



**CH ENERGY GROUP, INC.
&
CENTRAL HUDSON GAS & ELECTRIC CORP.
QUARTERLY FINANCIAL REPORT**

for the period ended
JUNE 30, 2023

QUARTER ENDED JUNE 30, 2023

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CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating Revenues				
Electric	\$ 193,205	\$ 176,627	\$ 421,799	\$ 382,622
Natural gas	42,970	43,756	141,744	135,324
Total Operating Revenues	<u>236,175</u>	<u>220,383</u>	<u>563,543</u>	<u>517,946</u>
Operating Expenses				
Operation:				
Purchased electricity	76,468	62,693	183,784	154,114
Purchased natural gas	13,094	16,434	59,381	54,055
Other expenses of operation - regulated activities	87,379	93,896	182,806	189,444
Other expenses of operation - non-regulated	57	33	84	70
Depreciation and amortization	21,007	20,272	41,826	40,426
Taxes, other than income tax	20,138	18,331	44,285	40,566
Total Operating Expenses	<u>218,143</u>	<u>211,659</u>	<u>512,166</u>	<u>478,675</u>
Operating Income	<u>18,032</u>	<u>8,724</u>	<u>51,377</u>	<u>39,271</u>
Other Income and Deductions				
Income from unconsolidated affiliates	1,013	640	2,027	1,258
Interest on regulatory assets and other interest income	1,637	888	3,696	1,533
Regulatory adjustments for interest costs	447	(117)	819	(360)
Non-service cost components of pension and other post-employment benefits ("OPEB")	6,570	9,791	13,140	19,582
Other - net	81	158	144	1,124
Total Other Income	<u>9,748</u>	<u>11,360</u>	<u>19,826</u>	<u>23,137</u>
Interest Charges/(Income)				
Interest on long-term debt	12,892	9,541	24,430	18,960
Interest on regulatory liabilities and other interest	(1,398)	403	213	956
Total Interest Charges	<u>11,494</u>	<u>9,944</u>	<u>24,643</u>	<u>19,916</u>
Income Before Income Taxes	16,286	10,140	46,560	42,492
Income Tax Expense	3,687	2,241	10,442	9,017
Net Income	<u>\$ 12,599</u>	<u>\$ 7,899</u>	<u>\$ 36,118</u>	<u>\$ 33,475</u>

CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net Income	\$ 12,599	\$ 7,899	\$ 36,118	\$ 33,475
Other Comprehensive Income:				
Employee future benefits, net of tax expense	1	4	3	8
Comprehensive Income	<u>\$ 12,600</u>	<u>\$ 7,903</u>	<u>\$ 36,121</u>	<u>\$ 33,483</u>

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

CH ENERGY GROUP

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Six Months Ended June 30,	
	2023	2022
Operating Activities:		
Net Income	\$ 36,118	\$ 33,475
Adjustments to reconcile Net Income to net cash (used in) provided from operating activities:		
Depreciation	33,435	31,670
Amortization	8,391	8,756
Deferred income taxes - net	10,459	9,070
Uncollectible expense	4,464	4,200
Distributed (undistributed) equity in earnings of unconsolidated affiliates	(30)	(91)
Pension (credit) expense	(5,006)	(3,145)
OPEB credit	(3,905)	(3,655)
Regulatory liability - rate moderation	(6,354)	658
Regulatory asset - revenue decoupling mechanism ("RDM") recorded	(5,601)	8,199
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues, and other receivables	(8,751)	(60,542)
Fuel, materials, and supplies	(4,473)	(5,012)
Special deposits and prepayments	17,242	9,022
Income and other taxes	2	(95)
Accounts payable	(29,996)	(7,764)
Accrued interest	1,172	1,051
Customer advances	(687)	(393)
Other advances	(1,641)	(5,141)
Corporate alternative minimum tax ("AMT")	(5,400)	-
Pension plan contribution	(721)	(737)
OPEB contribution	(22)	(528)
Regulatory asset - RDM collected/(refunded)	3,554	(2,120)
Regulatory asset - major storm	(12,129)	(26,054)
Regulatory asset - site investigation and remediation ("SIR")	4,341	3,624
Regulatory asset - arrears management program ("AMP")	(20,680)	-
Regulatory asset - uncollectible write-offs	(2,860)	-
Regulatory liability - energy efficiency programs including clean energy fund ("CEF")	1,182	(7,516)
Regulatory asset - rate adjustment mechanisms ("RAM")	6,250	7,351
Regulatory asset - deferred natural gas and electric costs	46,716	6,828
Other - net	2,803	1,938
Net cash used in operating activities	67,873	3,049
Investing Activities:		
Additions to utility plant	(115,699)	(101,859)
Other - net	5,895	(1,877)
Net cash used in investing activities	(109,804)	(103,736)
Financing Activities:		
Repayment of long-term debt	(1,033)	(24,366)
Proceeds from issuance of long-term debt	90,000	110,000
Net change in short-term borrowings	(105,000)	(37,000)
Capital contribution	73,500	55,168
Other - net	(518)	(580)
Net cash provided from financing activities	56,949	103,222
Net Change in Cash, Cash Equivalents, and Restricted Cash	15,018	2,535
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	5,010	18,129
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 20,028	\$ 20,664
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ 22,910	\$ 17,875
Federal and state income taxes paid, net	\$ 5,400	\$ 144
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 85
Non-Cash Investing Activities:		
Accrued capital expenditures	\$ 17,763	\$ 16,693

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

CH ENERGY GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

(In Thousands)

	June 30, 2023	December 31, 2022	June 30, 2022
ASSETS			
Utility Plant (Note 3)			
Electric	\$ 1,829,054	\$ 1,768,092	\$ 1,734,676
Natural gas	807,414	788,978	754,571
Common	463,411	448,796	441,987
Gross Utility Plant	3,099,879	3,005,866	2,931,234
Less: Accumulated depreciation	730,938	698,940	677,921
Net	2,368,941	2,306,926	2,253,313
Construction work in progress	159,334	146,661	119,793
Net Utility Plant	2,528,275	2,453,587	2,373,106
Non-utility property & plant	524	524	524
Net Non-Utility Property & Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	19,332	3,237	13,074
Accounts receivable from customers - net of allowance for uncollectible accounts of \$11.1 million, \$11.0 million, and \$9.4 million, respectively (Note 2)	234,030	216,680	181,600
Accounts receivable - affiliates (Note 17)	15	441	82
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of \$0.1 million, \$0.2 million, and \$1.8 million, respectively (Note 2)	19,423	27,823	18,958
Other receivables	22,885	25,906	20,491
Fuel, materials, and supplies (Note 1)	35,711	31,238	29,128
Regulatory assets (Note 4)	82,699	125,980	63,222
Income tax receivable	526	502	784
Fair value of derivative instruments (Note 15)	20	315	3,383
Special deposits and prepayments	25,464	42,706	27,186
Total Current Assets	440,105	474,828	357,908
Deferred Charges and Other Assets			
Regulatory assets - other (Note 4)	259,338	226,069	185,744
Prefunded pension costs (Note 11)	60,638	59,365	73,188
Prefunded OPEB costs (Note 11)	33,162	31,462	32,846
Investments in unconsolidated affiliates (Note 6)	29,178	23,523	18,535
Other investments (Note 16)	45,029	54,179	55,583
Other	8,039	10,497	14,818
Total Deferred Charges and Other Assets	435,384	405,095	380,714
Total Assets	\$ 3,404,288	\$ 3,334,034	\$ 3,112,252

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)

	June 30, 2023	December 31, 2022	June 30, 2022
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	488,102	488,970
Retained earnings	620,552	584,434	538,776
Accumulated other comprehensive income	169	166	27
Total Equity	1,182,483	1,072,862	1,027,933
Long-term debt (Note 10)			
Principal amount	1,182,942	1,124,046	1,015,113
Unamortized debt issuance costs	(6,087)	(5,838)	(5,494)
Net long-term debt	1,176,855	1,118,208	1,009,619
Total Capitalization	2,359,338	2,191,070	2,037,552
Current Liabilities			
Current maturities of long-term debt (Note 10)	32,171	2,100	2,031
Short-term borrowings (Note 8)	-	105,000	70,000
Accounts payable	53,712	81,110	53,784
Accounts payable - affiliates (Note 17)	-	624	60
Accrued interest	11,857	10,685	9,236
Accrued vacation and payroll	12,699	10,861	12,089
Customer advances	16,266	16,953	17,712
Customer deposits	7,083	6,846	7,333
Regulatory liabilities (Note 4)	86,726	75,053	75,276
Fair value of derivative instruments (Note 15)	8,944	14,034	3,669
Accrued environmental remediation costs (Note 13)	1,131	3,717	3,601
Other current liabilities	27,124	31,926	29,320
Total Current Liabilities	257,713	358,909	284,111
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	71,386	74,898	92,062
Regulatory liabilities - deferred OPEB costs (Note 4)	22,045	24,652	29,323
Regulatory liabilities - other (Note 4)	260,682	262,735	271,860
Operating reserves	3,337	2,892	5,113
Accrued environmental remediation costs (Note 13)	71,476	70,156	67,566
Other liabilities	33,827	32,361	40,829
Total Deferred Credits and Other Liabilities	462,753	467,694	506,753
Accumulated Deferred Income Tax (Note 5)	324,484	316,361	283,836
Commitments and Contingencies			
Total Capitalization and Liabilities	\$ 3,404,288	\$ 3,334,034	\$ 3,112,252

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)

	Six Months Ended June 30, 2023					
	Common Stock		Paid-In Capital	Retained Earnings	AOCI*	Total Equity
	Shares Issued	Amount				
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	<u>15,961,400</u>	<u>\$ 160</u>	<u>\$ 555,602</u>	<u>\$ 607,953</u>	<u>\$ 168</u>	<u>\$ 1,163,883</u>
Net Income				12,599		12,599
Capital contribution			6,000			6,000
Employee future benefits, net of tax					1	1
Balance at June 30, 2023	<u>15,961,400</u>	<u>\$ 160</u>	<u>\$ 561,602</u>	<u>\$ 620,552</u>	<u>\$ 169</u>	<u>\$ 1,182,483</u>

	Six Months Ended June 30, 2022					
	Common Stock		Paid-In Capital	Retained Earnings	AOCI*	Total Equity
	Shares Issued	Amount				
Balance at December 31, 2021	15,961,400	\$ 160	\$ 433,802	\$ 505,301	\$ 19	\$ 939,282
Net Income				25,576		25,576
Capital contribution			29,300			29,300
Employee future benefits, net of tax					4	4
Balance at March 31, 2022	<u>15,961,400</u>	<u>\$ 160</u>	<u>\$ 463,102</u>	<u>\$ 530,877</u>	<u>\$ 23</u>	<u>\$ 994,162</u>
Net Income				7,899		7,899
Contribution from Parent - tax sharing agreement			868			868
Capital contribution			25,000			25,000
Employee future benefits, net of tax					4	4
Balance at June 30, 2022	<u>15,961,400</u>	<u>\$ 160</u>	<u>\$ 488,970</u>	<u>\$ 538,776</u>	<u>\$ 27</u>	<u>\$ 1,027,933</u>

