidiaries are currently evaluating the impact, if any, that the adoption of this standard will have on financial disclosures.

Income Taxes

ASU No. 2023-09, *Improvements to Income Tax Disclosures* requires entities to disclose in their rate reconciliation table additional categories of information about federal, state, and foreign income taxes and provide more details about the reconciling items in some categories if items meet a quantitative threshold. Entities would have to provide qualitative disclosures about the new categories. The guidance will require all entities to disclose income taxes paid, net of refunds, disaggregated by federal (national), state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold. The guidance makes several other changes to the disclosure requirements. Entities are required to apply the guidance prospectively, with the option to apply it retrospectively. The guidance is effective for fiscal years beginning in 2025. CH Energy Group and its subsidiaries are currently evaluating the impact, if any, that the adoption of this standard will have on financial disclosures.

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 revenues).

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, lost finance charges, as established in the 2021 Rate Order, Gas Merchant Function Charge lost revenue, and revenue requirements effects for certain incremental capital projects. In addition, Central Hudson records alternative revenues related to positive revenue adjustments ("PRAs") and Earnings Adjustment Mechanisms ("EAMs") related to NYS clean energy goals, when prescribed targets are met.

Other Revenues

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

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

	Three Months Ended March 31,	
Electric	2024	2023
Revenues from contracts with customers	$ 199,040	$ 223,303
Alternative revenues	1,062	1,499
Other revenue adjustments	(2,213)	3,792
Total Operating Revenues Electric	$ 197,889	$ 228,594
Natural Gas		
Revenues from contracts with customers	$ 85,130	$ 100,363
Alternative revenues	694	1,476
Other revenue adjustments	(5,146)	(3,065)
Total Operating Revenues Natural Gas	$ 80,678	$ 98,774

The quarter over quarter decrease in electric and natural gas revenues from contracts with customers was primarily driven by lower billed purchased commodity costs which were partially offset by approved increases in delivery rates effective July 1, 2023.

The decrease in electric and natural gas alternative revenue programs quarter over quarter is due to lower RDM deferrals recorded for the differences between actual billed revenues when compared to prescribed targets.

The quarter over quarter decreases in other electric and natural gas revenue adjustments is primarily driven by higher revenue adjustments, which offset amounts shown in revenues from contract with customers, for the billing of previously deferred RDM revenues, as well as higher NRAs recorded for performance metrics below the 2021 Rate Order prescribed targets. Partially mitigating these decreases were higher rate moderation revenue offsets provided to customers in 2024 as compared to 2023.

Allowance for Uncollectible Accounts

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Balance at Beginning of Period	$ (11,200)	$ (11,200)
Uncollectible expense	(2,367)	(2,731)
Uncollectible write-off deferral	(7,924)	(475)
Uncollectible write-offs - net	10,291	3,206
Balance at End of Period	$ (11,200)	$ (11,200)

Growth in arrears of accounts receivable began with the suspension of collection efforts required during the Coronavirus pandemic ("COVID-19"), which has impacted certain customers' payment behavior and has been further compounded by increased commodity prices. The Company provided certain residential and small commercial customers with bill credits on PSC approved AMP Phase 1 and Phase 2 relief during 2022 and 2023, that had arrears balances as of May 1, 2022, a portion of which will be recovered over a seven-year period via a surcharge. Central Hudson does not anticipate any further credits will be issued under these AMP programs.

Central Hudson also received $6.3 million in funding during March 2024 for affordability assistance to provide utility arrears relief to customers approved under the 2024 NYS budget. While credits have provided some relief to customers, we believe these credits have further impacted customer payment behaviors and the accounts receivable arrears have continued to grow.

Central Hudson initiated focused collection efforts beginning in the second half of 2022 for certain customers with large balances in arrears through communications urging payment and notifying customers that finance charges and termination efforts would be forthcoming. Collection efforts expanded in 2023 and will continue in 2024, including issuing final termination notices and locking service for non-payment for certain commercial customers. Outreach and collection efforts for residential customers where termination of service has not yet been enforced have provided some success with a leveling off in the number of customers in arrears, but overall residential arrear amounts have continued to increase. For commercial customers, where the Company has employed full termination activities, collection efforts have generated even greater success with payment or payment arrangements from customers. These efforts have resulted in a reduction to the total amount in arrears for commercial customers. As termination activities continue to expand in 2024, the Company expects to see collection results and customer payment behavior consistent with pre-COVID levels. There has not been a significant change in the economic conditions or customers within the service territory and the Company believes the increasing arrears balances associated with those customers choosing not to pay is not indicative of customers' inability to pay. As such, the Company believes the recorded reserve is reflective of the ultimate expected credit losses.

Management conducted quantitative and qualitative assessments of the allowance for uncollectible accounts as of March 31, 2024, including consideration of the differences in the current customers with arrears compared to past history, differences in payment behaviors of customers, including past economic factors impacting payment behavior compared to the current economic environment and the success of collection efforts to date. Based on its analysis and taking all qualitative factors into consideration, the Company concluded that the reserve of $11.2 million should be maintained as of March 31, 2024.

Under the terms of the 2021 Rate Order, Central Hudson is authorized to defer bad debt write-offs through June 30, 2024, if they exceed 10 basis points above the amounts billed to customers through delivery rates and applicable surcharges.

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 March 31, 2024	Utility Plant December 31, 2023	Utility Plant March 31, 2023
Electric:				
Production	25-95	$ 55,231	$ 54,996	$ 43,857
Transmission	30-90	509,845	508,937	488,470
Distribution	8-80	1,326,520	1,313,501	1,264,616
Other	40	7,110	7,079	7,066
Total		$ 1,898,706	$ 1,884,513	$ 1,804,009
Natural Gas:				
Transmission	19-85	$ 71,588	$ 71,250	$ 64,703
Distribution	28-95	784,943	773,957	727,302
Other	N/A	442	442	442
Total		$ 856,973	$ 845,649	$ 792,447
Common:				
Land and structures	50	$ 118,184	$ 117,533	$ 115,384
Office and other equipment, radios, and tools	8-35	94,128	93,295	88,807
Transportation equipment	10-12	82,940	87,965	82,519
Other	3-15	183,445	177,951	168,403
Total		$ 478,697	$ 476,744	$ 455,113
Gross Utility Plant		$ 3,234,376	$ 3,206,906	$ 3,051,569

For the three months ended March 31, 2024 and 2023, the borrowed component of funds used during construction and recorded as a reduction of interest expense was $1.1 million and $0.8 million, respectively, and the equity component reported as other income was $0.9 million and $0.6 million, respectively.

Included in the Net Utility Plant balance of $2.7 billion at March 31, 2024, $2.6 billion at December 31, 2023, and $2.5 billion at March 31, 2023, is $221.0 million, $215.5 million, and $199.3 million of intangible utility plant assets, comprised primarily of computer software costs, land, transmission, water, and other rights and the related accumulated amortization of $115.8 million, $111.2 million, and $98.5 million, respectively.

As of March 31, 2024, December 31, 2023, and March 31, 2023, Central Hudson has reclassified from utility plant assets $50.7 million, $50.8 million, and $48.9 million, respectively, of cost of removal ("COR") recovered through the rate-making process in excess of amounts incurred to date as a regulatory liability.

Asset Retirement Obligations ("AROs") for Central Hudson were approximately $6.0 million, $5.9 million, and $3.1 million as of March 31, 2024, December 31, 2023, and March 31, 2023. 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):

	March 31, 2024	December 31, 2023	March 31, 2023
Regulatory Assets:			
Deferred purchased electric costs (Note 1)	$ 30,461	$ 32,972	$ 45,041
Deferred purchased natural gas costs (Note 1)	-	586	6,584
Deferred unrealized losses on derivatives – electric and natural gas (Note 15)	5,496	12,499	11,688
RAM – electric and carrying charges	14,285	16,976	13,367
RAM – natural gas and carrying charges	3,116	3,890	1,971
EAMs – electric	5,099	8,235	6,600
RDM and carrying charges – electric	4,078	5,638	2,673
RDM and carrying charges – natural gas	2,612	7,720	2,915
Energy efficiency programs and carrying charges	36,496	35,772	29,412
Electric vehicle ("EV") make ready program and carrying charges	5,417	4,676	2,530 (2)
Demand management programs and carrying charges	6,144	5,796	7,048
Deferred and accrued SIR costs and carrying charges (Note 13)	58,978	61,340	68,568
Deferred storm costs and carrying charges	65,322	59,253	57,113
Deferred vacation pay accrual	12,521	8,760	11,879
Income taxes recoverable through future rates	22,755	37,807	44,196
Tax reform – unprotected impacts (Note 5)	23,733	23,733	23,733
Deferred interest cost and carrying charges	7,211	5,443	4,280
AMP and carrying charges	21,052	21,842	24,318
Uncollectible write offs and carrying charges	8,841	948	3,551
Other	13,096 (1)	10,814 (1)	9,471 (1)(2)
Total Regulatory Assets	$ 346,713	$ 364,700	$ 376,938
Less: Current Portion of Regulatory Assets	$ 94,690	$ 110,621	$ 119,466
Total Long-term Regulatory Assets	$ 252,023	$ 254,079	$ 257,472
Regulatory Liabilities:			
Rate moderator – electric and carrying charges	$ 22,216	$ 27,786	$ 14,102
Rate moderator – natural gas and carrying charges	7,171	9,745	7,349
Deferred purchased natural gas costs (Note 1)	3,048	-	-
CEF and carrying charges	51,998	49,664	49,651
Tax reform – protected deferred tax liability (Note 5)	145,173	145,859	177,914
Deferred COR (Note 3)	50,688	50,826	48,932
Deferred pension costs (Note 11)	121,442	121,166	72,825
Deferred property taxes and carrying charges	12,824	4,969	8,164
Income taxes refundable through future rates	9,671	11,887	10,225
Deferred OPEB costs (Note 11)	31,914	32,633	23,106
Energy Affordability Program ("EAP") and carrying charges	4,217	3,776	4,824
Net plant and depreciation targets and carrying charges	6,241 (3)	4,072 (3)	1,031
Fast charging infrastructure program and carrying charges	5,618	5,556	5,582
NRAs	12,437	8,282	5,751
Deferred unbilled revenue	5,082	5,082	5,082
Utility asset sale to Transco and carrying charges	4,401	4,338	4,402
Other	1,493 (1)	2,597 (1)	2,465 (1)
Total Regulatory Liabilities	$ 495,634	$ 488,238	$ 441,405
Less: Current Portion of Regulatory Liabilities	$ 60,722	$ 62,647	$ 78,438
Total Long-term Regulatory Liabilities	$ 434,912	$ 425,591	$ 362,967
Net Regulatory Liabilities	$ (148,921)	$ (123,538)	$ (64,467)

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

(2) Certain amounts included in Other related to prior periods, have been reclassified to conform to the March 31, 2024 presentation.

(3) Approximately $3.9 million and $2.6 million is included in Net plant and depreciation targets, for the periods ended March 31, 2024 and December 31, 2023, respectively, related to revenues set aside for the return to customers associated with a system replacement that was postponed. These deferred balances accrued carrying charges at the Company's pre-tax weighted average cost of capital.