*Accumulated other comprehensive income

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

CENTRAL HUDSON
CONDENSED STATEMENT OF INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating Revenues				
Electric	\$ 193,205	\$ 176,627	\$ 421,799	\$ 382,622
Natural gas	42,970	43,756	141,744	135,324
Total Operating Revenues	<u>236,175</u>	<u>220,383</u>	<u>563,543</u>	<u>517,946</u>
Operating Expenses				
Operation:				
Purchased electricity	76,468	62,693	183,784	154,114
Purchased natural gas	13,094	16,434	59,381	54,055
Other expenses of operation	87,379	93,896	182,806	189,444
Depreciation and amortization	21,007	20,272	41,826	40,426
Taxes, other than income tax	20,082	18,316	44,177	40,535
Total Operating Expenses	<u>218,030</u>	<u>211,611</u>	<u>511,974</u>	<u>478,574</u>
Operating Income	<u>18,145</u>	<u>8,772</u>	<u>51,569</u>	<u>39,372</u>
Other Income and Deductions				
Interest on regulatory assets and other interest income	1,637	888	3,696	1,533
Regulatory adjustments for interest costs	447	(117)	819	(360)
Non-service cost components of pension and OPEB	6,575	9,798	13,150	19,596
Other - net	94	148	180	1,068
Total Other Income	<u>8,753</u>	<u>10,717</u>	<u>17,845</u>	<u>21,837</u>
Interest Charges/(Income)				
Interest on long-term debt	12,779	9,396	24,203	18,667
Interest on regulatory liabilities and other interest	(1,398)	403	213	957
Total Interest Charges	<u>11,381</u>	<u>9,799</u>	<u>24,416</u>	<u>19,624</u>
Income Before Income Taxes	15,517	9,690	44,998	41,585
Income Tax Expense	3,464	2,064	9,980	8,669
Net Income	<u>\$ 12,053</u>	<u>\$ 7,626</u>	<u>\$ 35,018</u>	<u>\$ 32,916</u>

CENTRAL HUDSON
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net Income	\$ 12,053	\$ 7,626	\$ 35,018	\$ 32,916
Other Comprehensive Income:				
Employee future benefits, net of tax expense	1	4	3	8
Comprehensive Income	<u>\$ 12,054</u>	<u>\$ 7,630</u>	<u>\$ 35,021</u>	<u>\$ 32,924</u>

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

CENTRAL HUDSON
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Six Months Ended June 30,	
	2023	2022
Operating Activities:		
Net Income	\$ 35,018	\$ 32,916
Adjustments to reconcile Net Income to net cash (used in) provided from operating activities:		
Depreciation	33,435	31,670
Amortization	8,391	8,756
Deferred income taxes - net	9,998	8,743
Uncollectible expense	4,464	4,200
Pension credit	(5,006)	(3,145)
OPEB credit	(3,905)	(3,655)
Regulatory liability - rate moderation	(6,354)	658
Regulatory asset - RDM recorded	(5,601)	8,199
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues, and other receivables	(9,027)	(61,828)
Fuel, materials, and supplies	(4,473)	(5,012)
Special deposits and prepayments	17,237	9,022
Income and other taxes	(19)	(3)
Accounts payable	(29,492)	(7,524)
Accrued interest	1,175	1,054
Customer advances	(687)	(393)
Other advances	(1,641)	(5,141)
Pension plan contribution	(721)	(737)
OPEB contribution	(22)	(528)
Regulatory asset - RDM collected/(refunded)	3,554	(2,120)
Regulatory asset - major storm	(12,129)	(26,054)
Regulatory asset - SIR	4,341	3,624
Regulatory asset - AMP	(20,680)	-
Regulatory asset - uncollectible write-offs	(2,860)	-
Regulatory liability - energy efficiency programs including CEF	1,182	(7,516)
Regulatory asset - RAM	6,250	7,351
Regulatory asset - deferred natural gas and electric costs	46,716	6,828
Other - net	3,900	4,295
Net cash used in operating activities	<u>73,044</u>	<u>3,660</u>
Investing Activities:		
Additions to utility plant	(115,699)	(101,859)
Other - net	11,535	1,239
Net cash used in investing activities	<u>(104,164)</u>	<u>(100,620)</u>
Financing Activities:		
Repayment of long-term debt	-	(23,400)
Proceeds from issuance of long-term debt	90,000	110,000
Net change in short-term borrowings	(105,000)	(37,000)
Capital contribution	60,000	46,000
Other - net	(518)	(580)
Net cash provided from financing activities	<u>44,482</u>	<u>95,020</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	13,362	(1,940)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	3,371	14,541
Cash, Cash Equivalents, and Restricted Cash - End of Period	<u>\$ 16,733</u>	<u>\$ 12,601</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ 22,681	\$ 17,579
Federal and state income taxes paid, net	\$ 1,252	\$ 1,022
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 85
Non-Cash Investing Activities:		
Accrued capital expenditures	\$ 17,763	\$ 16,693

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

CENTRAL HUDSON
CONDENSED BALANCE SHEET (UNAUDITED)

(In Thousands)

	June 30, 2023	December 31, 2022	June 30, 2022
ASSETS			
Utility Plant (Note 3)			
Electric	\$ 1,829,054	\$ 1,768,092	\$ 1,734,676
Natural gas	807,414	788,978	754,571
Common	463,411	448,796	441,987
Gross Utility Plant	3,099,879	3,005,866	2,931,234
Less: Accumulated depreciation	730,938	698,940	677,921
Net	2,368,941	2,306,926	2,253,313
Construction work in progress	159,334	146,661	119,793
Net Utility Plant	2,528,275	2,453,587	2,373,106
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)	16,037	1,598	5,011
Accounts receivable from customers - net of allowance for uncollectible accounts of \$11.1 million, \$11.0 million, and \$9.4 million, respectively (Note 2)	234,030	216,680	181,600
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of \$0.1 million, \$0.2 million, and \$1.8 million, respectively (Note 2)	19,423	27,823	18,958
Other receivables	22,917	26,121	20,509
Fuel, materials, and supplies (Note 1)	35,711	31,238	29,128
Regulatory assets (Note 4)	82,699	125,980	63,222
Income tax receivable	52	-	34
Fair value of derivative instruments (Note 15)	20	315	3,383
Special deposits and prepayments	25,460	42,697	27,186
Total Current Assets	436,349	472,452	349,031
Deferred Charges and Other Assets			
Regulatory assets - other (Note 4)	259,338	226,069	185,744
Prefunded pension costs (Note 11)	60,822	59,559	73,394
Prefunded OPEB costs (Note 11)	33,162	31,462	32,846
Other investments (Note 16)	44,121	53,294	54,681
Other	8,037	10,495	14,816
Total Deferred Charges and Other Assets	405,480	380,879	361,481
Total Assets	\$ 3,370,628	\$ 3,307,442	\$ 3,084,142

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)

	June 30, 2023	December 31, 2022	June 30, 2022
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	326,452	326,452
Accumulated other comprehensive income	169	166	27
Retained earnings	685,131	650,113	604,937
Capital stock expense	(4,633)	(4,633)	(4,633)
Total Equity	<u>1,151,430</u>	<u>1,056,409</u>	<u>1,011,094</u>
Long-term debt (Note 10)			
Principal amount	1,179,400	1,119,400	1,009,400
Unamortized debt issuance costs	(6,064)	(5,810)	(5,462)
Net long-term debt	<u>1,173,336</u>	<u>1,113,590</u>	<u>1,003,938</u>
Total Capitalization	<u>2,324,766</u>	<u>2,169,999</u>	<u>2,015,032</u>
Current Liabilities			
Current maturities of long-term debt (Note 10)	30,000	-	-
Short-term borrowings (Note 8)	-	105,000	70,000
Accounts payable	54,770	82,288	54,693
Accrued interest	11,841	10,666	9,214
Accrued vacation and payroll	12,699	10,861	12,089
Customer advances	16,266	16,953	17,712
Customer deposits	7,083	6,846	7,333
Regulatory liabilities (Note 4)	86,726	75,053	75,276
Fair value of derivative instruments (Note 15)	8,944	14,034	3,669
Accrued environmental remediation costs (Note 13)	1,131	3,717	3,601
Other current liabilities	27,114	30,792	27,468
Total Current Liabilities	<u>256,574</u>	<u>356,210</u>	<u>281,055</u>
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	71,386	74,898	92,062
Regulatory liabilities - deferred OPEB costs (Note 4)	22,045	24,652	29,323
Regulatory liabilities - other (Note 4)	260,682	262,735	271,860
Operating reserves	3,337	2,892	5,113
Accrued environmental remediation costs (Note 13)	71,476	70,156	67,566
Other liabilities	32,726	31,299	39,763
Total Deferred Credits and Other Liabilities	<u>461,652</u>	<u>466,632</u>	<u>505,687</u>
Accumulated Deferred Income Tax (Note 5)	<u>327,636</u>	<u>314,601</u>	<u>282,368</u>
Commitments and Contingencies			
Total Capitalization and Liabilities	<u>\$ 3,370,628</u>	<u>\$ 3,307,442</u>	<u>\$ 3,084,142</u>

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

CENTRAL HUDSON
CONDENSED STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share amounts)

Six Months Ended June 30, 2023							
<u>Common Stock</u>							
	Shares Issued	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	AOCI*	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	<u>16,862,087</u>	<u>\$ 84,311</u>	<u>\$ 386,452</u>	<u>\$ (4,633)</u>	<u>\$ 673,078</u>	<u>\$ 168</u>	<u>\$ 1,139,376</u>
Net Income					12,053		12,053
Employee future benefits, net of tax						1	1
Balance at June 30, 2023	<u>16,862,087</u>	<u>\$ 84,311</u>	<u>\$ 386,452</u>	<u>\$ (4,633)</u>	<u>\$ 685,131</u>	<u>\$ 169</u>	<u>\$ 1,151,430</u>

Six Months Ended June 30, 2022							
<u>Common Stock</u>							
	Shares Issued	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	AOCI*	Total Equity
Balance at December 31, 2021	16,862,087	\$ 84,311	\$ 280,452	\$ (4,633)	\$ 572,021	\$ 19	\$ 932,170
Net Income					25,290		25,290
Capital contribution			21,000				21,000
Employee future benefits, net of tax						4	4
Balance at March 31, 2022	<u>16,862,087</u>	<u>\$ 84,311</u>	<u>\$ 301,452</u>	<u>\$ (4,633)</u>	<u>\$ 597,311</u>	<u>\$ 23</u>	<u>\$ 978,464</u>
Net Income					7,626		7,626
Capital contribution			25,000				25,000
Employee future benefits, net of tax						4	4
Balance at June 30, 2022	<u>16,862,087</u>	<u>\$ 84,311</u>	<u>\$ 326,452</u>	<u>\$ (4,633)</u>	<u>\$ 604,937</u>	<u>\$ 27</u>	<u>\$ 1,011,094</u>

*Accumulated other comprehensive income

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 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 gas transmission pipeline opportunities in New York State. As of June 30, 2023, there has been no activity in CHGT. CHEC had ownership interests in certain non-regulated subsidiaries that were less than 100% owned. At June 30, 2023, the investment has 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, 2022 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 June 30, 2022 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 June 30, 2023 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/refundable through the rate-making process in a period different from when they otherwise would have been reflected in income. For Central Hudson, these deferred regulatory assets and liabilities, and the related deferred taxes, are recovered from or reimbursed to customers either by offset as directed by the New York State Public Service Commission (“PSC” or “Commission”), through an approved surcharge mechanism or through incorporation in the determination of 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 June 30, 2023, primarily consists of cash held in escrow as security deposits from companies attaching other utilities to Central Hudson-owned poles. Restricted cash as of June 30, 2022, primarily consisted of cash collected from developers and held in escrow related to a SDU project pursuant to terms and conditions of the NYISO OATT, which has been drawn and applied as payment against work performed and completed by December 31, 2022.

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)

	June 30, 2023	June 30, 2022
Cash and cash equivalents	\$ 19,332	\$ 13,074
Restricted cash included in other long-term assets	696	7,590
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	<u>\$ 20,028</u>	<u>\$ 20,664</u>

Central Hudson

(In Thousands)

	June 30, 2023	June 30, 2022
Cash and cash equivalents	\$ 16,037	\$ 5,011
Restricted cash included in other long-term assets	696	7,590
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	<u>\$ 16,733</u>	<u>\$ 12,601</u>

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 – "Revenues 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 June 30, 2023, December 31, 2022, and June 30, 2022 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):

	June 30, 2023	December 31, 2022	June 30, 2022
Fuel used in electric generation	\$ 546	\$ 434	\$ 584
Materials and supplies	35,165	30,804	28,544
Total	<u>\$ 35,711</u>	<u>\$ 31,238</u>	<u>\$ 29,128</u>

Reclassification

Certain amounts shown in Note 4 – “Regulatory Matters” related to prior periods have been reclassified to conform to the June 30, 2023 presentation. These reclassifications had no effect on the reported results of operations.

Note 2 - Revenues and Receivables

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

Revenue from Contracts with Customers

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

Alternative Revenues

Central Hudson’s alternative revenue programs include electric and natural gas RDMs, 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 New York State clean energy goals, when prescribed targets are met.

Other Revenues

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Electric				
Revenues from contracts with customers (ASC 606)	\$ 190,330	\$ 176,843	\$ 413,633	\$ 384,703
Alternative revenues (Non ASC 606)	4,253	(1,258)	5,752	(6,706)
Other revenue adjustments (Non ASC 606)	(1,378)	1,042	2,414	4,625
Total Operating Revenues Electric	\$ 193,205	\$ 176,627	\$ 421,799	\$ 382,622
Natural Gas				
Revenues from contracts with customers (ASC 606)	\$ 39,094	\$ 43,102	\$ 139,457	\$ 139,519
Alternative revenues (Non ASC 606)	6,053	2,268	7,529	1,360
Other revenue adjustments (Non ASC 606)	(2,177)	(1,614)	(5,242)	(5,555)
Total Operating Revenues Natural Gas	\$ 42,970	\$ 43,756	\$ 141,744	\$ 135,324

The quarter over quarter and year over year increase in electric revenues from contracts with customers was primarily driven by higher billed purchased commodity costs, approved increases in delivery rates effective July 1, 2022, and higher surcharges when compared to 2022. The quarter over quarter decrease in natural gas revenues from contracts with customers was primarily driven by lower billed purchased commodity costs, partially offset by approved increases in delivery rates effective July 1, 2022.

The increase in electric and natural gas alternative revenue programs quarter over quarter and year over year is due to higher RDM deferral recorded for the difference between the actual billed revenues compared to prescribed targets as well as positive revenue adjustments for earned incentives based on achieving certain targets and milestones associated with energy efficiency as provided in the 2021 Rate Order.

The quarter over quarter and year over year decreases in other electric revenue adjustments is primarily driven by higher credits provided to customers as well as lower revenue adjustments for amounts collected from customers for previously deferred revenues. Partially offsetting these decreases were higher revenue offsets related to bill credits provided to customers for rate moderation in 2023 when compared to 2022. Other natural gas revenue adjustments were comparable to prior periods reported.

Allowance for Uncollectible Accounts

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Balance at Beginning of Period	\$ (11,200)	\$ (11,200)	\$ (11,200)	\$ (11,200)
Uncollectible expense	(1,733)	(3,086)	(4,464)	(4,200)
Uncollectible write-off deferral	(2,385)	-	(2,860)	-
Uncollectible write-offs - net	4,117	3,086	7,324	4,200
Balance at End of Period	\$ (11,200)	\$ (11,200)	\$ (11,200)	\$ (11,200)

Accounts receivable growth in arrears began with the suspension of collection efforts required during the Coronavirus pandemic ("COVID-19"), which has impacted customers' payment behavior and has been further compounded by increased commodity prices. On June 16, 2022, the PSC approved Phase 1 of the AMP which provides arrears relief for certain residential utility customers who receive income-qualified government assistance for utility bills and other expenses and have past-due balances for services through May 1, 2022. We have provided approximately \$7.6 million in AMP Phase 1 relief via bill credits. On January 19, 2023, the PSC issued Order for Phase 2 AMP providing arrears relief for certain residential and small commercial customers with arrears balances as of May 1, 2022, which were not eligible for Phase 1. Central Hudson processed approximately \$22.4 million in credits in 2023 which will be collected over a seven-year period via a surcharge. Central Hudson does not anticipate any further credits to be issued under these AMP programs. On May 3, 2023, the 2024 New York State budget signed by the Governor included the appropriation of \$200 million for prompt affordability assistance to provide utility arrears relief to customers. The Department of Public Service ("DPS") will administer the funds in consultation with the EAP Working Group which includes utilities and other stakeholders. This will provide additional future credits to eligible customers; however, the timing and amounts to be allocated to Central Hudson are unknown. While credits have provided some relief to customers, the accounts receivable arrears continue to grow. Central Hudson initiated collection efforts 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 will be forthcoming. Collection efforts have been further expanded in 2023, including issuing final termination notices and locking service for non-payment for commercial customers. These collection efforts have generated some success with payments or payment arrangements. Central Hudson anticipates that its continued efforts and communication with customers, particularly as we execute final termination notices and locking service for non-payment, will provide visibility as to the likely timeframe over which the arrears growth will be resolved. Based on the analysis to date and taking all qualitative factors into consideration, the Company concluded that the reserve of \$11.2 million should be maintained as of June 30, 2023. Under the terms of the 2021 Rate Order, Central Hudson is authorized to defer bad debt write-offs if they exceed 10 basis points above the amounts billed to customers through delivery rates and applicable surcharges. For the three and six month periods ended June 30, 2023, accounts written off as uncollectible exceeded the 10 basis points prescribed in rates and, as such, Central Hudson has deferred \$2.4 million and \$2.9 million, respectively, in uncollectible write-offs. The increase in arrears has resulted in a corresponding growth in working capital needs requiring additional borrowings as further discussed in Note 8 - "Short-Term Borrowing Arrangements" and Note 10 - "Capitalization - Long-Term Debt".

Management conducted quantitative and qualitative assessments of the allowance for uncollectible accounts as of June 30, 2023, 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. 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 June 30, 2023.

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		
		June 30, 2023	December 31, 2022	June 30, 2022
Electric:				
Production	25-95	\$ 43,865	\$ 43,767	\$ 43,656
Transmission	30-90	497,082	469,800	467,396
Distribution	8-80	1,281,041	1,247,465	1,216,714
Other	40	7,066	7,060	6,910
Total		\$ 1,829,054	\$ 1,768,092	\$ 1,734,676
Natural Gas:				
Transmission	19-85	\$ 66,027	\$ 64,679	\$ 64,401
Distribution	28-95	740,945	723,857	689,728
Other	N/A	442	442	442
Total		\$ 807,414	\$ 788,978	\$ 754,571
Common:				
Land and structures	50	\$ 115,590	\$ 114,656	\$ 112,962
Office and other equipment, radios, and tools	8-35	92,768	87,303	87,597
Transportation equipment	10-12	83,895	82,520	80,129
Other	3-15	171,158	164,317	161,299
Total		\$ 463,411	\$ 448,796	\$ 441,987
Gross Utility Plant		\$ 3,099,879	\$ 3,005,866	\$ 2,931,234

For the three months ended June 30, 2023 and 2022, the borrowed component of funds used during construction and recorded as a reduction of interest expense was \$1.2 million and \$0.4 million and the equity component reported as other income was \$0.5 million and \$0.1 million, respectively. For the six

months ended June 30, 2023 and 2022, the borrowed component of funds used during construction and recorded as a reduction of interest expense was \$2.0 million and \$0.7 million and the equity component reported as other income was \$1.1 million and \$0.7 million, respectively.

Included in the Net Utility Plant balance of \$2.5 billion at June 30, 2023, \$2.5 billion at December 31, 2022, and \$2.4 billion at June 30, 2022, is \$203.4 million, \$195.0 million, and \$191.8 million of intangible utility plant assets, comprised primarily of computer software costs, land, transmission, water, and other rights and the related accumulated amortization of \$102.7 million, \$95.9 million, and \$87.3 million, respectively.

As of June 30, 2023, December 31, 2022, and June 30, 2022, Central Hudson has reclassified from utility plant assets \$49.1 million, \$47.4 million, and \$46.0 million, respectively, of cost of removal 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 \$3.1 million as of June 30, 2023 and at December 31, 2022, and was \$3.0 million at June 30, 2022. 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):

	June 30, 2023	December 31, 2022	June 30, 2022
Regulatory Assets:			
Deferred purchased electric costs	\$ 16,005	\$ 43,490	\$ 14,359
Deferred purchased natural gas costs	-	16,923	4,189
Deferred unrealized losses on derivatives - electric and natural gas (Note 15)	8,944	14,034	3,669
RAM - electric and carrying charges	11,030	16,109	9,854
RAM - natural gas and carrying charges	1,677	1,560	1,434
EAMs - electric	9,363	7,140	2,463
RDM and carrying charges - electric	1,840	2,064	-
RDM and carrying charges - natural gas	5,769	4,511	472
Energy efficiency programs and carrying charges	30,453	28,829	23,763
Demand management programs and carrying charges	6,890	7,359	8,116
Deferred and accrued costs - SIR (Note 13) and carrying charges	65,704	71,436	71,993
Deferred storm costs and carrying charges	55,569	41,846	41,403
Deferred vacation pay accrual	10,877	9,010	10,650
Income taxes recoverable through future rates	45,534	42,704	21,100
Tax reform - unprotected impacts (Note 5)	23,733	23,733	23,733
Lost finance charge revenue and carrying charges	5,680	2,746	2,625 ⁽²⁾
AMP and carrying charges	23,273	3,102	-
Uncollectible write-offs and carrying charges	6,014 ⁽³⁾	4,130	-
Other	13,682 ⁽¹⁾	11,323 ⁽¹⁾	9,143 ⁽¹⁾⁽²⁾
Total Regulatory Assets	\$ 342,037	\$ 352,049	\$ 248,966
Less: Current Portion of Regulatory Assets	\$ 82,699	\$ 125,980	\$ 63,222
Total Long-term Regulatory Assets	\$ 259,338	\$ 226,069	\$ 185,744

Notes to Quarterly Condensed Financial Statements (UNAUDITED)

Regulatory Liabilities:

Rate moderator - electric and carrying charges	\$ 37,825	\$ 16,376	\$ 21,204
Rate moderator - natural gas and carrying charges	12,417	8,739	9,867
RDM and carrying charges - electric	-	-	3,522
Deferred purchased natural gas costs	2,308	-	-
Deferred unrealized gains on derivatives - electric and natural gas (Note 16)	20	315	3,383
CEF and carrying charges	51,864	49,027	51,644
Tax reform - protected deferred tax liability (Note 5)	146,175	176,075	178,133
Deferred cost of removal (Note 3)	49,107	47,357	45,992
Deferred pension costs (Note 11)	71,386	74,898	92,062
Deferred property taxes and carrying charges	10,467	2,109 ⁽²⁾	3,418
Income taxes refundable through future rates	9,206	10,711	7,391
Deferred OPEB costs (Note 11)	22,045	24,652	29,323
Energy affordability program and carrying charges	4,362	4,428	4,975
Net plant and depreciation targets	1,030	764 ⁽²⁾	340
Fast charging infrastructure program and carrying charges	5,648	5,516	5,383
NRAs	5,751	2,597	2,597
Deferred unbilled revenue	5,082	5,082	5,082
Utility asset sale to Transco and carrying charges	4,466	4,338	-
Other	1,680 ⁽¹⁾	4,354 ⁽¹⁾⁽²⁾	4,205 ⁽¹⁾
Total Regulatory Liabilities	\$ 440,839	\$ 437,338	\$ 468,521
Less: Current Portion of Regulatory Liabilities	\$ 86,726	\$ 75,053	\$ 75,276
Total Long-term Regulatory Liabilities	\$ 354,113	\$ 362,285	\$ 393,245
Net Regulatory Liabilities	\$ (98,802)	\$ (85,289)	\$ (219,555)

(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 June 30, 2023 presentation.