PSC Proceedings

2021 Rate Order

The 2021 Rate Order adopts the terms set forth in the August 24, 2021 Joint Proposal. The 2021 Rate Order also fully resolved all issues associated with the Sales Tax Refund Proceeding (Case 20-M-0134). The 2021 Rate Order was effective December 1, 2021 and included a make-whole provision that provided new rates effective retroactive to July 1, 2021, with Rate Year ("RY") 1 through 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 2021 Rate Order are as follows:

	2021 Rate Order (Dollars In Millions)		
Description	RY1	RY2	RY3
Electric delivery rate (decrease)/increase	($3.1)	$19.5	$20.7
Natural gas delivery rate increases	$4.7	$6.3	$6.4
Return on equity ("ROE")	9.00%	9.00%	9.00%
Earnings sharing	Yes[1]	Yes[1]	Yes[1]
Capital structure – common equity	50%	49%	48%
Bill (surcharge)/credits - electric	($2.0)	$9.5	$21.5
Bill credits - natural gas	$0.8	$3.2	$5.6
RDMs – electric and natural gas	Yes	Yes	Yes

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

The 2021 Rate Order utilizes existing regulatory balances to reduce bill impacts for customers during the term of the agreement. The 2021 Rate Order also reflects a postponement of certain capital projects, as well as reductions to operations and maintenance ("O&M") costs to help manage customer bill impacts. The total electric revenue (decrease)/increase, after bill credits, is (0.2%) for RY1 and 1.2% for RY2 and RY3 and the total natural gas revenue increase, after bill credits, is 1.9% for RY1 and 1.8% for RY2 and RY3. The rate plan also includes an allowed ROE of 9.0% and an equity ratio of 50%, 49%, and 48% for RY1 through RY3, respectively.

The 2021 Rate Order:

- establishes the Company's future energy infrastructure investments, programs, and operations;
- stabilizes electric delivery rates in the first year, with a slight decrease for residential customers;
- reflects modest increases in natural gas delivery rates producing bill impacts just under two percent each RY;
- includes increased electric bill discounts for income qualified households and expanded access into Central Hudson's EAP;
- reflects investments in clean EE ground and air-source electric heat pumps, EV charging, and system upgrades that support utilization of renewable sources;
- implements 10 EAMs, which reflect a maximum earnings potential of 100 basis points;
- maintains the current Customer Average Interruption Duration Index ("CAIDI") metric and reflects increasingly stringent System Average Interruption Frequency Index ("SAIFI") targets,

continues and further enhances existing natural gas safety performance metrics and public safety programs, and includes higher performance requirements for Customer Service Performance Indicators, with a net increase in total potential NRAs;

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

2023 Rate Case Filing

On July 31, 2023, Central Hudson filed electric and natural gas rate Cases 23-E-0418 and 23-G-0419 with the PSC requesting increases in electric and natural gas delivery rates with a 9.8% ROE and 50% common equity capital structure to be effective July 1, 2024. The main drivers of the rate filing include (1) replacement of aging or obsolete infrastructure; (2) workforce expansion; (3) capitalization costs; (4) major storm restoration costs; and (5) program costs in support of New York's clean energy goals and bill affordability.

Department of Public Service ("DPS") Staff ("Staff") and intervenor testimony was filed on November 21, 2023, rebuttal testimonies were filed on December 19, 2023. Evidentiary hearings concluded February 6, 2024. Initial Briefs were filed on March 1, 2024 and Reply Briefs were filed on March 11, 2024. As of post-hearing briefs, the Company is seeking approval of an increase of $124.2 million in its electric delivery revenue and $45.1 million in its natural gas delivery revenues. On March 14, 2024, the Company indicated its willingness to accept a 31-day extension of the Suspension Date, through and including July 31, 2024, subject to a make-whole provision. A Recommended Decision by the Administrative Law Judges assigned to the proceeding is expected in early May with a final Order expected to be issued in July. If approved, Central Hudson expects the rate increases to increase its revenue, cash flow, and earnings. No prediction can be made as to the final outcome of the rate filing.

FERC SDU Proceeding

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO OATT to establish a Facilities Charge for SDUs being installed on Central Hudson's transmission facilities, which are required to provide four large generating facility developers with capacity resource interconnection service. The FERC formula was posted for comment on the NYISO website on April 14, 2023, which included estimated project costs of $9.8 million plus O&M and other applicable costs. The FERC formula rate was filed with FERC on May 15, 2023, for collection over the period June 2023 through May 2024. The next rate schedule is presently under development, was posted on the NYISO website on April 15, 2024, and will be filed with FERC by May 15, 2024. The new rate will be established for collection over the period June 2024 through May 2025.

Energy Affordability & COVID-19 Proceeding

On June 11, 2020, the PSC established a new proceeding, Case 20-M-0266, to identify and address the effects of the COVID-19 pandemic on utility service in NYS. 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.

The 2024 State budget signed by the Governor on May 3, 2023, included the appropriation of $200 million for affordability assistance to utility customers. On February 15, 2024, the PSC issued an order appropriating the funds to utilities based on each utility's share of the State's total 2022 EAP spending. The utilities are required to distribute the funds to all customers that contribute to EAPs as a flat, one-time bill credit, with separate amounts for electric and natural gas customers. In March 2024, Central Hudson received $6.3 million in funding which will be applied to customers in accordance with the Order.

Customer Information System ("CIS") Show Cause Order

During the March 2022 PSC session, the PSC directed Staff, and subsequently instituted Case 22-00666, to investigate billing issues subsequent to the implementation and to publicly track comments and other related documents.

On July 27, 2023, the Company entered into an Interim Agreement with the DPS. The Interim Agreement reflected Central Hudson's planned acceleration of the roll out of monthly meter reading and outlined mutually agreed upon terms of an independent third-party review and verification of the accuracy of the data and billings issued from the new CIS. As an initial step in the agreed upon process, the third-party monitor completed its review and provided a report to Staff.

NOTE 5 – Income Tax

Uncertain Tax Positions

On April 14, 2023, the IRS issued Revenue Procedure 2023-15 ("Rev Proc"), related to deductions taken on natural gas transmission and distribution repairs. As a result of the adoption of this Rev Proc, the Company recorded an increase to the net operating loss deferred tax asset, with an offsetting increase to the repair deferred tax liability of $27.3 million.

The Company will file a change in accounting method in its 2023 Federal Income Tax Return.

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

	Three Months Ended March 31, 2024[1]	Three Months Ended March 31, 2023
Unrecognized tax balance, beginning of the period	$ -	$ 10,538
Additions related to current year	-	300
Decreases related to the prior year	-	(2,061)
Unrecognized tax balance, end of the period	$ -	$ 8,777
Offset per ASU No. 2013-11[2]	-	(8,777)
Tax Reserve Balance, End of the Period	$ -	$ -

[1] The natural gas repair reserve was reversed in December 2023 with the adoption of the Rev Proc.

[2] Amounts are classified as a deferred tax asset per ASU No. 2023-11, Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a similar Tax Loss, or a Tax Credit Carryforward Exists.

CH Energy Group

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Effective tax rate - federal	17.6%	16.5%
Effective tax rate - state	5.9%	5.8%
Effective Tax Rate - Combined	23.5%	22.3%

Central Hudson

	Three Months Ended March 31,	
	2024	2023
Effective tax rate - federal	17.5%	16.3%
Effective tax rate - state	5.9%	5.8%
Effective Tax Rate - Combined	23.4%	22.1%

For the three months ended March 31, 2024, and 2023, the combined effective tax rates for CH Energy Group and Central Hudson are lower than the statutory rate due to tax normalization rules and the timing of flow through tax items related to capital expenditures. The effective tax rate for 2024 is higher than 2023, primarily due to higher income in 2024 subject to the statutory rate.

NOTE 6 – Investments in Unconsolidated Affiliates

In April 2019, National Grid and Transco were awarded the Segment B portion of one of their proposals related to the Alternating Current Transmission Order with NYISO for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid ("AC Project"). Transco is authorized to earn a ROE invested in the project, up to 53% of the project cost, of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of $600 million, plus interconnection costs and CHET's equity funding requirement of the project cost as a 6.1% owner of this project in Transco is expected to be $19.4 million, not including interconnection costs. As of March 31, 2024, CHET made capital contributions of $23.0 million to Transco to fund a portion of the Segment B project costs plus interconnection costs. At March 31, 2024, December 31, 2023, and March 31, 2023, CHET's total investment in Transco for all projects was approximately $30.7 million, $29.7 million, and $27.1 million, respectively.

On June 20, 2023, a proposal by Transco, in partnership with the New York Power Authority ("NYPA") was selected as the most cost-efficient project by the NYISO in response to a solicitation for the Long Island Offshore Wind Export Public Policy Transmission Need to provide transfer capability of at least 3,000 megawatts ("MW"s) from the Long Island transmission district to the Consolidated Edison transmission infrastructure. Transco is authorized to earn a ROE invested in the project of 10.7%, with up to an additional 1.25% available for incentives. This project, titled Propel NY Energy Project will cost Transco approximately $2.2 billion, excluding certain interconnection costs that are not yet finalized. CHET's contribution will be 10% of Transco's equity investment in the project.

NOTE 7 – Research and Development

Central Hudson's research and development ("R&D") expenditures for the three months ended March 31, 2024 and 2023 were $1.6 million and $1.0 million, respectively. These expenditures were for internal research programs and for contributions to research administered by New York State Energy Research and Development ("NYSERDA"), the Electric Power Research Institute, and other industry organizations.

NOTE 8 – Short-Term Borrowing Arrangements

Committed Credit Facilities

On April 4, 2022, Central Hudson entered into a first amendment and increasing lender supplement to the March 2020 Central Hudson credit agreement with five commercial banks. The amendment replaced the London Interbank Offered Rate ("LIBOR") with a benchmark replacement interest rate and increased the aggregate commitment by the lenders by $50 million, making the aggregate amount of total commitments $250 million. The credit agreement, as amended, has a five-year term maturing in March 2025. Amounts borrowed under the revolving credit agreement are used for working capital needs and for general corporate purposes. Letters of credit are available up to $15 million from three participating banks.

The Central Hudson credit agreement includes a covenant that its total funded debt to total capital will not exceed 0.65 to 1.00. Borrowing under the credit agreement is also subject to certain restrictions and conditions, including that there will be no event of default and, subject to certain exceptions, that Central Hudson will not sell, lien, or otherwise encumber its assets or enter into certain transactions including certain transactions with affiliates. Central Hudson is also required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's ("S&P") or Moody's rating on the average daily unused portion of the credit facility. At March 31, 2024, Central Hudson was in compliance with all financial debt covenants in the credit agreement.

Uncommitted Credit

At March 31, 2024, CH Energy Group and Central Hudson had $160 million and $60 million, respectively, in uncommitted short-term credit arrangements.

At December 31, 2023, CH Energy Group and Central Hudson had $160 million and $60 million, respectively, in uncommitted short-term credit arrangements.

At March 31, 2023, CH Energy Group and Central Hudson had $10 million and $45 million, respectively, in uncommitted short-term credit arrangements.

Amounts borrowed under these credit arrangements are used to diversify cash sources and provide competitive options to minimize Central Hudson's cost of short-term debt.