(3) Approximately \$1.1 million of gas uncollectible write-offs at December 31, 2022 have been transferred to the Gas RAM during the first quarter of 2023.

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 would become effective retroactive to July 1, 2021, with Rate Year ("RY") 1 through 3 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 Orders are as follows:

Description	2021 Rate Order (Dollars in Millions)		
	RY1	RY2	RY3
Electric delivery rate increase/(decrease)	(\$3.1)	\$19.5	\$20.7
Natural gas delivery rate increases	\$4.7	\$6.3	\$6.4
Return on equity	9.00%	9.00%	9.00%
Earnings sharing	Yes ⁽¹⁾	Yes ⁽¹⁾	Yes ⁽¹⁾
Capital structure – common equity	50%	49%	48%
Bill credits/(surcharge) - 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) Return on equity ("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 gas delivery rates producing bill impacts just under two percent each RY;
- includes increased electric bill discounts for income qualified households and expanded access into Central Hudson's Energy Affordability Program;
- reflects investments in clean energy efficiency ground and air-source electric heat pumps, electric vehicle charging, and system upgrades that support utilization of renewable sources;
- implements 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 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 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 provide the Company authorization to defer COVID-19 incremental O&M Costs net of savings, lost revenues (finance charges and reconnection fee revenues), and uncollectible write-offs.

Central Hudson 2021 Financing Order

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

Central Hudson 2023 Financing Petition

On May 23, 2023, Central Hudson filed a request with the PSC for authorization to enter into multi-year credit agreements to provide committed funding to meet projected liquidity needs in amounts not to exceed \$350 million in the aggregate and maturities not to exceed 5 years; and approval to issue and

sell long-term debt securities, from time to time from January 1, 2024 through December 31, 2026 for general corporate purposes, in an aggregate amount not to exceed \$380 million.

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 SDU being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, O&M of the SDU, and a reasonable return on its investment. FERC approved an Offer of Settlement on October 4, 2021, which included an ROE of 9.4% plus a 50-basis point adder for a total ROE of 9.9%. Project costs are to be recovered by Central Hudson and allocated to the Load Serving Entities ("LSEs") pursuant to Rate Schedule 12 of the NYISO OATT plus O&M and other applicable costs. The FERC formula rate was filed with FERC on May 15, 2023, which included project costs of \$9.8 million plus O&M and other applicable costs for collection over the period June 2023 through May 2024. This process will occur annually going forward.

Low Income Energy Affordability & COVID-19 Proceeding

On January 19, 2023, the PSC issued Order for Phase 2 AMP providing arrears relief for certain residential and small commercial customers with arrears balances as of May 1, 2022, which were not eligible for Phase 1 AMP. Through the Phase 2 AMP, Central Hudson provided approximately \$22.4 million in relief to non-low-income customers in 2023. The Phase 2 AMP will be funded entirely through a temporary (7 year) surcharge on utility bills not to exceed a 0.5% bill impact for residential customers.

The 2024 State budget signed by the Governor on May 3, 2023 included the appropriation of \$200 million for prompt affordability assistance to utility customers. The Department of Public Service ("DPS") will administer the funds in consultation with the Energy Affordability Policy ("EAP") Working Group which includes Central Hudson and other utilities and stakeholders. The 2024 State Budget also requires the DPS to establish a new, expanded discount program in consultation with the EAP Working Group to provide relief to customers that do not currently qualify for EAP programs but earn less than the state median income, as well as establishing an Energy Affordability Guarantee designed to ensure that customers participating in NYSERDA's EmPower Plus Program have energy cost burdens less than six percent of household income.

Customer Information System ("CIS") Show Cause Order

During the March 2022 PSC session, the PSC directed the DPS Staff, and subsequently instituted Case 22-00666, to investigate billing issues subsequent to the implementation and to publicly track comments and other related documents. In connection with that investigation, the Company answered numerous data requests regarding the CIS implementation. On December 15, 2022, the PSC issued its Order to Commence Proceeding and Show Cause ("CIS Show Cause Order"), under Case 22-M-0645. This Order discussed issues related to the CIS project, including system defects, training, testing, staffing, and cited alleged apparent violations of PSL, New York Codes, Rules and Regulations, and prior PSC Orders. Central Hudson filed its response on January 17, 2023, in which it acknowledged the unintended disruptive impact on customers but affirmed that the Company did not violate the PSL, rules, or Commission Orders and that neither penalties nor a prudence review is warranted. Central Hudson cited in its response its legal position that the Office of Investigations and Enforcement report misinterpreted and misapplied specific sections of statutes, rules, and Commission Orders. The outcome of this investigation cannot be predicted at this time.

Agway Energy Services LLC (“Agway”)

On February 25, 2022, Agway filed a Petition for Declaratory Ruling and Corrective Action Plan Concerning Failure of Central Hudson to provide accurate Electronic Data Interchange information or provide accurate client bills (“Petition”). Agway is a licensed Energy Service Company that supplies energy for approximately 1,035 customers in Central Hudson’s service territory. The Petition alleges impacts to Agway’s business related to Central Hudson’s billing system transition and alleges violations of the Uniform Billing Practices (“UBP”) and that Central Hudson breached the Billing Services Agreement (“BSA”). Agway requested that the PSC investigate these issues, declare violations, order that Central Hudson resolve these violations in a timely manner, appoint an independent monitor to oversee the resolution, disgorge incurred fees, and award compensatory damages.

On March 18, 2022, Central Hudson filed its Verified Motion to Dismiss and Opposition to the Petition of Agway for a Declaratory Ruling (“Motion”). The Motion argues that the Petition should be dismissed because it is not a proper Petition for Declaratory Ruling because it fails to seek a PSC interpretation of a statute or rule and is deficient because it fails to allege a specific violation of either the UBP or BSA. Central Hudson’s Motion also argues that it is improper for Agway to seek compensatory damages as damages are limited pursuant to the BSA and outside of the PSC’s jurisdiction to provide. Agway has submitted a filing requesting mediation on this matter, including recurring meetings with both parties and DPS Staff. On June 24, 2022, the Company entered mediation with Agway and continues to hold bi-weekly meetings to discuss, investigate, and resolve issues. On March 21, 2023, after almost a year of mediation, Agway Energy Services, LLC filed a Motion for an Initial Decision and Request to Supplement the Record. Central Hudson filed its response on March 29, 2023. Central Hudson cannot predict the outcome of this proceeding at this time.

Sale of Utility Asset to Transco

On June 21, 2022, the PSC issued Order Authorizing the Transfer of Transmission Property and Easement Interest under Case 22-E-0077. The Order was approved to increase the power transfer capability from upstate to downstate New York. In the Order, the PSC authorized the transfer of an easement interest covering real property associated with a 12-mile overhead 115 kV electric transmission line (“SL Line”) and certain transmission property and equipment related to the Sugarloaf Switching Station and the SL Line, from Central Hudson to Transco and the recognition of any gains realized upon the transfer for the benefit of customers. On July 11, 2022, Central Hudson completed the sale of transmission property and easement interest for approximately \$4.6 million with a realized gain of \$4.4 million which was deferred as a regulatory liability for the benefit of customers with carrying charges at the Company’s pre-tax weighted average cost of capital as prescribed by the Order.

NOTE 5 – Income Tax

Uncertain Tax Positions

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

On April 14, 2023, the IRS issued Revenue Procedure 2023-15, which provides a safe harbor method of accounting that taxpayers may use to help determine whether capital expenditures to repair, maintain, replace, or improve natural gas transmission and distribution property can be expensed for tax purposes. Management is assessing the impact that adoption of this ruling will have on CH Energy Group and its subsidiaries.

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

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

	CH Energy Group and Central Hudson			
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Unrecognized tax benefits balance, beginning of the period	\$ 8,777	\$ 10,799	\$ 10,538	\$ 10,641
Additions related to the current year	301	164	601	322
Decreases related to the prior year	(182)	-	(2,243)	-
Unrecognized tax benefits balance, end of the period	8,896	10,963	8,896	10,963
Offset per ASU No. 2013-11 ⁽¹⁾	(8,896)	(10,963)	(8,896)	(10,963)
Tax Reserve Balance, End of the Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Inflation Reduction Act of 2022

In August 2022, the President signed into law the Inflation Reduction Act of 2022 ("IRA"), which enacted several changes to federal tax law. These changes include the introduction of a new 15% corporate AMT on applicable corporations which became effective for tax years beginning after December 31, 2022. During the first half of 2023, CH Energy Group made payments totaling \$5.4 million to its parent FortisUS, Inc. ("FortisUS") related to AMT, in line with the tax sharing agreement. The IRA also includes numerous tax credits which currently do not apply to CH Energy Group, and if applicable in the future, are expected to be immaterial.

Coronavirus Aid, Relief, and Economic Security ("CARES") Act

The CARES Act was signed into law on March 27, 2020. As permitted under the CARES Act, Central Hudson deferred payment of the employer share of the Social Security tax on its payroll during 2020. The deferred payroll tax was paid over two years; with half of the required amount paid by December 31, 2021, and the other half by December 31, 2022. There was no impact on earnings or on the effective tax rate resulting from the delayed payment of employer payroll tax under the CARES Act. As of June 30, 2022, the liability for the deferred payment of the employer's portion of Social Security tax on payroll was \$2.6 million and was reflected in "Other current liabilities" in the CH Energy Group and Central Hudson Balance Sheets.

New York State 2022 and 2024 Budget Bill

On April 6, 2021, the New York State ("NYS") fiscal year 2022 budget bill was enacted. The budget bill included an increase in the corporate tax rate for businesses with taxable income over \$5 million from 6.5% to 7.25% for tax years beginning on or after January 1, 2021, and ending before January 1, 2024, and extended the capital base tax rate of 0.1875%, which was previously set to phase out in 2021. The NYS fiscal year 2024 budget bill enacted on May 3, 2023, further extends both the 7.25% corporate tax rate for businesses with taxable income over \$5 million through tax years ending on or before January 1, 2027, and the capital base tax to phase out for tax years beginning on and after January 1, 2027. CH Energy Group and Central Hudson had state net operating losses ("NOLs") that reduced taxable income below the \$5 million threshold for the tax years ending December 31, 2022, and 2021. The state NOLs are expected to reduce the taxable income below the \$5 million threshold for the remaining

duration of the increased tax rate period and, therefore, that tax increase is not expected to have an impact on the Company's earnings or cash flows. Both CH Energy Group and Central Hudson expect to be subject to the capital base tax during this period. For the three and six months ended June 30, 2023, Central Hudson recorded \$0.5 million and \$1.0 million of capital base tax, respectively. For the three and six months ended June 30, 2022, Central Hudson recorded \$0.4 million and \$0.9 million of capital base tax, respectively. Capital base tax is included in "Taxes, other than income tax" in the CH Energy Group and Central Hudson Statements of Income. The extended capital base tax was included in the tax calculation used to set rates in the 2021 Rate Order.

CH Energy Group

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Effective tax rate - federal	16.7%	15.7%	16.7%	15.2%
Effective tax rate - state	5.9%	6.4%	5.7%	6.0%
Effective Tax Rate - Combined	<u>22.6%</u>	<u>22.1%</u>	<u>22.4%</u>	<u>21.2%</u>

Central Hudson

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Effective tax rate - federal	16.4%	15.3%	16.4%	15.0%
Effective tax rate - state	5.9%	6.0%	5.8%	5.8%
Effective Tax Rate - Combined	<u>22.3%</u>	<u>21.3%</u>	<u>22.2%</u>	<u>20.8%</u>

For the three and six months ended June 30, 2023 and 2022, the combined effective tax rate for CH Energy Group and Central Hudson is lower than the statutory rate due to tax normalization rules and the timing of flow through tax items related to capital expenditures. The effective tax rate for 2023 is higher than the comparable period in 2022, primarily due to a lower impact of these items with higher income subject to 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 return on equity invested in the project (up to 53% of the project cost) of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of \$600 million plus interconnection costs and CHET's equity funding requirement of 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 June 30, 2023, CHET has made capital contributions of \$22.1 million to Transco to fund a portion of the Segment B project costs plus interconnection costs. At June 30, 2023, December 31, 2022, and June 30, 2022 CHET's total investment in Transco for all projects was approximately \$29.2 million, \$23.5 million, and \$18.5 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 MWs from the Long Island transmission district to the Consolidated Edison transmission infrastructure. Transco and NYPA are working to finalize the development agreement, which is expected to be completed in the fourth quarter of 2023. 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.

During the first quarter of 2022, CHEC received a final distribution from one of its remaining investments following termination of the partnership, and there is no remaining value associated with CHEC's equity investments.

NOTE 7 – Research and Development

Central Hudson's research and development expenditures for the three months ended June 30, 2023 and 2022 were \$0.8 million and \$0.9 million, respectively. For the six months ended June 30, 2023 and 2022, Central Hudson's research and development expenditures were \$1.8 million and \$2.0 million, respectively. These expenditures were for internal research programs and for contributions to research administered by the New York State Energy Research and Development Authority ("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 replaces the London Interbank Offered Rate ("LIBOR") with a benchmark replacement interest rate and increases the aggregate commitment by the lenders by \$50 million, making the aggregate amount of total commitments equal to \$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. The credit agreement is also subject to certain restrictions and conditions, including that there will be no event of default and, subject to certain exceptions, that Central Hudson will not sell, lien, or otherwise encumber its assets or enter into certain transactions including certain transactions with affiliates. Central Hudson is also required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's or Moody's rating on the average daily unused portion of the credit facility. At June 30, 2023, Central Hudson was in compliance with all financial debt covenants.

Uncommitted Credit

At June 30, 2023 and December 31, 2022, CH Energy Group and Central Hudson had \$10 million and \$60 million, respectively, in uncommitted short-term credit arrangements totaling \$70 million. At June 30, 2022, Central Hudson had uncommitted short-term credit arrangements totaling \$30 million. There were no outstanding borrowings under CH Energy Group or Central Hudson's uncommitted credit agreements at June 30, 2023. There were outstanding borrowings of \$15 million under Central Hudson's uncommitted credit agreements at December 31, 2022.

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

	CH Energy Group			Central Hudson		
	June 30, 2023	December 31, 2022	June 30, 2022	June 30, 2023	December 31, 2022	June 30, 2022
Committed credit	\$ -	\$ 90,000	\$ 60,000	\$ -	\$ 90,000	\$ 60,000
Uncommitted credit	-	15,000	10,000	-	15,000	10,000
Total	\$ -	\$ 105,000	\$ 70,000	\$ -	\$ 105,000	\$ 70,000
Weighted Average Interest Rate	0.00%	5.17%	2.30%	0.00%	5.17%	2.30%

NOTE 9 – Capitalization – Common and Preferred Stock

Capitalization

During the first half of 2023, CH Energy Group received a capital contribution of \$73.5 million from FortisUS and Central Hudson received a capital contribution of \$60.0 million from its parent CH Energy Group. Additionally, during the six months ended June 30, 2023, CHET received capital contributions of \$3.2 million from its parent CH Energy Group in order to fund capital expenditures related to the Transco AC Project.

During the first half of 2022, CH Energy Group received capital contributions of \$55.2 million from its parent FortisUS, inclusive of a \$0.9 million contribution under a tax sharing agreement with FortisUS. During the six months ended June 30, 2022, Central Hudson received capital contributions of \$46.0 million from its parent CH Energy Group and CHET also received capital contributions of \$3.3 million from its parent CH Energy Group in order 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 \$75.5 million and \$74.0 million in dividends to CH Energy Group for the periods ended June 30, 2023 and 2022, 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 by CHET to its parent CH Energy Group in the first half of 2023. During 2022, CHET paid dividends to its parent CH Energy Group of \$1.0 million in the second quarter.

Preferred Stock

Other than one share of Junior Preferred Stock, Central Hudson had no outstanding preferred stock as of June 30, 2023, December 31, 2022, and June 30, 2022.

NOTE 10 – Capitalization – Long-Term Debt

As of June 30, 2023, 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.

On March 28, 2023, Central Hudson issued \$40 million of Series AA, 10-year Senior Notes with an interest rate of 5.68% per annum, \$15 million of Series BB, 12-year Senior Notes with an interest rate of 5.78% per annum, and \$35 million of Series CC, 15-year Senior Notes with an interest rate of 5.88% per annum. Central Hudson used the proceeds from sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

During 2022, Central Hudson issued \$220 million in unsecured Senior Notes, with various interest rates and maturities. Central Hudson used the proceeds from the sale of the Senior Notes to repay \$23.4 million of maturing debt and for general corporate purposes, including the repayment of short-term borrowings.

At June 30, 2023, Central Hudson had \$30 million of 2014 Series E 10-year notes with a floating interest rate of 3-month LIBOR plus 1%. To mitigate the potential cash flow impact from unexpected increases in short-term interest rates, Central Hudson purchased a four-year interest rate cap that will expire on March 26, 2024. The rate cap has a notional amount equal to the outstanding principal amount of the 2014 Series E notes and is based on the quarterly reset of LIBOR rate on the quarterly interest payment dates. Central Hudson would receive a payout if LIBOR rate exceeds 3% at the start of any quarterly interest period during the term of the cap. Central Hudson received a payout of \$0.3 million during the six months ended June 30, 2023. There were no payouts on this interest rate cap during the six months ended June 30, 2022.

On May 26, 2023, in anticipation of scheduled sunseting of the LIBOR interest rate on June 30, 2023, Central Hudson executed a second amendment on its 2014 Series E 10-year Variable Rate Note Purchase Agreement to transition the floating interest rate to Term Secured Overnight Financing Rate (“SOFR”) plus 1.261%, effective July 1, 2023. On June 16, 2023, Central Hudson also amended the interest rate cap associated with this 2014 Series E variable rate note. The amended rate cap remains at 3% but is now based on the Term SOFR Rate, with a spread of 0.178%.

The principal amount of Central Hudson’s outstanding 1999 Series B NYSERDA Bonds totaled \$33.7 million at June 30, 2023. These are tax-exempt multi-modal bonds that are currently in a variable rate mode and mature in 2034. To mitigate the potential cash flow impact from unexpected increases in short-term interest rates on Series B NYSERDA Bonds, Central Hudson purchased a one-year interest rate cap on March 30, 2023. The rate cap has a notional amount equal to the outstanding principal amount of the Series B bonds and expires on April 1, 2024. 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, 2023. Central Hudson received an immaterial payout during the three and six months ended June 30, 2023. There were no payouts on this interest rate cap during the three and six months ended June 30, 2022.

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 June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
Service cost	\$ 1,833	\$ 3,235	\$ 261	\$ 397
Interest cost	7,600	5,508	1,386	997
Expected return on plan assets	(9,574)	(9,853)	(2,131)	(2,242)
Amortization of prior service cost (credit)	130	130	(102)	(114)
Amortization of recognized actuarial net gain	(2,626)	(2,776)	(1,245)	(1,432)
Net Periodic Benefit	<u>\$ (2,637)</u>	<u>\$ (3,756)</u>	<u>\$ (1,831)</u>	<u>\$ (2,394)</u>

	Pension		OPEB	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Service cost	\$ 3,666	\$ 6,470	\$ 522	\$ 794
Interest cost	15,200	11,016	2,772	1,994
Expected return on plan assets	(19,148)	(19,706)	(4,262)	(4,484)
Amortization of prior service cost (credit)	260	260	(204)	(228)
Amortization of recognized actuarial net gain	(5,252)	(5,552)	(2,490)	(2,864)
Net Periodic Benefit	<u>\$ (5,274)</u>	<u>\$ (7,512)</u>	<u>\$ (3,662)</u>	<u>\$ (4,788)</u>

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

	June 30, 2023 ⁽¹⁾⁽²⁾	December 31, 2022 ⁽¹⁾⁽²⁾	June 30, 2022 ⁽¹⁾⁽²⁾
Prefunded pension costs	\$ 59,190	\$ 57,769	\$ 72,143

(1) Includes approximately \$0.2 million at June 30, 2023, December 31, 2022, and June 30, 2022 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 June 30, 2023, \$1.6 million at December 31, 2022 and \$1.5 million at June 30, 2022 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 \$29.7 million, \$39.7 million, and \$40.4 million of SERP trust assets at June 30, 2023, December 31, 2022, and June 30, 2022.

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):

	June 30, 2023 ⁽¹⁾⁽²⁾	December 31, 2022 ⁽¹⁾⁽²⁾	June 30, 2022 ⁽¹⁾⁽²⁾
Accrued pension costs prior to funding status adjustment	\$ (3,145)	\$ (9,559)	\$ (17,363)
Funding status adjustment required	62,335	67,328	89,506
Prefunded Pension Costs	<u>\$ 59,190</u>	<u>\$ 57,769</u>	<u>\$ 72,143</u>
Offset to Funding Status Adjustment - Regulatory Liability - Pension Plan	<u>\$ (62,113)</u>	<u>\$ (67,109)</u>	<u>\$ (89,471)</u>
Offset to Funding Status Adjustment - Accumulated OCI, Net of Tax of (\$62), (\$61) and (\$10), respectively	<u>\$ (161)</u>	<u>\$ (158)</u>	<u>\$ (24)</u>

(1) Includes approximately \$0.2 million at June 30, 2023, December 31, 2022, and June 30, 2022 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 June 30, 2023, \$1.6 million at December 31, 2022, and \$1.5 million at June 30, 2022 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 other comprehensive income ("OCI"), net of tax. However, Central Hudson has PSC approval to record regulatory assets or liabilities rather than adjusting comprehensive income to offset the funding status adjustment for amounts recoverable from customers in future rates. 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Retirement Plan	\$ -	\$ -	\$ -	\$ -
OPEB	\$ -	\$ -	\$ 22	\$ 528
SERP	\$ -	\$ -	\$ -	\$ -

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. 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 half of 2023. The funds were used for general corporate purposes, including repayment of short-term borrowings.