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

	CH Energy Group			Central Hudson		
	March 31, 2024	December 31, 2023	March 31, 2023	March 31, 2024	December 31, 2023	March 31, 2023
Committed credit	$ 30,000	$ 15,000	$ 30,000	$ 30,000	$ 15,000	$ 30,000
Uncommitted credit	30,000	6,000	-	30,000	6,000	-
Total	$ 60,000	$ 21,000	$ 30,000	$ 60,000	$ 21,000	$ 30,000
Weighted Average Interest Rate	6.29%	6.33%	5.71%	6.29%	6.33%	5.71%

NOTE 9 – Capitalization – Common and Preferred Stock

Capitalization

There were no capital contributions made during the first quarter of 2024. During the first quarter of 2023, CH Energy Group received a capital contribution of $67.5 million from FortisUS and Central Hudson received a capital contribution of $60.0 million from its parent CH Energy Group. Additionally, during the three months ended March 31, 2023, CHET received capital contributions of $2.2 million from its parent CH Energy Group to fund capital expenditures related to the Transco AC Project.

These contributions were recorded as paid-in capital in CH Energy Group and Central Hudson's Condensed Consolidated Statements of Equity and Balance Sheets.

Common Stock Dividends

CH Energy Group's ability to pay dividends is affected by the ability of its subsidiaries to pay dividends. The Federal Power Act limits the payment of annual dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group, which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation, Central Hudson was restricted to a maximum annual payment of $77.8 million and $71.8 million in dividends to CH Energy Group for the periods ended March 31, 2024 and 2023, respectively. Central Hudson's ability to pay dividends would be reduced to 75% of its average annual income in the event of a downgrade of its senior debt rating below BBB+ by more than one rating agency, if the stated reason for the downgrade is related to any of CH Energy Group's or Central Hudson's affiliates. Further restrictions are imposed for rating downgrades below this level. In addition, Central Hudson would not be allowed to pay dividends if its average common equity ratio for the 13 months prior to a proposed dividend was more than 200 basis points below the ratio used in setting rates. CH Energy Group's other subsidiaries do not have express restrictions on their ability to pay dividends.

There were no dividends paid in the first quarter of 2024 and 2023.

Preferred Stock

Other than one share of Junior Preferred Stock, Central Hudson had no outstanding preferred stock as of March 31, 2024, December 31, 2023, and March 31, 2023.

NOTE 10 – Capitalization – Long-Term Debt

As of March 31, 2024, CH Energy Group and Central Hudson were in compliance with all covenants under their long-term debt instruments. Most of these instruments are redeemable at the discretion of CH Energy Group and Central Hudson, at any time, at the greater of par or a specified price as defined in the respective long-term debt agreements, together with accrued and unpaid interest.

During 2023, Central Hudson issued $150 million in unsecured Senior Notes, with various interest rates and maturities. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

At March 31, 2024, Central Hudson had $30 million of 2014 Series E 10-year notes with a floating interest rate based on Secured Overnight Financing Rate ("SOFR") plus 1.261%, reached its maturity. Due to the maturity date falling on a weekend, the debt is not considered redeemed until the payment on the following business day, April 1, 2024.

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 expired on March 30, 2024. The rate cap had a notional amount equal to the outstanding principal amount of the 2014 Series E notes and was based on the quarterly reset of LIBOR rate on the quarterly interest payment dates. On June 16, 2023, Central Hudson amended the interest rate cap associated with the 2014 Series E variable rate notes. The amended rate cap remained at 3% but going forward is based on the Term SOFR Rate, with a spread of 0.178%. For the three months ended March 31, 2024 and 2023, Central Hudson received payouts of $0.2 million and $0.1 million, respectively.

The principal amount of Central Hudson's outstanding 1999 Series B NYSERDA Bonds totaled $33.7 million at March 31, 2024. 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 entered into an agreement on

March 28, 2024 to purchase a one-year interest rate cap with an effective date of April 1, 2024. The rate cap has a notional amount equal to the outstanding principal amount of the Series B bonds and expires on April 1, 2025. The cap is based on the monthly weighted average of the Securities Industry and Financial Markets Association ("SIFMA") index, multiplied by 175%. Central Hudson receives a payout if the adjusted index exceeds 7% for a given month. This interest rate cap replaced a similar interest rate cap that expired on April 1, 2024. Central Hudson received no payouts during the three months ended March 31, 2024 and an immaterial payout the three months ended March 31, 2023.

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

NOTE 11 – Post-Employment Benefits

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

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

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

	Pension		OPEB	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2024	2023	2024	2023
Service cost	$ 1,761	$ 1,833	$ 255	$ 261
Interest cost	7,438	7,600	1,331	1,386
Expected return on plan assets	(10,877)	(9,574)	(2,398)	(2,131)
Amortization of prior service cost (credit)	128	130	(102)	(102)
Amortization of recognized actuarial net gain	(1,937)	(2,626)	(763)	(1,245)
Net Periodic Benefit	$ (3,487)	$ (2,637)	$ (1,677)	$ (1,831)

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

	March 31, 2024	December 31, 2023(1)(2)	March 31, 2023(1)(2)
Prefunded pension costs (1)(2)	$ 113,917	$ 111,403	$ 58,695

(1) Includes approximately $0.2 million at March 31, 2024, December 31, 2023, and March 31, 2023 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 $1.8 million at March 31, 2024 and December 31, 2023 and $1.6 million at March 31, 2023 that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

The funded status includes the difference between the projected benefit obligation for the Retirement Plan and the market value of the pension assets, net of any liability for the non-qualified SERP. The funded status does not reflect approximately $30.9 million, $29.9 million, and $29.8 million of SERP trust assets at March 31, 2024, December 31, 2023, and March 31, 2023.

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

	March 31, 2024	December 31, 2023	March 31, 2023[(1)(2)]
Accrued pension costs prior to funding status adjustment	$ 6,985	$ 2,663	$ (6,136)
Funding status adjustment required	106,932	108,740	64,831
Prefunded Pension Costs [(1)(2)]	$ 113,917	$ 111,403	$ 58,695
Offset to Funding Status Adjustment - Regulatory Liability - Pension Plan	$ (106,711)	$ (108,523)	$ (64,611)
Offset to Funding Status Adjustment - Accumulated OCI, Net of Tax of ($62), ($61), and ($62), respectively	$ (159)	$ (157)	$ (159)

(1) Includes approximately $0.2 million at March 31, 2024, December 31, 2023, and March 31, 2023 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 $1.8 million at March 31, 2024 and December 31, 2023 and $1.6 million at March 31, 2023 that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

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

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

	Three Months Ended March 31,	
	2024	2023
Retirement Plan	$ -	$ -
OPEB	$ 629	$ 22
SERP	$ 1,704	$ -

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

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

In accordance with the terms of the Trust agreement for the SERP, following the acquisition of CH Energy Group by Fortis on June 27, 2013, Central Hudson is required to maintain a funding level for the SERP at 110% of the present value of the accrued benefits payable under the Plan on an annual basis. During the first quarter of 2024, Central Hudson made a $1.7 million contribution to the SERP. The Trust agreement also allows for a return of funding levels that exceed the 110% requirement; Central

Hudson elected to withdraw $9.5 million of the excess funds above the required funding level in the first quarter of 2023.

Other Retirement Savings Plans

Central Hudson sponsors a 401(k) retirement plan ("401(k) plan") for its employees. The 401(k) plan provides for employee tax-deferred salary deductions for participating employees and employer matches. The matching benefit varies by employee group. Central Hudson's matching contributions for the three months ended March 31, 2024 and 2023 were $1.6 million and $1.5 million, respectively. Central Hudson also provides an additional contribution of 4% to the 401(k) plan of annualized base salary for eligible employees who do not qualify for Central Hudson's Retirement Plan. The additional non-discretionary contributions were approximately $1.0 million and $0.9 million for the three months ended March 31, 2024 and 2023, respectively.

Effective May 1, 2022, Central Hudson began offering a new Plan to provide additional retirement savings to eligible employees who do not qualify for Central Hudson's Retirement Income Plan. The Plan included a one-time contribution of 1% of annualized base salary for the eligible employees for the year 2022 and 1.25% every year thereafter. The first quarter of 2024 and 2023, included contributions of $0.3 million and $1.0 million, respectively.

NOTE 12 – Equity-Based Compensation

Share Unit Plan Units

Effective January 1, 2024, officers of Central Hudson were granted 55,731 Units under the Fortis Omnibus Equity Plan (the "Plan"), which became effective January 1, 2024. The Plan provides for both Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") grants for employees of Fortis and its subsidiaries for the period from January 1, 2024 through December 31, 2026. Each granted Unit has an underlying value equivalent to the value of one share of Fortis common stock, and each Unit accrues notional dividend equivalents based on the dividends declared by the Board of Directors on Fortis' common stock.

The 18,577 RSUs granted under the Plan are time-based, vesting at the end of the three-year period without regard to performance. At the election of the holder, RSUs granted in 2024, which are earned and vested, will settle in either cash or shares of Fortis common stock. The settlement in shares by a participant will result in the modification from a liability award to an equity award. An election to settle in shares cannot be made later than 30 days prior to the RSUs vesting.

The 37,154 PSUs granted under the Plan are performance based and vest at the end of the three-year performance period upon achievement of specified cumulative performance goals, with any earned and vested PSUs settling in cash.

Awards granted in 2021 to Central Hudson officers under the Central Hudson 2021 Share Unit Plan ("SUP") and the 2021 Fortis Restricted Share Unit Plan ("RSUP") vested on December 31, 2023 and were paid out in either cash or shares of Fortis common stock during the first quarter of 2024.

Central Hudson:		Grant Date	Time Based		Performance Based	
	Grant Date	Fair Value	Granted	Outstanding[4]	Granted	Outstanding[4]
2024 RSU	January 1, 2024	$ 40.91	18,577	18,797		
2024 PSU	January 1, 2024	$ 40.91			37,154	37,594
2023 RSUP	January 1, 2023	$ 40.35	21,664	22,831	-	-

2023 SUP	January 1, 2023	$	40.35	-	-	43,327	45,663
2022 RSUP[(2),(3)]	January 1, 2022	$	48.18	12,781	6,998	-	-
2022 SUP	January 1, 2022	$	48.18	-	-	25,562	27,956
2021 RSUP[(1),(2),(3)]	January 1, 2021	$	41.12	14,249	-	-	-
2021 SUP	January 1, 2021	$	41.12	-	-	28,497	-

[(1)]In the first quarter of 2024, 32,013 Units under the 2021 SUP, 8,041 Units under the 2021 RSUP vested and were paid out for a total of approximately $1.0 million.

[(2)]In the fourth quarter of 2022, as a result of a separation of employment, 968 Units of 2021 RSUP and 870 Units of 2022 RSUP were forfeited.

[(3)]In the fourth quarter of 2023, per the 2021 and 2022 RSUP agreements, time-based units were paid out related to an Officer retirement at 6,728 and 5,804 shares at approximately $0.6 million.

[(4)]Includes notional dividends accrued as of March 31, 2024.