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 June 30, 2023 and 2022 were \$1.7 million and \$1.5 million, respectively. For the six months ended June 30, 2023 and 2022, matching contributions were \$3.2 million and \$3.0 million, respectively. Central Hudson also provides an additional contribution of 4% to the 401(k) plan of annualized base salary for eligible employees who do not qualify for Central Hudson’s Retirement Income Plan. The additional non-discretionary contribution was approximately \$0.9 million for the three months ended June 30, 2023 and 2022. For the six months ended June 30, 2023 and 2022, non-discretionary contributions were \$1.8 million and \$1.6 million, 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 includes a one-time contribution of 1% of annualized base salary for the eligible employees for the year 2022 and 1.25% every year thereafter. For the three and six months ended June 30, 2023 contributions were \$0.4 million and \$1.4 million and are expected to be approximately \$0.4 million quarterly going forward.

NOTE 12 – Equity-Based Compensation

Share Unit Plan Units

Effective January 1, 2023, officers of Central Hudson were granted 64,991 Units under two long-term incentive plans (i.e., the Central Hudson 2023 Share Unit Plan (“2023 SUP”) and the Fortis 2020 Restricted Share Unit Plan, as amended from time to time (“2023 RSUP”)) for the period from January 1, 2023 through December 31, 2025. 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 declared by the Board of Directors of Fortis Inc. on Fortis Inc. common stock. The foreign exchange rate utilized for the payout is the US dollar equivalent for each plan that corresponds to the exchange rate on the business day prior to the date of the grant of each Unit.

The 21,664 Units issued under the 2023 RSUP are time-based, vesting at the end of the three-year period without regard to performance. At the election of a 2023 RSUP participant, Units issued in 2023, which are earned and vested, will settle in either cash or shares of Fortis common stock; provided, however, that for any participant who has not satisfied the participant’s share ownership requirements, the vested Units are to settle at least 50% in 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 and an election to settle in shares cannot be made later than 30 days prior to the Units vesting.

The 43,327 Units issued under the 2023 SUP 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 Units settling in cash.

Awards granted in 2020 to Central Hudson officers under the Central Hudson 2020 Share Unit Plan and the 2020 Fortis Restricted Share Unit Plan vested on December 31, 2022 and were paid out in either cash or shares of Fortis common stock during the first quarter of 2023.

CH Energy Group:	Grant Date	Grant Date Fair Value	Time Based		Performance Based	
			Granted	Outstanding ⁽⁴⁾	Granted	Outstanding ⁽⁴⁾
2020 RSUP ⁽²⁾	January 1, 2020	\$ 41.55	7,257	-	-	-
2020 PSUP ⁽¹⁾	January 1, 2020	\$ 41.55	-	-	21,770	-

Central Hudson:	Grant Date	Grant Date Fair Value	Time Based		Performance Based	
			Granted	Outstanding ⁽⁴⁾	Granted	Outstanding ⁽⁴⁾
2023 RSUP	January 1, 2023	\$ 40.35	21,664	22,103	-	-
2023 SUP	January 1, 2023	\$ 40.35	-	-	43,327	44,207
2022 RSUP ⁽³⁾	January 1, 2022	\$ 48.18	12,781	12,635	-	-
2022 SUP	January 1, 2022	\$ 48.18	-	-	25,562	27,065
2021 RSUP ⁽³⁾	January 1, 2021	\$ 41.12	14,249	14,666	-	-
2021 SUP	January 1, 2021	\$ 41.12	-	-	28,497	31,327
2020 RSUP ⁽¹⁾⁽³⁾	January 1, 2020	\$ 41.55	12,655	-	-	-
2020 SUP ⁽¹⁾	January 1, 2020	\$ 41.55	-	-	25,311	-

⁽¹⁾In the first quarter of 2023, 28,272 Units under the 2020 SUP, 13,164 Units under the 2020 RSUP and 24,317 Units under the 2020 PSUP vested and were paid out for a total of approximately \$2.9 million.

⁽²⁾In the third quarter of 2022, per the 2020 RSUP agreement, time-based units were paid out related to an Officer retirement at 7,811 shares at approximately \$0.4 million.

⁽³⁾In the fourth quarter of 2022, as a result of a separation of employment, 962 Units of 2020 RSUP, 968 Units of 2021 RSUP and 870 Units of 2022 RSUP were forfeited.

⁽⁴⁾Includes notional dividends accrued as of June 30, 2023.

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

Compensation Expense

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
CH Energy Group	\$ 91	\$ (106)	\$ 2,211	\$ 1,456
Central Hudson	\$ 62	\$ (106)	\$ 2,182	\$ 1,456

The liabilities associated with Units granted either under the 2023 RSUP or 2023 SUP under similar plans in place during 2021 and 2022 (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 restricted share unit plan in 2020, 2021, and 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 terms of the Plans in which they have attained the required retirement age and met the required 15 years of service. Fluctuations in compensation expense in the comparative periods can result from changes in the Fortis 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 2022 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 an LSE obligation for Renewable Energy Credits (“RECs”) and Zero-Emissions Credit (“ZECs”) requirements to meet New York State clean energy goals. This Order charged NYSERDA to work with the DPS Staff to develop an Implementation Plan for each CES Program for approval by the PSC. Currently, Tier 1 and Tier 2 Competitive RECs 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. Central Hudson satisfied Tier 1 REC obligations from Value Stack offset through December 2022. At June 30, 2023, the forward Tier 1 obligations for Central Hudson full-service customers are estimated to be approximately \$6.5 million through December 31, 2024. Central Hudson’s Tier 2 Competitive REC obligations are immaterial through December 31, 2023 and Central Hudson’s estimated accrued Tier 3 ZEC obligation through June 30, 2024 is approximately \$7.5 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. 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. The SERP was funded above the 110% required level for 2022 and Central Hudson elected to withdraw \$9.5 million of the excess funding in the first half of 2023 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 New York State. On July 16, 2020, CH Energy Group’s parental guarantee to Transco was adjusted from \$182 million to \$73.7 million. The Transco Board of 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 June 30, 2023, the amount of the outstanding parental guarantee was \$48.6 million. 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 June 30, 2023, Central Hudson has accrued \$72.6 million with respect to all SIR activities, including operation, maintenance, and monitoring costs (“OM&M”), of which \$1.1 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 site investigation or remediation. 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 (Dollars in Millions):

Stage	Sites	Total Accrued Cost at June 30, 2023	Estimated spend in the next twelve months
Investigation	Little Britain Road	\$ 2.1	\$ -
Remedial alternatives analysis		-	-
Remedial design		-	-
Remediation	North Water Street	66.4	1.0
Post-remediation monitoring	Newburgh Areas A, B & C, Laurel Street, Catskill, Kingston, and Eltings Corners	4.1	0.1
No action required	Beacon and Bayeaux Street	-	-
Total		\$ 72.6	\$ 1.1

There were no significant updates during the six months ended June 30, 2023 or changes in the nature and amounts of Central Hudson’s contingencies related to environmental matters, except as noted below.

➤ **Remediation in Progress - Site – North Water Street**

- In the first quarter of 2020, Central Hudson revised its estimate and recorded the low end of the range of projected costs for remediation activities associated with this site based on an assessment of a high-solids hydraulic dredging remedial alternative including predictive cost modeling for a pilot test and full-scale remediation.
- In September 2020, the New York State Department of Environmental Conservation (“NYSDEC”) approved the Hydraulic Dredging Pilot Test (“HDPT”) Work Plan and Water Supply Protection and Contingency Plan. Preliminary site monitoring and mobilization

activities commenced in October 2020 and pilot test activities, including demobilization, were completed in January 2021.

- The goals of the pilot study were successfully achieved. Hydraulic dredging was completed in three areas with different degrees of impacted sediment (no impact, medium impact, and high impact). A draft hydraulic dredge pilot test evaluation summary report was prepared, which summarized the data compiled related to:
 - production rates associated with the hydraulic dredge equipment in each area, including the impacts of the protective shroud attached for additional protection;
 - impacts of sheening events that occurred, the ability to contain them, and the related work stoppages during the pilot;
 - impact of prescribed protective measures regarding the placement of daily clean cover and backfill on the riverbed; and
 - debris encountered in the river and the related mechanical removal.
- The report concluded that the use of hydraulic dredging was technically feasible. However, there were several factors (as noted above) that impacted the previously estimated production rates able to be achieved during the pilot. When extrapolated to full-scale remediation, the cumulative effect of these impacts on the production rates observed during the HDPT significantly increased the total estimated time to complete the dredging and backfilling remediation and, as a result of this increased time frame, also equated to a significant increase in the projected cost.
- Based on the increase in the projected timeframe and cost, it was concluded by the project's Engineer of Record ("EOR") that full-scale hydraulic dredging is not practical to pursue as the sole remedial approach. Following review of the evaluation summary report, the NYSDEC concurred that this timeframe was not practical and agreed with the conclusion of the report. At this point, the NYSDEC has communicated that removal of source material is still the best long-term remedy for the site and, as such, is directing Central Hudson to examine other methods, including a mix of alternative approaches taking into consideration the extent of removal that may be feasible.
- A scope of work for limited upland remedial activities was submitted to and approved by the NYSDEC in May 2021. The activities were completed in June 2021.
- During 2021, Central Hudson worked with the EOR to evaluate remedial alternative approaches, including some that still fit within the framework of the 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 preliminary follow up discussion was held with the NYSDEC in December 2021.
- An Air Bubble Curtain ("ABC") lab pilot test work plan was provided to the NYSDEC for informational purposes on January 11, 2022. The field portion of the ABC bench scale pilot test activities were completed in December 2022 and modeling and draft reporting were completed in the first quarter of 2023. The findings were presented to and discussed with the NYSDEC in April 2023, prior to submittal of the final report. In summary, it was presented that the ABC would be ineffective at containing non-aqueous phase liquid ("NAPL"), turbidity, or dissolved constituents either as a stand-alone or supplemental protective measure. As such, no additional testing, specifically a full-scale pilot in the Hudson River, is justified nor planned and the final ABC report was sent to the Department for review. Furthermore, the NYSDEC will reexamine the alternatives identified in the FRAA before issuing any further comments or direction about the process going forward. Based on this, implementation, and commencement of a fully agreed upon remedial alternative is not expected in the near term.
- On April 8, 2022, Central Hudson received a response from the NYSDEC with regard to the November 2021 FRAA. Central Hudson sent a response to the comments on May 24, 2022. Overall, the comment letter indicated that the tests of alternate containment methods

(i.e., ABC pilot test) should be completed prior to consideration of the alternatives presented in the FRAA report and, therefore, the NYSDEC rejected the report at this time. The comment letter also requested additional information be provided and additional concerns be addressed as the process continues. The comments and additional information requests in the comment letter will be contemplated in a more detailed Remedial Design and/or work plan that will be developed once concurrence is received on an acceptable alternative approach. As such, management believes this comment letter does 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 it does not impact management's method of estimating the range and liability recorded as of June 30, 2023. Furthermore, management believes that the alternatives included in the FRAA continue to be the best potential remedial options going forward and, as such, continues to accrue for the cost at the low end of the range.

- The total accrual for remediation as of June 30, 2023, for this site of \$66.4 million reflects management's estimate of the low end of a predictive cost estimate range of potential alternatives for continued work of the EOR on the development of design and analysis of the FRAA based on future discussions with other parties and other associated fees. The FRAA included potential alternatives for remediation with costs estimated as high as \$95 million. The accrual will be updated as the alternative remedial approaches are discussed, and a path forward is agreed upon by all involved parties.
- The estimated spending as of June 30, 2023, for the next 12 months of approximately \$1.0 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 and these costs could have a material adverse effect (the extent of which cannot be reasonably determined) on the financial condition, results of operations, and cash flows of CH Energy Group and Central Hudson if Central Hudson were unable to recover all or a substantial portion of these costs via collection in rates from customers and/or through insurance.

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

- As part of the 2021 Rate Order, Central Hudson maintained previously granted deferral authority and future recovery for the differences between actual Environmental SIR costs, 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 \$16.1 million recovered through June 30, 2023.
- There was no spending for the three and six months ended June 30, 2023 related to site investigation and remediation. For the three and six months ended June 30, 2022 spending related to site investigation and remediation was approximately \$0.2 million and \$0.5 million, respectively.
- The regulatory asset balance as of June 30, 2023, December 31, 2022, and June 30, 2022, was \$65.7 million, \$71.4 million, and \$72.0 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 six months ended June 30, 2023 and 2022. 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 June 30, 2023, of the 3,387 asbestos cases brought against Central Hudson, 1,163 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

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

NOTE 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 June 30, 2023				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	\$ 193,205	\$ 42,970	\$ -	\$ -	\$ 236,175
Intersegment revenues	12	76	-	(88)	-
Total operating revenues	193,217	43,046	-	(88)	236,175
Income before income taxes	13,145	2,372	769	-	16,286
Net Income Attributable to CH Energy Group	\$ 10,180	\$ 1,873	\$ 510	\$ -	\$ 12,563
Segment Assets at June 30, 2023	\$ 2,445,391	\$ 925,237	\$ 34,961	\$ (1,301)	\$ 3,404,288

CH Energy Group Segment Disclosure

(In Thousands)

	Three Months Ended June 30, 2022				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	\$ 176,627	\$ 43,756	\$ -	\$ -	\$ 220,383
Intersegment revenues	14	162	-	(176)	-
Total operating revenues	176,641	43,918	-	(176)	220,383
Income before income taxes	9,144	546	450	-	10,140
Net Income Attributable to CH Energy Group	\$ 7,300	\$ 326	\$ 273	\$ -	\$ 7,899
Segment Assets at June 30, 2022	\$ 2,239,087	\$ 845,055	\$ 29,270	\$ (1,160)	\$ 3,112,252

CH Energy Group Segment Disclosure

(In Thousands)

	Six Months Ended June 30, 2023				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	\$ 421,799	\$ 141,744	\$ -	\$ -	\$ 563,543
Intersegment revenues	26	334	-	(360)	-
Total operating revenues	421,825	142,078	-	(360)	563,543
Income before income taxes	23,276	21,722	1,562	-	46,560
Net Income Attributable to CH Energy Group	\$ 18,693	\$ 16,325	\$ 1,100	\$ -	\$ 36,118
Segment Assets at June 30, 2023	\$ 2,445,391	\$ 925,237	\$ 34,961	\$ (1,301)	\$ 3,404,288

CH Energy Group Segment Disclosure

(In Thousands)

	Six Months Ended June 30, 2022				
	Segments		Other		Total
	Central Hudson		Businesses and		
	Electric	Natural Gas	Investments	Eliminations	
Revenues from external customers	\$ 382,622	\$ 135,324	\$ -	\$ -	
Intersegment revenues	29	706	-	(735)	-
Total operating revenues	382,651	136,030	-	(735)	517,946
Income before income taxes	17,524	24,061	907	-	42,492
Net Income Attributable to CH Energy Group	\$ 15,019	\$ 17,897	\$ 559	\$ -	\$ 33,475
Segment Assets at June 30, 2022	\$ 2,239,087	\$ 845,055	\$ 29,270	\$ (1,160)	\$ 3,112,252

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 natural gas and electricity and to hedge exposure to volatility in interest rates for its variable rate long-term debt. Derivative transactions are not used for speculative purposes.

Energy Contracts Subject to Regulatory Deferral

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

The percentage of Central Hudson's electric and natural gas requirements covered with fixed price forward purchases at June 30, 2023 are as follows:

Central Hudson	% of Requirement Hedged ⁽¹⁾
Electric Derivative Contracts:	0.4 million MWh
July 2023 – December 2023	25.8%
January 2024 – March 2024	15.2%
Natural Gas Derivative Contracts:	0.6 million Dth
November 2023 – December 2023	10.1%
January 2024 – March 2024	8.2%

(1) Projected coverage as of June 30, 2023.

Cash Flow Hedges

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

Derivative Risks

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

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

To help limit the credit exposure of derivatives, Central Hudson enters into master netting agreements with counterparties whereby contracts in a gain position can be offset against contracts in a loss position. Of the 26 total agreements held by Central Hudson, 11 agreements contain credit risk contingent features. As of June 30, 2023, there were six open contracts with credit risk contingent features in a liability position and, if the contingent features were triggered, \$8.6 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 June 30, 2023, December 31, 2022, and June 30, 2022 Central Hudson did not have collateral posted against the fair value amount of derivatives.

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

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
				Financial Instruments	Cash Collateral Received	Net Amount
As of June 30, 2023 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Central Hudson - natural gas	20	-	20	11	-	9
Total CH Energy Group and Central Hudson Assets	\$ 20	\$ -	\$ 20	\$ 11	\$ -	\$ 9
As of December 31, 2022 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 315	\$ -	\$ 315	\$ 315	\$ -	\$ -
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Assets	\$ 315	\$ -	\$ 315	\$ 315	\$ -	\$ -

As of June 30, 2022⁽¹⁾

Derivative Contracts:						
Central Hudson - electric	\$ 3,318	\$ -	\$ 3,318	\$ 1,593	\$ -	\$ 1,725
Central Hudson - natural gas	65	-	65	65	-	-
Total CH Energy Group and Central Hudson Assets	<u>\$ 3,383</u>	<u>\$ -</u>	<u>\$ 3,383</u>	<u>\$ 1,658</u>	<u>\$ -</u>	<u>\$ 1,725</u>

(1) Interest rate cap agreements are not shown in the above chart. As of June 30, 2023, December 31, 2022, and June 30, 2022, the fair values were \$0.5 million, \$0, and \$0, respectively.

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 June 30, 2023 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 8,925	\$ -	\$ 8,925	\$ -	\$ -	\$ 8,925
Central Hudson - natural gas	19	-	19	11	-	8
Total CH Energy Group and Central Hudson Liabilities	<u>\$ 8,944</u>	<u>\$ -</u>	<u>\$ 8,944</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 8,933</u>
As of December 31, 2022 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 13,389	\$ -	\$ 13,389	\$ 315	\$ -	\$ 13,074
Central Hudson - natural gas	645	-	645	-	-	645
Total CH Energy Group and Central Hudson Liabilities	<u>\$ 14,034</u>	<u>\$ -</u>	<u>\$ 14,034</u>	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ 13,719</u>
As of June 30, 2022 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 3,104	\$ -	\$ 3,104	\$ 1,593	\$ -	\$ 1,511
Central Hudson - natural gas	565	-	565	65	-	500
Total CH Energy Group and Central Hudson Liabilities	<u>\$ 3,669</u>	<u>\$ -</u>	<u>\$ 3,669</u>	<u>\$ 1,658</u>	<u>\$ -</u>	<u>\$ 2,011</u>

(1) Interest rate cap agreements are not shown in the above chart. As of June 30, 2023, December 31, 2022, and June 30, 2022, the fair value was \$0.

Gross Fair Value of Derivative Instruments

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

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

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

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

Derivative contracts are measured at fair value on a recurring basis. As of June 30, 2023, December 31, 2022, and June 30, 2022 CH Energy Group's and Central Hudson's derivative assets and liabilities by category and hierarchy level are as follows (In Thousands):

Asset or Liability Category	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2023⁽¹⁾				
Assets:				
Derivative Contracts:				
Central Hudson - electric	\$ -	\$ -	\$ -	\$ -
Central Hudson - natural gas	20	20	-	-
Total CH Energy Group and Central Hudson Assets	\$ 20	\$ 20	\$ -	\$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	\$ 8,925	\$ -	\$ 8,925	\$ -
Central Hudson - natural gas	19	19	-	-
Total CH Energy Group and Central Hudson Liabilities	\$ 8,944	\$ 19	\$ 8,925	\$ -
As of December 31, 2022⁽¹⁾				
Assets:				
Derivative Contracts:				
Central Hudson - electric	\$ 315	\$ -	\$ 315	\$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Assets	\$ 315	\$ -	\$ 315	\$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	\$ 13,389	\$ -	\$ 13,389	\$ -
Central Hudson - natural gas	645	645	-	-
Total CH Energy Group and Central Hudson Liabilities	\$ 14,034	\$ 645	\$ 13,389	\$ -
As of June 30, 2022⁽¹⁾				
Assets:				
Derivative Contracts:				
Central Hudson - electric	\$ 3,318	\$ -	\$ 3,318	\$ -
Central Hudson - natural gas	65	65	-	-
Total CH Energy Group and Central Hudson Assets	\$ 3,383	\$ 65	\$ 3,318	\$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	\$ 3,104	\$ -	\$ 3,104	\$ -
Central Hudson - natural gas	565	565	-	-
Total CH Energy Group and Central Hudson Liabilities	\$ 3,669	\$ 565	\$ 3,104	\$ -

(1) Interest rate cap agreements are not shown in the above chart. These are classified as Level 2 in the fair value hierarchy using SIFMA Municipal Swap Curves and 3-month US Dollar LIBOR rate forward curves. As of June 30, 2023, December 31, 2022, and June 30, 2022 the fair values were \$0.5 million, \$0 and \$0, 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 natural gas, purchased electricity, and fuel used in electric generation in CH Energy Group's and Central Hudson's Statements of Income as the corresponding amounts are either recovered from or returned to customers through fuel cost adjustment mechanisms in revenues. Additionally, unrealized gains and losses on Central Hudson's derivative contracts have no impact on earnings since the energy contracts are subject to regulatory deferral.

For the three and six months ended June 30, 2023 and 2022, 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 Statement of Income				Location of Gain (Loss)
	Three Months Ended		Six Months Ended		
	June 30, 2023	2022	2023	2022	
Central Hudson:					
Electricity swap contracts	\$ (7,697)	\$ (1,971)	\$ (51,009)	\$ 10,339	Deferred purchased electric costs ⁽¹⁾
Natural gas swap contracts	-	-	(933)	493	Deferred purchased natural gas costs ⁽¹⁾
Total CH Energy Group and Central Hudson	<u>\$ (7,697)</u>	<u>\$ (1,971)</u>	<u>\$ (51,942)</u>	<u>\$ 10,832</u>	

(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 2022, Central Hudson entered into a Heating Degree Days (“HDD”) costless collar weather option for the period December 1, 2022 through March 31, 2023, 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 \$0.1 million payout during the quarter as of March 2023. Central Hudson recorded an immaterial amount of expense to purchased electric cost during the quarter ended March 31, 2023, with respect to the collar.

In 2021, Central Hudson entered into a HDD costless collar weather option for the period December 1, 2021 through March 31, 2022, with an aggregate limit of \$5 million. There was no associated net payout at the end of the contract. Central Hudson recorded \$0.3 million of expense incurred as an increase to purchase electric cost with respect to the collar.

Central Hudson – Natural Gas

In October 2022, Central Hudson entered into a HDD costless collar weather option for the period December 1, 2022 through March 31, 2023, 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 \$0.1 million net payout during the quarter as of March 31, 2023. Central Hudson recorded an immaterial amount of expense to purchased natural gas cost during the quarter ended March 31, 2023, with respect to the collar.