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

Compensation Expense

	Three Months Ended March 31,	
	2024	2023
CH Energy Group	$ 2,171	$ 2,120
Central Hudson	$ 2,150	$ 2,120

The liabilities associated with Units granted either under the Plan or under similar plans in place during 2022 and 2023 (the "Plans") are recorded at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the respective liabilities is based on the Fortis common stock 5-day volume weighted average trading price at the end of each reporting period and the expected payout based on management's best estimate in accordance with the defined metrics of each grant.

Under the Plans, the amount of any outstanding awards payable to an employee who retires during the three-year term of a grant and who has 15 years of service and provides at least six months prior notice of retirement under the terms of the Plans (ninety days prior notice with respect to awards issued under any plan during 2022 and 2023) is determined as if the employee continued to be an employee through the end of the performance period (except that Units issued under a Fortis RSUP in 2022, would vest and be redeemed on the retirement date subject to proper notice and time of service). In accordance with ASU 2014-12, in this situation, compensation expense for that individual is recognized over the requisite service period, instead of the performance period. In all periods presented, additional expense was recognized in accordance with ASU 2014-12 for Central Hudson officers who are retirement eligible under the terms of the Plans because they have attained the required retirement age and met the required 15 years of service. The compensation expense for the plans will be recognized over a weighted average period of approximately 1.8 years. Fluctuations in compensation expense in the comparative periods can result from changes in the Fortis common stock share price and the projected performance payout percentages.

NOTE 13 – Commitments and Contingencies

There were no significant changes in the nature and amounts of Central Hudson's commitments from those disclosed in the 2023 Annual Financial Report, except as noted below.

Energy Credit Purchase Obligations

In August 2016, the PSC issued Order 15-E-0302 adopting a Clean Energy Standard ("CES") that outlined a Load Serving Entity ("LSE") obligation for renewable energy credits ("RECs") and zero-emissions credit ("ZECs") requirements to meet NYS clean energy goals. This Order charged NYSERDA to work with Staff to develop an Implementation Plan for each CES Program for approval by the PSC. Currently, Tier 2 and Tier 3 ZECs are applicable to Central Hudson and are "pay-as-you-go" based on Central Hudson's monthly full-service customer load volume as defined by NYISO billing data and a load modifier adjustment factor. Tier 1 RECs are procured through self-supply, including Quarterly REC Sales, Alternative Compliance Payment ("ACP"), or Value Stack offset, and are reconciled annually. Central Hudson satisfied Tier 1 REC obligations from Value Stack offset through December 2023. At March 31, 2024, the forward Tier 1 obligations for Central Hudson full-service customers are estimated to be approximately $5.8 million through December 31, 2024. Central Hudson's estimated accrued Tier 3 ZEC obligation through March 31, 2025, is approximately $11 million. These estimated costs are recoverable from full-service customers through electric cost adjustment mechanism and, therefore, do not impact earnings.

Other Commitments

Pension Benefit and OPEB Funding Contributions

Central Hudson is subject to certain contractual benefit payment obligations. Decisions about how to fund the Retirement and OPEB Plans to meet these obligations are made annually and are primarily affected by the discount rate used to determine benefit obligations, current asset values, corporate resources, and the projection of Retirement and OPEB Plan assets. Based on the funding requirements of the PPA, Central Hudson plans to make contributions that maintain the target funded percentage for the Retirement Plan at 80% or higher. Actual contributions could vary significantly based upon economic growth, projected investment returns, inflation, and interest rate assumptions. In January 2024, Central Hudson made a $0.6 million contribution to the 401(h) Plan to fund the management OPEB liabilities, in accordance with Central Hudson's OPEB policy and strategy. Actual funded status could vary significantly based on asset returns and changes in the discount rate used to estimate the present value of future obligations. See Note 11 – "Post-Employment Benefits" for additional information regarding contributions.

Supplemental Executive Retirement Plan

As a result of the acquisition of CH Energy Group by Fortis on June 27, 2013, and in accordance with the terms of the Trust agreement for the SERP, Central Hudson is required to maintain a funding level at 110% of the present value of the accrued benefits payable under the Plan on an annual basis. The Trust agreement also allows for a return of funding levels that exceed the 110% requirement. Annual contributions to the SERP could vary based on investment returns, discount rates, and participant demographics. In March 2024, Central Hudson made a $1.7 million contribution to the SERP Trust, resulting in a funding status that achieves the requirements of the Trust agreement. During the first quarter of 2023, Central Hudson elected to withdraw $9.5 million of the excess funding for general corporate purposes, including the repayment of short-term borrowings. See Note 11 – "Post-Employment Benefits" for additional information regarding contributions.

Parental Guarantee

CHET was established to be an investor in Transco, which was created to develop, own, and operate electric transmission projects in NYS. On July 16, 2020, CH Energy Group's parental guarantee to Transco was adjusted from $182 million to $73.7 million. The Transco Board of Managers approved the reduction based on CHET's maximum commitment associated with the AC Project, the only project remaining under Transco's original FERC application and the initial guarantee. As of March 31, 2024, the amount of the outstanding parental guarantee was $9.9 million. The parental guarantee for the Propel NY Energy Project has not been finalized. CH Energy Group is currently not aware of any existing condition that would require any payments under this guarantee.

Contingencies

Environmental Matters

Central Hudson accrues for remediation costs based on the amounts that can be reasonably estimated at a point in time. At March 31, 2024, Central Hudson has accrued $72.4 million with respect to all SIR activities, including operation, maintenance, and monitoring costs (“OM&M”), of which $1.3 million is anticipated to be spent in the next twelve months.

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

Stage	Sites	Total Accrued Cost at March 31, 2024	Estimated spend in the next twelve months
Investigation	Little Britain Road	$ 2.1	$ 0.1
Remedial alternatives analysis		-	-
Remedial design		-	-
Remediation	North Water Street	66.3	1.1
Post-remediation monitoring	Newburgh Areas A, B & C, Laurel Street, Catskill, Kingston, and Eltings Corners	4.0	0.1
No action required	Beacon and Bayeaux Street	-	-
Total		$ 72.4	$ 1.3

There were no significant updates during the three months ended March 31, 2024, or changes in the nature and amounts of Central Hudson’s contingencies related to environmental matters, except as noted below.

- **Investigation**
  - The Newburgh Customer Service Office owned by Central Hudson is undergoing remedial site investigation activities in accordance with a voluntary Brownfield Cleanup Agreement with New York State Department of Environmental Conservation (“NYSDEC”). This investigation is being performed to establish the extent of subsurface groundwater contamination, which has been attributed to the industrial operations conducted on the site by the property’s previous owners prior to acquisition by Central Hudson in 1977. In coordination with the NYSDEC, Central Hudson developed a Soil Vapor Investigation (“SVI”) Work Plan, pursuant to which it had conducted testing on the site property and within two adjacent buildings during March 2023. Based on testing conducted, there is no additional soil vapor sampling to be performed at this time. The ongoing ground water monitoring activities will continue to be performed on a quarterly basis.
  - As requested by the NYSDEC, a desktop review of the available comprehensive geophysical data was completed and an updated bedrock conceptual site model memo was developed. The memo concluded that reconnaissance of stream reaches-of-interest should be conducted to identify potential tracer-monitoring sites in support of developing a work plan. The memo was submitted to the NYSDEC on October 30, 2023. The NYSDEC agreed with the conclusions and recommendations included in the memo and, on March 20, 2024, approved a work plan for the area. It is anticipated that field reconnaissance will be completed in 2024 pending property access.

- **Remediation in Progress - Site – North Water Street**
  - NYSDEC has communicated that removal of source material is the best long-term remedy for the site and directed Central Hudson to examine possible methods, including a mix of alternative approaches taking into consideration the extent of removal that may be feasible. Central Hudson worked with the project's engineer of record ("EOR") to evaluate remedial alternative approaches that still fit within the framework of the NYSDEC approved work plan and achieved the established regulatory clean-up objectives within a reasonable time period, as well as other approaches that considered capping or monitoring-only activities.
  - A Focused Remedial Alternatives Analysis ("FRAA") report presenting the evaluation of alternative approaches was submitted to the NYSDEC in November 2021. A Remedial Design and/or work plan that will be developed once concurrence is received on an acceptable alternative approach. Central Hudson and the NYSDEC conducted a conference call on December 7, 2023, to discuss the potential extents of impacted sediment removal. Based on this discussion, a memo that included a justification for reducing the sediment removal area to a focused area of highly impacted material was submitted to the NYSDEC on February 9, 2024. As of March 15, 2024, the NYSDEC stated they are still reviewing and discussing the memo internally. Additional follow-up discussions with the NYSDEC will be coordinated and scheduled accordingly.
  - Management believes that the alternatives included in the FRAA, which provides for a level of sediment removal, continues to be the best potential remedial option going forward and, as such, continues to accrue for the cost at the low end of the range. Management concluded the recent communications with the NYSDEC do not provide evidence of any adjustment required to the low end of the range currently accrued, or the total range of potential costs disclosed at this time, and the most recent communication does not impact management's method of estimating the range and liability recorded as of March 31, 2024.
  - The total accrual for remediation as of March 31, 2024, for this site of $66.3 million reflects management's estimate of the low end of a predictive cost estimate range of potential alternatives and for continued work of the EOR on the development of design and analysis of the FRAA 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 March 31, 2024, for the next 12 months of approximately $1.1 million is primarily based on anticipated efforts to complete analysis regarding alternative remedial approaches with the NYSDEC.

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

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

- As part of the 2021 Rate Order, Central Hudson maintained previously granted deferral authority and future recovery for the differences between actual environmental SIR costs, including both manufactured gas plants ("MGP") and non-MGP, and the associated rate allowances, with carrying charges to be accrued on the deferred balances at the authorized pre-tax rate of return.

- The 2021 Rate Order includes cash recovery of approximately $24.2 million during the three-year rate plan period ending June 30, 2024, with $22.4 million recovered through March 31, 2024.
- There was $0.1 million spending related to site investigation and remediation for the three months ended March 31, 2024, and no spending for the comparable period in 2023.
- The regulatory asset balance as of March 31, 2024, December 31, 2023, and March 31, 2023 was $59.0 million, $61.3 million, and $68.6 million, respectively, which represents the cumulative difference between amounts spent or currently accrued as a liability and the amounts recovered to date through rates or insurance recoveries.

Central Hudson has put its insurers on notice and intends to seek reimbursement from its insurers for its costs. Certain insurers have denied coverage. There were no insurance recoveries during the three months ended March 31, 2024 and 2023. 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 March 31, 2024, of the 3,389 asbestos cases brought against Central Hudson, 1,165 remain pending. Of the cases no longer pending against Central Hudson, 2,060 have been dismissed or discontinued without payment by Central Hudson and Central Hudson has settled 164 cases. Central Hudson is presently unable to assess the validity of the remaining asbestos lawsuits; however, based on information known to Central Hudson at this time, including Central Hudson's experience in settling asbestos cases and in obtaining dismissals of asbestos cases, Central Hudson believes that the costs, which may be incurred in connection with the remaining lawsuits, will not have a material adverse effect on the financial position, results of operations, or cash flows of either CH Energy Group or Central Hudson.

Other Litigation

On November 2, 2023, an explosion and fire occurred at a residence located in Wappinger Falls, New York, while a contractor of Central Hudson was performing work on Central Hudson's natural gas infrastructure adjacent to the residence. The cause of the incident is still under investigation. A number of lawsuits have been commenced against Central Hudson, the contractor, and others on behalf of certain parties who allege to have been affected by the incident. CH Energy Group and Central Hudson are also 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, management is not able to estimate the potential loss, but believes their ultimate resolution will not have a material adverse effect on either CH Energy Group's or Central Hudson's financial positions, results of operations, or cash flows. CH Energy Group and Central Hudson expense legal costs as incurred.

NOTE 14 – Segments and Related Information

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

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

CH Energy Group Segment Disclosure
(In Thousands)

	Three Months Ended March 31, 2024				
	Segments		Other		
	Central Hudson		Businesses		
		Natural	and		
	Electric	Gas	Investments	Eliminations	Total
Revenues from external customers	$ 197,889	$ 80,678	$ -	$ -	$ 278,567
Intersegment revenues	15	131	-	(146)	-
Total operating revenues	197,904	80,809	-	(146)	278,567
Income before income taxes	15,308	20,087	734	-	36,129
Net Income	$ 12,239	$ 14,863	$ 537	$ -	$ 27,639
Segment Assets at March 31, 2024	$ 2,627,206	$ 994,029	$ 36,030	$ (304)	$ 3,656,961

CH Energy Group Segment Disclosure
(In Thousands)

	Three Months Ended March 31, 2023				
	Segments		Other		
	Central Hudson		Businesses		
		Natural	and		
	Electric	Gas	Investments	Eliminations	Total
Revenues from external customers	$ 228,594	$ 98,774	$ -	$ -	$ 327,368
Intersegment revenues	14	258	-	(272)	-
Total operating revenues	228,608	99,032	-	(272)	327,368
Income before income taxes	10,025	19,456	793	-	30,274
Net Income	$ 8,512	$ 14,453	$ 554	$ -	$ 23,519
Segment Assets at March 31, 2023	$ 2,466,283	$ 933,142	$ 33,816	$ (3,449)	$ 3,429,792

NOTE 15 – Accounting for Derivative Instruments and Hedging Activities

Purpose of Derivatives

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

Energy Contracts Subject to Regulatory Deferral

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

The percentage of Central Hudson's electric and natural gas requirements covered with fixed price forward purchases at March 31, 2024 are as follows:

Central Hudson	% of Requirement Hedged [1]
Electric Derivative Contracts:	0.5 million MWh
April 2024 – December 2024	20.7%
January 2025 – April 2025	5.8%
Natural Gas Derivative Contracts:	0.4 million Dth
November 2024 – December 2024	7.0%
January 2025 – March 2025	5.3%

[1] Projected coverage as of March 31, 2024.

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 25 total agreements held by Central Hudson, 11 agreements contain credit risk contingent features. As of March 31, 2024, there were three open contracts with credit risk contingent features in a liability position and, if the contingent features were triggered, $5.1 million would be required to settle these instruments.

Derivative Contracts

CH Energy Group and Central Hudson have elected gross presentation for their derivative contracts under master netting agreements and collateral positions. On March 31, 2024, December 31, 2023, and March 31, 2023, Central Hudson did not have collateral posted against the fair value amount of derivatives.

CH Energy Group's and Central Hudson's derivative assets were not material as of March 31, 2024, December 31, 2023, and March 31, 2023 and the net presentation of the liabilities are as follows (In Thousands):

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Cash Collateral Received	Net Amount
As of March 31, 2024[(1)]						
Derivative Contracts:						
Central Hudson - electric	$ 5,496	$ -	$ 5,496	$ -	$ -	$ 5,496
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 5,496	$ -	$ 5,496	$ -	$ -	$ 5,496
As of December 31, 2023[(1)]						
Derivative Contracts:						
Central Hudson - electric	$ 12,092	$ -	$ 12,092	$ -	$ -	$ 12,092
Central Hudson - natural gas	407	-	407	-	-	407
Total CH Energy Group and Central Hudson Liabilities	$ 12,499	$ -	$ 12,499	$ -	$ -	$ 12,499
As of March 31, 2023[(1)]						
Derivative Contracts:						
Central Hudson - electric	$ 11,683	$ -	$ 11,683	$ -	$ -	$ 11,683
Central Hudson - natural gas	5	-	5	-	-	5
Total CH Energy Group and Central Hudson Liabilities	$ 11,688	$ -	$ 11,688	$ -	$ -	$ 11,688

(1) Interest rate cap agreements are not shown in the above chart. As of March 31, 2024, December 31, 2023, and March 31, 2023, the fair value was not material.

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. CH Energy Group's and Central Hudson's derivative assets were not material as of March 31, 2024, December 31, 2023, and March 31, 2023, and the liabilities by category and hierarchy level are as follows (In Thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2024[1]				
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ 5,496	$ -	$ 5,496	$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 5,496	$ -	$ 5,496	$ -
As of December 31, 2023[1]				
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ 12,092	$ -	$ 12,092	$ -
Central Hudson - natural gas	407	407	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 12,499	$ 407	$ 12,092	$ -
As of March 31, 2023[1]				
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ 11,683	$ 11,683	$ -	$ -
Central Hudson - natural gas	5	-	5	-
Total CH Energy Group and Central Hudson Liabilities	$ 11,688	$ 11,683	$ 5	$ -

(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 March 31, 2024, December 31, 2023, and March 31, 2023, the fair values were $0, $0.2 million, and $0.6 million, respectively.

The Effect of Derivative Instruments on the Statements of Income

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

For the three months ended March 31, 2024 and 2023, 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		
	Three Months Ended March 31,		
	2024	2023	Location of Gain (Loss)
Central Hudson:			
Electricity swap contracts	$ (13,252)	$ (43,071)	Deferred purchased electric costs(1)
Natural gas swap contracts	(514)	(933)	Deferred purchased natural gas costs(1)
Total CH Energy Group and Central Hudson	$ (13,766)	$ (44,004)	

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

Other Hedging Activities

Central Hudson – Electric

In October 2023, Central Hudson entered into a Heating Degree Days ("HDD") costless collar weather option for the period December 1, 2023 through March 31, 2024, to hedge the effect of significant variances in weather conditions on electricity costs. The aggregate limit on the contract is $5 million. No premium was paid for the HDD costless collar weather option and there was a $0.2 million payout during the quarter as of March 31, 2024. Central Hudson recorded $0.8 million of expense to purchased electric cost during the quarter ended March 31, 2024.

In October 2022, Central Hudson entered into a HDD costless collar weather option for the period December 1, 2022 through March 31, 2023, with an aggregate limit of $5 million. There was a $0.1 million net payout at the end of the contract. Central Hudson recorded an immaterial amount of expense incurred as an increase to purchased electric cost.

Central Hudson – Natural Gas

In November 2023, Central Hudson entered into a HDD costless collar weather option for the period December 1, 2023 through March 31, 2024, to hedge the effect of significant variances in weather conditions on natural gas costs. The aggregate limit on the contract was $5 million. No premium was paid for the HDD costless collar weather option and there was a $0.2 million net payout during the quarter as of March 31, 2024. Central Hudson recorded $0.8 million of expense to purchased natural gas cost during the quarter as of March 31, 2024.

In October 2022, Central Hudson entered into an HDD costless collar weather option for the period December 1, 2022 through March 31, 2023, with an aggregate limit of $5 million. There was a $0.1 million net payout at the end of the contract. Central Hudson recorded an immaterial amount of expense incurred as an increase to natural gas cost.

NOTE 16 – Other Fair Value Measurements

Other Assets Recorded at Fair Value

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2024:				
Other Investments	$ 9,914	$ 9,914	$ -	$ -
As of December 31, 2023:				
Other Investments	$ 10,724	$ 10,724	$ -	$ -
As of March 31, 2023:				
Other Investments	$ 11,043	$ 11,043	$ -	$ -

As of March 31, 2024, December 31, 2023, and March 31, 2023, a portion of the trust assets for the funding of the SERP and Deferred Compensation Plan were invested in mutual funds and money market accounts, which are measured at fair value on a recurring basis. These investments are valued at quoted market prices in active markets and, as such, are Level 1 investments as defined in the fair value hierarchy. These amounts are included in "Other investments" within the Deferred Charges and Other Assets section of the CH Energy Group's and Central Hudson's Balance Sheets.

The remaining amount reported in "Other investments" within the Deferred Charges and Other Assets section of the CH Energy Group and Central Hudson Balance Sheets represents trust assets for the funding of the SERP and Deferred Compensation Plan held in trust-owned life insurance policies, which are recorded at cash surrender value. As of March 31, 2024, December 31, 2023, and March 31, 2023, the total cash surrender value of trust-owned life insurance held by these trusts was approximately $38.5 million, $35.3 million, and $33.6 million, respectively. The change in the cash surrender value is reported in "Other – net" income in the CH Energy Group's and Central Hudson's Income Statements.

Other Fair Value Disclosure

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

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

Cash and Cash Equivalents: Carrying amount.

Short-Term Borrowings: Carrying amount.

Due to the short-term nature of these borrowings, the carrying value is equivalent to the current fair market value.

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

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

The following table discloses the estimated fair value of both CH Energy Group and Central Hudson's long-term debt, including the current maturities (Dollars in Thousands):

CH Energy Group

	March 31, 2024		December 31, 2023		March 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	$ 1,210,346	$ 1,012,080	$ 1,210,346	$ 1,068,514	$ 1,152,446	$ 1,024,671
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	$ 1,274,046	$ 1,075,780	$ 1,274,046	$ 1,132,214	$ 1,216,146	$ 1,088,371
Estimated effective interest rate		4.42%		4.30%		4.31%

Central Hudson

	March 31, 2024		December 31, 2023		March 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	$ 1,205,700	$ 1,007,446	$ 1,205,700	$ 1,063,860	$ 1,145,700	$ 1,017,877
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	$ 1,269,400	$ 1,071,146	$ 1,269,400	$ 1,127,560	$ 1,209,400	$ 1,081,577
Estimated effective interest rate		4.41%		4.29%		4.30%

NOTE 17 – Related Party Transactions

Thompson Hine LLP serves as outside counsel to CH Energy Group and Central Hudson. One partner in that firm serves as each corporation’s General Counsel and Corporate Secretary.

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

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
CH Energy Group	$ 743	$ 686
Central Hudson	$ 743	$ 680

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. On December 13, 2023, CH Energy Group entered into a $150 million, short-term uncommitted intercompany credit agreement with FortisUS Inc to provide liquidity for general corporate purposes, raising the Company's short term credit availability. At March 31, 2024, there were no amounts outstanding under this credit agreement.

Furthermore, Central Hudson performs work and incurs expenses on behalf of Transco, a company in which CHET has an equity interest. Central Hudson bills Transco for such work and expenses in accordance with established policies, which are reported under “Other Affiliates” in the chart below.

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

	March 31, 2024	December 31, 2023	March 31, 2023
CH Energy Group[1]	Fortis	Fortis	Fortis
Accounts Receivable	$ 176	$ 158	$ 779
Accounts Payable	$ -	$ 199	$ -

[1] Fortis amounts include Fortis and all Fortis subsidiaries.

	March 31, 2024			December 31, 2023			March 31, 2023		
Central Hudson[1][2]	CH Energy Group	Fortis	Other Affiliates	CH Energy Group	Fortis	Other Affiliates	CH Energy Group	Fortis	Other Affiliates
Accounts Receivable	$ 3	$ 172	$ 348	$ 4	$ 155	$ 167	$ 1,873	$ 30	$ 78
Accounts Payable	$ 241	$ -	$ -	$ 1,430	$ -	$ -	$ 1,548	$ -	$ -

[1] Fortis amounts include Fortis and all Fortis subsidiaries.
[2] Other Affiliates amounts include CHEC, CHET, and Transco.

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

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
	CH Energy Group	Fortis[1]	CH Energy Group	Fortis[1]
CH Energy Group	$ -	$ 1,590	$ -	$ 1,566
Central Hudson	$ 1,778	$ -	$ 1,687	$ -

[1] Fortis amounts include Fortis and all Fortis subsidiaries.

NOTE 18 – Subsequent Events

An evaluation of subsequent events was completed through April 30, 2024, 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 March 31, 2024.

On April 1, 2024, Central Hudson retired its 2014 Series E, $30 million 10-year Variable Rate Note which matured on March 30, 2024; however, due to the date falling on a weekend, it was not considered paid until the next business day.

On April 9, 2024, Central Hudson issued $25 million of Series EE, 7-year Senior Notes with an interest rate of 5.59% per annum, and $35 million of Series FF, 10-year Senior Notes with an interest rate of 5.69% per annum. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS
For the Three Months Ended March 31, 2024

This information should be read in conjunction with the Quarterly Condensed Financial Statements and the notes contained herein, and the audited 2023 Annual Financial Report's financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Business Outlook

There have been no material changes to CH Energy Group's or Central Hudson Gas & Electric Corporation's ("Central Hudson" or the "Company") mission and strategy since its 2023 Annual Financial Report.

Risk Factors

There were no material changes to CH Energy Group's or Central Hudson's risk factors, as set forth in its 2023 Annual Financial Report.

Summary of Changes in Accounting Policies

Regulation: There were no material changes to Central Hudson's regulatory accounting policies during the three months ended March 31, 2024.

Critical Accounting Estimates: There were no material changes to CH Energy Group's or Central Hudson's critical accounting estimates during the three months ended March 31, 2024.

Accounting Principles Generally Accepted in the United States of America ("GAAP") Accounting Policies: There were no changes to CH Energy Group's or Central Hudson's accounting policies during the three months ended March 31, 2024.

Changes in Internal Controls over Financial Reporting

There have been no material changes in CH Energy Group's or Central Hudson's internal controls over financial reporting during the three months ended March 31, 2024.

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

	Year to Date				
	2024		**2023**		**Change**
Electricity Sales (GWh) (1)		1,301		1,267	34
Natural Gas Sales (PJ) (2)		8.8		8.6	0.2
(In Millions)					
Revenues	$	278.6	$	327.4	$ (48.8)
Energy supply costs - matched to revenues		90.3		153.6	(63.3)
Operating expenses - matched to revenues		31.5		26.2	5.3
Operating expenses - other		95.1		93.3	1.8
Depreciation and amortization		22.5		20.8	1.7
Other income, net		9.3		9.1	0.2
Interest charges		13.1		13.0	0.1
Income taxes		8.3		6.5	1.8
Net Income	$	27.1	$	23.0	$ 4.1

(1) GigaWatt hours ("GWh")

(2) Petajoule ("PJ")

Earnings: Central Hudson’s earnings growth for the first quarter, as compared to the prior year, was driven by the return on additional capital invested in the business, as well as a lower level of customer bill credits issued in the current year. Central Hudson’s results in the first quarter were also favorably impacted by the timing of certain operating expenses that, due to the seasonality of the business, did not align with the revenues collected, but are not expected to impact the full year.

Electric and natural gas energy supply costs fluctuate; however, these fluctuations do not impact earnings due to the full deferral of commodity costs. Central Hudson is authorized to bill customers volumetric factors for the recovery of bad debt and working capital costs related to commodity purchases and fluctuations in volume and price will impact the revenues collected through these factors. However, Central Hudson has deferral treatment for uncollectible expense above amounts billed to customers, including the recovery of bad debt associated with supply costs.

Electricity Sales: Electricity sales were slightly higher quarter over quarter due to an increase in residential sales driven by the extra day of usage billed in 2024 due to the leap year.

Natural Gas Sales: Natural gas sales increased slightly quarter over quarter due to higher sales to interruptible customers.

Depreciation and Amortization: The increase in depreciation and amortization is the result of higher investments in Central Hudson’s electric and natural gas infrastructure, information technology (“IT”), and common facilities in accordance with its capital expenditure program.

*Other Income, net: O*ther income, net was comparable with the prior year.

Interest Charges: Interest chargers were comparable with the prior year.

Income Taxes: The effective tax rate for the first quarter of 2024 was higher than 2023, primarily due to higher income in 2024 subject to the statutory rate.

Central Hudson Revenues - Electric

Period Ended March 31

(In Millions)

	Year to Date		
	2024	**2023**	**Change**
Revenues with Matching Expense Offsets:[1]			
Recovery of commodity purchases	$ 63.8	$ 105.0	$ (41.2)
Sales to others for resale	1.8	2.3	(0.5)
Other revenues with matching offsets	22.4	18.3	4.1
Subtotal	88.0	125.6	(37.6)
Revenues Impacting Earnings:			
Customer sales	108.8	101.5	7.3
Revenue decoupling mechanisms (“RDMs”) and other regulatory mechanisms	1.7	2.7	(1.0)
Net plant and depreciation targets	(1.5)	-	(1.5)
Customer credits	(0.3)	(1.3)	1.0
Negative revenue adjustments (“NRAs”)	(2.9)	(2.3)	(0.6)
Other revenues	4.1	2.4	1.7
Subtotal	109.9	103.0	6.9
Total Electric Revenues	$ 197.9	$ 228.6	$ (30.7)

(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 New York State Public Service Commission (“PSC” or “Commission”) 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 March 31

(In Millions)

	Year to Date		
	2024	**2023**	**Change**
Revenues with Matching Expense Offsets:[1]			
Recovery of commodity purchases	$ 19.2	$ 37.7	$ (18.5)
Sales to others for resale	5.4	8.5	(3.1)
Other revenues with matching offsets	1.7	1.3	0.4
Subtotal	26.3	47.5	(21.2)
Revenues Impacting Earnings:			
Customer sales	50.5	46.3	4.2
RDMs and other regulatory mechanisms	4.4	4.3	0.1
Net plant and depreciation targets	(0.6)	(0.3) [2]	(0.3)
NRAs	(1.3)	(1.2)	(0.1)
Other revenues	1.4	2.2 [2]	(0.8)
Subtotal	54.4	51.3	3.1
Total Natural Gas Revenues	$ 80.7	$ 98.8	$ (18.1)

(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.

(2) Certain amounts reported under Other Revenues for the period ended March 31, 2023 have been reclassified to conform with the current period presentation.

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 ("EE") programs). Any difference between these revenues and the actual expenses incurred is deferred for future recovery from or refund to customers, and therefore, does not impact earnings, except for related carrying charges, which are recorded within other income or interest charges in the CH Energy Group and Central Hudson Statements of Income.

Electric Revenues:

The quarter over quarter decrease in electric revenues was primarily driven by lower purchased electric commodity costs and the deferral for net plant and depreciation targets associated with the postponement of an IT capital project approved in rates. Partially offsetting these decreases was the increase in customer delivery rates approved by the PSC and effective July 1, 2023, as well as lower bill credits provided to customers in 2024.

Natural Gas Revenues:

The quarter over quarter decrease in natural gas revenues was driven by lower recovery of natural gas commodity costs and lower sales for resale partially offset by higher customer delivery rates effective July 1, 2023.

Central Hudson Operating Expenses

Period Ended March 31

(In Millions)	Year to Date		
	2024	**2023**	**Change**
Expenses Currently Matched to Revenues:[(1)]			
Purchased electricity	$ 65.6	$ 107.3	$ (41.7)
Purchased natural gas	24.8	46.4	(21.6)
Pension & OPEB	3.5	1.5	2.0
NYS EE programs	13.5	11.7	1.8
Major storm reserve	3.6	4.8	(1.2)
Energy Affordability Programs ("EAP")	3.3	3.1	0.2
Other matched expenses	7.5	5.0	2.5
Subtotal	121.8	179.8	(58.0)
Other Operating Expenses:			
Depreciation and amortization	22.5	20.8	1.7
Property and school taxes[(2)]	22.4	20.7	1.7
Uncollectible expense	2.4	2.7	(0.3)
Tree trimming	6.9	7.8	(0.9)
Weather related service restoration	1.3	1.6	(0.3)
Customer service expense	2.1	2.1	-
IT	4.5	6.1	(1.6)
Labor and related benefits	29.7	29.6	0.1
Other expenses	25.8	22.7	3.1
Subtotal	117.6	114.1	3.5
Total Operating Expenses	$ 239.4	$ 293.9	$ (54.5)

(1) Includes expenses that, in accordance with the PSC Order Approving Rate Plan in Cases 20-E-0428 and 20-G-0429 ("2021 Rate Orders"), are adjusted in the current period to equal the revenues billed for the applicable expenses and the differences are deferred.

(2) In accordance with the 2021 Rate Order, Central Hudson is authorized to continue to defer for the benefit of or recovery from customers 90% of any difference between actual property tax expense and the amounts provided in rates for each Rate Year ("RY"). Central Hudson's portion is limited to 5 basis points, with a maximum of approximately $0.6 million, pre-tax per RY.

Operating Expenses:

Variations in purchased electricity and natural gas costs and other expenses currently matched to revenues do not have a direct impact on earnings due to Central Hudson's regulatory mechanism for the full deferral of these expenses. Central Hudson's quarter over quarter operating expenses also reflect lower external customer service and IT consultant expenses incurred related to customer information system ("CIS") stabilization efforts and lower tree trimming expenses. These decreases were partially offset by higher depreciation and property taxes on infrastructure investments, which are provided for in delivery rates.

Financial Position

CH Energy Group – Regulated – Central Hudson
Significant Changes in the Balance Sheets
For the three months ended March 31, 2024

(In millions)

Balance Sheet Account	Increase (Decrease)	Explanation
Accounts receivable, net of allowance for uncollectible accounts	19.6	Increase is primarily due to the suspension of collection efforts, which began in March 2020 and impacted customer payment behavior, partially offset by funds received from NYS for certain arrears relief. Also contributing to the offset are collection efforts that commenced in 2023, and continued to expand in 2024, on certain customers with large arrears balances, including termination notices as well as locking service for non-payment.
Regulatory assets - current	(15.9)	Decrease is primarily driven by lower unrealized mark-to-market losses related to open electric derivative contracts and higher collections related to electric and natural gas RDMs previously recorded below the prescribed targets.
Short-term borrowings	39.0	Net increase is related to additional short-term borrowings to meet higher working capital needs.
Accounts payable	(12.8)	Decrease is primarily related to the payment of large invoices outstanding associated with purchased electric and natural gas commodity costs.
Fair value of derivative instruments - current liabilities	(7.0)	Decrease in liabilities is due to lower unrealized mark-to-market losses related to open electric and natural gas derivative contracts.
Regulatory liabilities - long term	9.8	Increase is primarily due to amounts collected in rates in excess of property tax expenses incurred and higher NRAs related to customer service metrics below the prescribed targets. Partially offsetting these increases were higher credits provided through rate moderation, as prescribed in the 2021 Rate Order and a decrease in deferred taxes related to the change in derivatives fair market value.

Liquidity and Capital Resources

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

(In Millions)	Year to Date 2024	Year to Date 2023
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	$ 4.3	$ 5.0
Cash from operations pre-working capital	54.4	23.0
Working capital	(14.6)	(32.8)
Operating activities	39.8	(9.8)
Investing activities	(67.1)	(50.9)
Financing activities	39.0	82.0
Cash, Cash Equivalents and Restricted Cash - End of Period	$ 16.0	$ 26.3

Operating Activities: The increase in cash from operations pre-working capital in the first quarter of 2024 as compared to 2023 was primarily attributable to the increase in delivery rates, which provided earnings on rate base growth and lower major storm restoration costs in the current year. The prior year also reflects Arrears Management Program ("AMP") credits issued in 2023, which reduced accounts receivable, but will be collected over a seven-year period. The increase in cash flow related to working capital in the first quarter of 2024 was primarily attributable to a slow-down in the growth of the accounts receivable in arrears due to collection efforts.

Investing Activities: Cash used in investing activities during the first quarter of 2024 were higher than 2023 due to Central Hudson's continued growth in its capital program, which includes investments in strengthening of existing electrical and natural gas infrastructure, increased resiliency and automation of distribution systems, additional cybersecurity, and new common facilities. Projected capital spending is estimated to be approximately $300 million for the year ending December 31, 2024, compared to the actual spending of $253 million for 2023. In 2024, other investing activities included a Supplemental Executive Retirement Plan ("SERP") contribution, as compared to 2023 that included a withdrawal of excess funding above the required 110% level for the SERP.

Financing Activities: The net decrease in cash proceeds from financing activities compared to the prior year is due to no new issuances of long-term debt or capital contributions in the first quarter of 2024. Partially offsetting these decreases is higher proceeds from short-term borrowings. As further discussed below, subsequent to the end of the first quarter, Central Hudson issued $60 million of Senior Notes and used the proceeds for general corporate purposes, including the repayment of short-term borrowings.

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.

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

Central Hudson's 2021 Rate Order was effective July 1, 2021 and management took initiatives to mitigate the impact of new rates on customers during that difficult economic environment, as illustrated by the rate decrease in the first year of the 2021 Rate Order for electric delivery revenues. The increase in rates over the subsequent rate years is expected to provide the necessary cost recovery to ensure safe and reliable service, as well as a reasonable rate of return on Central Hudson's investment.

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

The PSC issued a Financing Order, effective November 21, 2023, authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed $350 million; and approval to issue and sell new long-term debt from time to time through December 31, 2026, in an aggregate amount not to exceed $380 million, including up to $346.3 million for general corporate purposes and $33.7 million to refinance its variable rate debt.

Prior to November 21, 2023, Central Hudson operated under the PSC Financing Order issued on 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 through December 2024 in an aggregate amount not to exceed $445.7 million, including up to $412 million for general corporate purposes and $33.7 million to refinance its variable rate debt.

Long-term Debt

Central Hudson has not experienced any issues with accessing capital markets, having successfully secured new financing, including its most recent issuance of Senior Long-Term Notes on April 9, 2024, and believes capital markets will be accessible for the foreseeable future.

On April 9, 2024, Central Hudson issued $25 million of Series EE, 7-year Senior Notes with an interest rate of 5.59% per annum, and $35 million of Series FF, 10-year Senior Notes with an interest rate of 5.69% per annum. The proceeds from the sale of the Senior Notes will be used for general corporate purposes, including the repayment of short-term borrowings.

Central Hudson's 2014 Series E, $30 million 10-year Variable Rate Note matured on March 30, 2024, and was retired, however due to the date falling on a weekend, it was not considered paid until the next business day, April 1, 2024.

Short-term Debt

Central Hudson utilizes short-term debt available under its credit facilities and uncommitted credit lines to fund seasonal and temporary variations in working capital requirements. Delays in collections of accounts receivable from customers, combined with increased wholesale energy prices, has resulted in increases in working capital compared to prior years. Central Hudson has begun collection efforts for certain customers with large arrears balances. Continuation and expansion of collection efforts are expected to provide visibility into the timing and resolution of the arrears issue. At this time, it is uncertain what level of arrears will be paid by customers through collection efforts, what portion of customers will enter into deferred payment arrangements, and what portion may be determined to be uncollectible and recorded as a regulatory asset under the terms of our current rate agreement. The time period associated with the collection of the regulatory assets or deferred payment arrangements will be factored into our future financing plans.

Committed Credit Facilities
Central Hudson maintains credit facilities that include large commercial banks in both the United States and Canada and a few regional banks. Central Hudson targets maintaining relationships with a diverse group of banks to support its access to capital and strong liquidity profile. Central Hudson's ability to use its credit facilities is contingent upon maintaining compliance with certain financial covenants. Central Hudson does not anticipate that those covenants will restrict its access to funds in 2024 or the foreseeable future.

On April 4, 2022, Central Hudson entered into a first amendment to the March 2020 Central Hudson credit agreement with five commercial banks. The amendment replaced the London Interbank Offered Rate ("LIBOR") with a benchmark replacement interest rate and increased the aggregate commitment by the lenders by $50 million, making the aggregate amount of total commitments $250 million. The credit agreement, as amended, has a five-year term maturing in March 2025. Borrowings under the revolving credit agreement are used for working capital needs and for general corporate purposes. Letters of credit up to $15 million are available from three participating banks. The credit facility is subject to certain covenants and certain restrictions and conditions, as well as Central Hudson is required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's ("S&P") or Moody's rating on the average daily unused portion of the credit facility.

At March 31, 2024 and December 31, 2023, there were $30 million and $15 million in borrowings outstanding under Central Hudson's committed credit agreement, respectively.

Uncommitted Credit
At March 31, 2024 and December 31, 2023, CH Energy Group and Central Hudson had $160 million and $60 million, respectively, in uncommitted short-term credit arrangements totaling $220 million, of which $70 million is with third party financial institutions and $150 million is through an intercompany credit agreement with FortisUS Inc. Amounts borrowed under these credit arrangements are used to diversify cash sources, provide competitive options to optimize overall cost of short-term debt while providing liquidity for general corporate purposes.

There were no outstanding borrowings under CH Energy Group's uncommitted credit agreement or short-term uncommitted intercompany credit agreement at March 31, 2024 and December 31, 2023.

At March 31, 2024 and December 31, 2023, Central Hudson had $30 million and $6 million, respectively, in outstanding borrowings under its uncommitted short-term credit agreements.

Central Hudson's Bond Ratings

	March 31, 2024		December 31, 2023	
	Rating[(1)]	Outlook	Rating[(1)]	Outlook
S&P	BBB+	Negative	BBB+	Negative
Moody's	Baa1	Stable	Baa1	Stable
Fitch	BBB+	Stable	A-	Negative

[(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 February 27, 2024, Fitch downgraded Central Hudson's senior unsecured debt rating from A- to BBB+ and revised its outlook from negative to stable. Fitch indicated the rating reflects Fitch's view of limited visibility of Central Hudson's current rate case proceeding, pressured financial metrics, and an elevated accounts receivable balance that will take time to resolve.

On February 22, 2024, S&P affirmed Central Hudson's rating at BBB+/negative.

On November 3, 2023, S&P revised its outlook to negative from stable on Fortis and its subsidiaries, which included Central Hudson, and affirmed all of the credit ratings. S&P indicated that the negative outlook reflects the rising business risk due to climate change across Fortis service territories. While Central Hudson's service territory was not included in this risk, Central Hudson could be downgraded to reflect its current standalone rating assessment if Fortis were downgraded.

On May 16, 2023, Moody's affirmed Central Hudson's senior unsecured credit rating of Baa1 with a stable outlook.

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

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

CH Energy Group

	March 31, 2024		December 31, 2023	
		%		%
Long-term debt[1]	$ 1,274.0	49.4	$ 1,274.0	50.7
Short-term debt	60.0	2.3	21.0	0.8
Common equity	1,246.4	48.3	1,218.7	48.5
Total	$ 2,580.4	100.0	$ 2,513.7	100.0

[1] Includes current maturities of long-term debt.

Central Hudson

	March 31, 2024		December 31, 2023	
		%		%
Long-term Debt[1]	$ 1,269.4	49.8	$ 1,269.4	51.1
Short-term Debt	60.0	2.4	21.0	0.9
Common Equity	1,219.3	47.8	1,192.2	48.0
Total	$ 2,548.7	100.0	$ 2,482.6	100.0

[1] Includes current maturities of long-term debt.

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

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

Regulatory Proceedings

There have been no material changes to regulatory proceedings disclosed in the 2023 Annual Financial Report; however, activity related to on-going and new proceedings in 2024 are noted below.

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

2023 Rate Case Filing

On July 31, 2023, Central Hudson filed electric and natural gas rate Cases 23-E-0418 and 23-G-0419 with the PSC requesting increases in electric and natural gas delivery rates with a 9.8% ROE and 50% common equity capital structure to be effective July 1, 2024. The main drivers of the rate filing include (1) replacement of aging or obsolete infrastructure; (2) workforce expansion; (3) capitalization costs; (4) major storm restoration costs; and (5) program costs in support of New York's clean energy goals and bill affordability.

Department of Public Service ("DPS") Staff ("Staff") and intervenor testimony was filed on November 21, 2023, rebuttal testimonies were filed on December 19, 2023. Evidentiary hearings concluded February 6, 2024. Initial Briefs were filed on March 1, 2024 and Reply Briefs were filed on March 11,

2024. As of post-hearing briefs, the Company is seeking approval of an increase of $124.2 million in its electric delivery revenue and $45.1 million in its natural gas delivery revenues. On March 14, 2024, the Company indicated its willingness to accept a 31-day extension of the Suspension Date, through and including July 31, 2024, subject to a make-whole provision. A Recommended Decision by the Administrative Law Judges assigned to the proceeding is expected in early May with a final Order expected to be issued in July. If approved, Central Hudson expects the rate increases to increase its revenue, cash flow, and earnings. No prediction can be made as to the final outcome of the rate filing. Based on the current course of this proceeding, with an expected outcome covering a one-year period, Central Hudson expects to file another rate case in the third quarter of 2024.

Customer Information System ("CIS") Show Cause Order

During the March 2022 PSC session, the PSC directed Staff, and subsequently instituted Case 22-00666, to investigate billing issues subsequent to the implementation of the Company's new billing system and to publicly track comments and other related documents.

On July 27, 2023, the Company entered into an Interim Agreement with the DPS. The Interim Agreement reflected Central Hudson's planned acceleration of the roll out of monthly meter reading and outlines mutually agreed upon terms of an independent third-party review and verification of the accuracy of the data and billings issued from the new CIS. As an initial step in the agreed upon process, the third-party monitor completed its review and provided a report to Staff.

Columbia Energy Notice

Columbia Energy filed notice with the PSC that it intended to return its approximately 25,000 customers to Central Hudson's commodity supply service. Certain municipalities and the municipalities' Community Choice Aggregation ("CCA") administrator were granted a temporary restraining order ("TRO") by the New York Supreme Court in Albany, alleging Columbia Energy breached its contractual obligations to provide commodity service to CCA customers. Columbia Energy subsequently defaulted on its obligations to the New York State Independent System Operator ("NYISO"), who ordered the return of Columbia Energy's customers to Central Hudson's commodity supply service as of July 19, 2022. As of November 2022, Central Hudson processed the return of the customers to our commodity supply service.

The parties to the case have filed a motion alleging that Columbia Energy's default on its obligations to NYISO was a breach of the TRO previously granted by the Supreme Court. That litigation is ongoing and Central Hudson is not a party. On December 4, 2023, Columbia filed a Motion to Show Cause against non-party Central Hudson. Central Hudson responded to Columbia's Motion to Show Cause on January 8, 2024. Columbia filed a reply on January 12, 2024. Shortly thereafter, the Supreme Court Judge asked Central Hudson to enter mediation with the parties. Central Hudson agreed to participate in the mediation. The mediation remains ongoing.

FERC System Deliverability Upgrade ("SDU") Proceeding

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO Open Access Transmission Tariff ("OATT") to establish a Facilities Charge for SDUs being installed on Central Hudson's transmission facilities, which are required to provide four large generating facility developers with capacity resource interconnection service. The Federal Energy Regulatory Commission ("FERC") formula was posted for comment on the NYISO website on April 14, 2023, which included estimated project costs of $9.8 million plus operations and maintenance ("O&M") and other applicable costs. The FERC formula rate was filed with FERC on May 15, 2023, for collection over the period June 2023 through May 2024. The next rate schedule is presently under development, was posted on the NYISO website on April 15, 2024, and will be filed with FERC by May 15, 2024. The new rate will be established for collection over the period June 2024 through May 2025.

FERC Interconnection Reform
On July 28, 2023, FERC issued Order 2023 overhauling the interconnection process in an effort to streamline the process given the growth in queues of those looking to interconnect to the transmission system across the nation. On August 28, 2023, the NYISO, the New York Transmission Operators ("NYTOs"), and several other parties submitted requests for rehearing, challenging, among other things, the penalties and elimination of the reasonable efforts standard. On September 28, 2023, FERC provided notice of denial of rehearing by operation of law.

On November 3, 2023, the NYISO filed a partial compliance filing to establish limited, interim rules to provide for the transition of certain Interconnection Studies. On December 11, 2023, FERC filed an unopposed motion to hold the consolidated cases in abeyance and to establish a deadline of February 16, 2024. The Court issued an order on December 12, 2023, granting the motion and confirming that the deadlines for filing the remaining initial submissions in these cases.

On February 15, 2024 and April 16, 2024FERC submitted an unopposed motion to continue holding the combined appeals in abeyance and establish the date of June 4, 2024, for filing further motions to govern to allow it to address the pending rehearing requests. On February 20, 2024, the District of Columbia Circuit Court of Appeals granted FERC's requested extension of abeyance status. On March 21, 2024, FERC released Order 2023-A which addresses and clarifies some issues. This Order also extends the filing deadline to 30 days from publication of 2023-A in the Federal Register, which is expected to result in a May 2024 filing date.

Central Hudson Management and Operations Audit
On December 16, 2021, the PSC instituted a proceeding for a new Central Hudson audit in its Order Initiating a Management & Operations Audit. The audit was conducted by an independent auditor selected by Staff, as announced at the March 2022 PSC session. The Final Audit Report of the independent auditor was released under an Order approved by the Commission at its April 20, 2023 session. On May 22, 2023, Central Hudson submitted its Implementation Plan ("IP") addressing the implementation of the 37 actionable recommendations contained in the Final Audit Report. Following subsequent work with DPS Staff, Central Hudson filed an updated IP on January 31, 2024. On March 15, 2024, the Commission issued an Order approving the updated IP with two modifications and directing the filing of completed deliverables pursuant to the timeline in the updated IP and quarterly status reports beginning September 30, 2024.

Energy Affordability & Coronavirus Pandemic ("COVID-19") Proceeding
On June 11, 2020, the PSC established a new proceeding, Case 20-M-0266, to identify and address the effects of the COVID-19 pandemic on utility service in NYS. 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.

The 2024 State budget signed by the Governor on May 3, 2023, included the appropriation of $200 million for affordability assistance to utility customers. On February 15, 2024, the PSC issued an order appropriating the funds to utilities based on each utility's share of the State's total 2022 EAP spending. The utilities are required to distribute the funds to all customers that contribute to EAPs as a flat, one-time bill credit, with separate amounts for electric and natural gas customers. In March 2024, Central Hudson received $6.3 million in funding which will be applied to customers in accordance with the Order.

Community Distributed Generation ("CDG")
On June 22, 2023, the PSC issued an Order that required the utilities to file a report regarding the implementation of multiple savings rates for CDG subscribers. The utilities' October 20, 2023 filing described the requirements, concerns, timelines, and costs for each utility as well as the proposal to offer Net Crediting for volumetric CDG projects. The proposals were issued for public comment, utilities

continue to wait for DPS or PSC action.

On January 16, 2024, DPS Staff issued a formal proposal for billing performance metrics and NRAs, which was published for public comment on February 14, 2024.

Climate Leadership and Community Protection Act ("CLCPA")

In June 2019, the CLCPA was passed by the NYS Senate and the NYS Assembly. The CLCPA includes renewable energy and emission reduction targets for NYS, which are the most aggressive in the nation. The CLCPA defines targets for 70% renewable electricity by 2030 and 100% carbon-free electricity by 2040. It requires the PSC to establish a program to require all Load Serving Entities ("LSEs") to together procure 6,000 megawatts ("MWs") of solar energy by 2025, 3,000 MWs of energy storage by 2030 and 9,000 MWs of offshore wind energy by 2035. The CLCPA also requires NYS to cut Greenhouse gas ("GHG") emissions 40% (from 1990 baseline levels) by 2030 and 85% by 2050 and to achieve net-zero carbon emissions by 2050. The remaining 15% of emissions needed to achieve net-zero are to be offset or captured via the use of carbon capture and sequestration technology and expansion of natural carbon sinks through planting trees and wetlands restoration. On May 12, 2022, the PSC issued an Order on Implementation of the CLCPA, under Case 22-M-0149, to initiate the proceeding to track compliance and develop provisions of the CLCPA. The bill also established a Climate Action Council ("CAC") to develop a Scoping Plan that serves as a framework for how NYS will achieve the CLCPA goals. That Scoping Plan was finalized in December 2022 and included a wide range of programmatic and legislative recommendations. The bill requires the PSC to issue a comprehensive review of the program by July 1, 2024.

On December 20, 2023, the Department of Environmental Conservation ("DEC") and New York State Energy Research and Development ("NYSERDA") released a capital and investment pre-proposal outline and climate affordability study. A series of three stakeholder meetings were held to present summaries of the preliminary studies that have been conducted and comments from stakeholders were accepted through March 1, 2024.

Clean Energy Standard ("CES") / Clean Energy Fund ("CEF")

On May 18, 2023, the PSC issued an Order on Process Regarding Zero Emissions Target under Case 15-E-0302, to initiate a process to (1) identify technologies that can close the gap between the capabilities of existing renewable energy technologies and future system reliability needs, and (2) more broadly identify the actions needed to pursue attainment of the State's Zero Emission Target by 2040. The PSC received comments in two phases, August 16, 2023 and February 20, 2024, and technical conferences were held on December 11 and 12, 2023. Neither the PSC nor Staff have taken further action on this matter yet.

New Efficiency New York ("NENY") Proceeding

The NENY proceeding addresses the statewide customer EE and building electrification ("BE") program portfolios.

On July 20, 2023, the Commission issued its Order Directing EE and BE Proposals Establishing a Strategic Framework and providing other policy guidance and administrative modifications to guide the development and implementation of the post-2025 EE and BE portfolios to better align with the State's climate policy objectives.

On November 1, 2023, the Program Administrators, including Central Hudson, filed their EE and BE portfolio proposals. Central Hudson's filing places an emphasis on electrification and electrification-readiness, with a substantial ramp-up for the Clean Heat program and funding for weatherization and efficient products, including Do-It-Yourself weatherization products. Central Hudson proposed surcharge recovery of EE and BE costs, rather than the current base rates cost recovery. The utilities filed supplemental information on January 12, 2024 and technical conferences were held in early 2024 to review the Program Administrators' proposed program portfolios.

Gas Planning Proceeding

On February 12, 2021, Staff filed the Gas System Planning Process Proposal which offers a modernized gas planning process for the gas distribution utilities in NYS and a Staff Moratorium Proposal that identifies procedures and criteria for managing moratoria on new attachments to the natural gas distribution systems. On May 12, 2022, the PSC issued two orders in the Gas Planning Proceeding: Order Adopting Gas System Planning Process ("Planning Process Order") and Order Adopting Moratorium Management Procedures ("Moratorium Order").

On August 10, 2022, the Company and the Joint Utility made several filings to address proposed non-pipes alternative ("NPA") screening and suitability criteria, proposed NPA incentive mechanism, proposed NPA cost recovery procedures and filed a report on the costs of the 100-foot rule. The Company filed a Moratorium Communications Plan on December 27, 2022. On February 6, 2024, Central Hudson filed a long-term gas plan in compliance with the Planning Process Order. This plan is being reviewed and assessed by a consultant. This includes plans for gas supply, NPA, and progress toward contributing to the state-wide CLCPA goals.

Roadway Excavation Prevailing Wage

On August 16, 2023, the Governor signed legislation into law enacting the Roadway Excavation Quality Assurance Act, which amends the labor law to protect construction workers performing certain utility work on roadways. This legislation mandates that utility company contractors and subcontractors pay the prevailing wage to employees on projects where a permit to use, excavate, or open a street is required to be issued. The prevailing wages are determined by the Commissioner of Labor and published annually on a county-by-county basis for each work classification. The Bureau of Public Work is responsible for the administration of Article 8 of the NYS Labor Law, which is commonly known as the prevailing wage law for construction, reconstruction, maintenance, and repair of public property and facilities let by NYS and all its political subdivisions.

Central Hudson currently continues to evaluate the scope and impact this will have on its capital plan and operations while awaiting further guidance from the NYS Department of Labor. Central Hudson expects to obtain cost recovery for any material impact this change in law has on its operating costs.

FORWARD-LOOKING STATEMENTS

Statements included in this Quarterly Financial Report, which are not historical in nature, are intended to be "forward-looking statements." Forward-looking statements may be identified by words such as "anticipate(s)," "intend(s)," "estimate(s)," "believe(s)," "project(s)," "expect(s)," "plan(s)," "assume(s)," "seek(s)," and other similar words and expressions. CH Energy Group is subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. The risks and uncertainties may include, but are not limited to, deviations from normal seasonal temperatures and storm activity, changes in energy and commodity prices, availability of energy supplies, a cyber-attack, changes in interest rates, poor operating performance, legislative, tax, and regulatory developments, the outcome of litigations, and the resolution of current and future environmental and economic issues. Additional information concerning risks and uncertainties may be found in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of CH Energy Group's Quarterly and 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.