In 2021, Central Hudson entered into a HDD costless collar weather option for the period December 1, 2021 through March 31, 2022, with an aggregate limit of \$5 million. There was no associated net payout at the end of the contract. Central Hudson recorded \$0.3 million of expense incurred as an increase to natural gas cost with respect to the collar.

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 June 30, 2023:				
Other Investments	\$ 10,820	\$ 10,820	\$ -	\$ -
As of December 31, 2022:				
Other Investments	\$ 20,645	\$ 20,645	\$ -	\$ -
As of June 30, 2022:				
Other Investments	\$ 21,607	\$ 21,607	\$ -	\$ -

As of June 30, 2023, December 31, 2022, and June 30, 2022 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 June 30, 2023, December 31, 2022, and June 30, 2022 the total cash surrender value of trust-owned life insurance held by these trusts was approximately \$34.2 million, \$33.5 million, and \$34.0 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

	June 30, 2023		December 31, 2022		June 30, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	\$ 1,151,413	\$ 993,378	\$ 1,062,446	\$ 896,255	\$ 953,444	\$ 859,288
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	\$ 1,215,113	\$ 1,057,078	\$ 1,126,146	\$ 959,955	\$ 1,017,144	\$ 922,988
Estimated effective interest rate		4.32%		4.17%		3.85%

Central Hudson

	June 30, 2023		December 31, 2022		June 30, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	\$ 1,145,700	\$ 987,704	\$ 1,055,700	\$ 889,524	\$ 945,700	\$ 851,317
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	\$ 1,209,400	\$ 1,051,404	\$ 1,119,400	\$ 953,224	\$ 1,009,400	\$ 915,017
Estimated effective interest rate		4.31%		4.15%		3.83%

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. LaBella Associates D.P.C. ("LaBella") performs engineering services for Central Hudson, and a former principal of the firm (until December 31, 2022) served as a director of Central Hudson.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
CH Energy Group (Thompson Hine LLP)	\$ 643	\$ 831	\$ 1,329	\$ 1,316
Central Hudson (Thompson Hine LLP)	\$ 640	\$ 826	\$ 1,320	\$ 1,302
Central Hudson (LaBella) ⁽¹⁾	\$ -	\$ 174	\$ -	\$ 282

(1) Effective January 1, 2023, LaBella is not a related party.

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.

Furthermore, Central Hudson performs work and incurs expenses on behalf of Transco, a company in which CHET has a 6.1% 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):

	June 30, 2023	December 31, 2022	June 30, 2022
	Fortis	Fortis	Fortis
CH Energy Group ⁽¹⁾			
Accounts Receivable	\$ 15	\$ 441	\$ 82
Accounts Payable	\$ -	\$ 624	\$ 60

	June 30, 2023			December 31, 2022			June 30, 2022		
	CH Energy Group	Fortis	Other Affiliates	CH Energy Group	Fortis	Other Affiliates	CH Energy Group	Fortis	Other Affiliates
Central Hudson ⁽¹⁾⁽²⁾									
Accounts Receivable	\$ 12	\$ 14	\$ 3	\$ 10	\$ 183	\$ 195	\$ 3	\$ 11	\$ 6
Accounts Payable	\$ 1,264	\$ -	\$ -	\$ 1,365	\$ -	\$ -	\$ 1,131	\$ -	\$ -

⁽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 June 30, 2023		Three Months Ended June 30, 2022	
	CH Energy Group	Fortis ⁽¹⁾	CH Energy Group	Fortis ⁽¹⁾
CH Energy Group	\$ -	\$ 1,772	\$ -	\$ 953
Central Hudson	\$ 1,879	\$ -	\$ 1,093	\$ -

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	CH Energy Group	Fortis ⁽¹⁾	CH Energy Group	Fortis ⁽¹⁾
CH Energy Group	\$ -	\$ 3,338	\$ -	\$ 2,516
Central Hudson	\$ 3,565	\$ -	\$ 2,760	\$ -

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

NOTE 18 – Subsequent Events

An evaluation of subsequent events was completed through July 31, 2023, the date these Condensed Consolidated Financial Statements were available to be issued, to determine whether circumstances

warranted recognition and disclosure of events or transactions in the Condensed Consolidated Financial Statements as of June 30, 2023.

On July 27, 2023, the Company entered into an Interim Agreement with the Department of Public Service in connection with Matter 22-M-0645. The Interim Agreement references Central Hudson's continued efforts to improve billing and customer service since the deployment of its SAP CIS system and re-iterates its commitment to investigate all complaints of billing errors and to promptly refund any overpayments. The Interim Agreement also announces Central Hudson's plans to accelerate its monthly meter reading plan and outlines mutually agreed upon terms of an independent third-party review and verification of the Company's SAP System and the accuracy of the data and billings issued pursuant to the SAP System.

On July 31, 2023, Central Hudson filed an electric and natural gas rate case with the PSC requesting an increase in electric and gas delivery revenue of \$139.5 million and \$41.5 million, respectively, to be effective July 1, 2024. The main drivers of the rate filing include: (1) replacement of aging and obsolete infrastructure to maintain safety and reliability as well as create greater resiliency and capacity to incorporate distributed energy resources; (2) workforce expansion; (3) capitalization structure and costs; (4) major storm restoration costs; (5) program costs in support of NY clean energy goals and bill affordability.

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS
For the Six Months Ended June 30, 2023

This information should be read in conjunction with the Quarterly Condensed Financial Statements and the notes contained herein, and the audited 2022 Annual Financial Report's financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Enterprises Corporation ("CHEC"), Central Hudson Electric Transmission LLC ("CHET"), and Central Hudson Gas Transmission LLC ("CHGT"). Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its ownership interest in New York Transco LLC ("Transco"). Transco is a joint venture with affiliates of other investor-owned utilities in New York State, which was created to develop, own, and operate electric transmission projects in New York State. CHGT was formed to hold CH Energy Group's ownership stake in possible gas transmission pipeline opportunities in New York State. All of CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), a leader in the North American regulated electric and gas utility industry, with 2022 revenue of CAD\$11.0 billion and total assets of CAD\$64 billion as of December 31, 2022. Fortis and its subsidiaries' 9,200 employees serve 3.4 million utility customers in five Canadian provinces, nine U.S. states, and three Caribbean countries.

Central Hudson purchases and sells energy in both wholesale and retail markets and distributes electricity and natural gas to customers in retail markets in portions of New York State. Central Hudson is subject to regulation by the New York Public Service Commission ("PSC" or "Commission") and the Federal Energy Regulatory Commission ("FERC").

CH Energy Group Strategy Execution

CH Energy Group's strategy is to:

- invest primarily in electric and gas transmission and distribution; and
- maintain a financial profile that supports Central Hudson's objective of a credit rating in the "A" category.

Management continues to focus on investment in Central Hudson's electric and natural gas infrastructure as the core of its strategy. Central Hudson's five-year forecast includes an average of approximately \$280 million of capital expenditures per year. The long-term capital program provides for continued strengthening of existing electric and natural gas infrastructure, resiliency and automation of distribution systems, new common facilities, and investments in cybersecurity and information and distribution system technologies that are expected to allow for greater penetration of distributed energy resources and improve reliability and customer satisfaction.

As part of CH Energy Group's overall strategy to invest in electric transmission and distribution, CHET made an investment in Transco. In April 2019, National Grid and Transco were awarded the Segment B portion of their proposals related to the Alternating Current Transmission Order with New York Independent System Operator's ("NYISO") for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid ("AC Project"). Transco is authorized to earn a return on equity invested in the project (up to 53% of the project cost) of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of \$600 million plus interconnection costs, and CHET's equity funding obligation as a

6.1% owner is expected to be \$19.4 million not including interconnection costs. At June 30, 2023, CHET's investment in Transco was approximately \$29.2 million.

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 MWs from the Long Island transmission district to the Consolidated Edison transmission infrastructure. Transco and NYPA are working to finalize the development agreement, which is expected to be completed in the fourth quarter of 2023. 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.

Central Hudson Purpose and Strategy Execution

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

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

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

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

Central Hudson has developed a range of strategic objectives that, once achieved, will address the technology and policy changes faced by New York utilities; meet or exceed the increasing expectations of our customers and provide creative solutions in anticipation of evolving customer need in the mid-Hudson Valley; influence the regulatory and political landscape in a manner that provides value to our key stakeholders; and position the Company for continued success with a flexible, diverse, talented, and engaged workforce.

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

Central Hudson is committed to continuing the transition to a low carbon and sustainable future for our customers and the communities we serve. Sustainability and strong social responsibility are at the core of Central Hudson's plans and actions and are integrated throughout all facets of the business. Central Hudson appreciates the need to continuously improve and is therefore taking the actions needed to ensure a successful future: fortifying and protecting its delivery systems, embracing new technologies, managing aggressive energy policy goals, and actively supporting evolving customer needs. The

Company remains dedicated to the safety, health, and well-being of every employee and contractor as well as the community and customers we serve.

Central Hudson is actively pursuing a cleaner energy future by supporting New York State's energy policies and goals while continuing to provide reliable, resilient, and affordable power. At Central Hudson, we continue to make investments in infrastructure, technologies, and programs that cost-effectively reduce carbon emissions by:

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

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

Central Hudson also recognizes the critical importance of its employees and dedicates substantial resources and efforts toward attracting, retaining, and developing individuals who exemplify the values that are the cornerstone of our Company. In addition, we work with many outside firms to obtain additional resources to supplement our internal forces to address fluctuations in certain aspects of the Company's operations. Safety is of the utmost importance for our employees and is a priority for our Company. We strive to maintain good relationships with both our union and suppliers of contracted services and to provide a safe, inclusive, and diverse environment for all.

Central Hudson has continued its journey to transform the customer experience. Having navigated the challenges and difficulties of replacing a decades-old customer billing system ("CIS") and implementing a new state-of-the-art system, we are looking forward to the benefits that the new system will provide to our customers. We aim to satisfy our customers by being proactive, responsive, dependable, and timely when they need service. We want to reach each customer on a variety of service channels and provide

them the level of support they need, including self-service options. We are committed to the reliability that customers expect, even when more frequent severe weather events impact our service territory. We have taken a proactive approach to harden our electric and natural gas systems accordingly and participated in a climate assessment to evaluate the resilience of our business in different potential climate-related futures. At Central Hudson, we value our customers and our employees, and we strive to support a sustainable environment for all.

Risk Factors

There were no material changes to CH Energy Group's or Central Hudson's risk factors, as set forth in its 2022 Annual Financial Report.

CH Energy Group - Regulated Operations - Central Hudson

Financial Highlights

Period Ended June 30

	Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Electricity Sales (GWh) ⁽¹⁾	1,143	1,261	(118)	2,410	2,517	(107)
Natural Gas Sales (PJ) ⁽²⁾	4.6	3.7	0.9	13.2	13.7	(0.5)
<i>(In Millions)</i>						
Revenues	\$ 236.2	\$ 220.4	\$ 15.8	\$ 563.5	\$ 517.9	\$ 45.6
Energy supply costs - matched to revenues	89.6	79.1	10.5	243.2	208.2	35.0
Operating expenses - matched to revenues	25.8	29.9	(4.1)	52.1	59.9	(7.8)
Operating expenses - other	81.6	82.4	(0.8)	174.9	170.1	4.8
Depreciation and amortization	21.0	20.3	0.7	41.8	40.4	1.4
Other income, net	8.8	10.7	(1.9)	17.8	21.8	(4.0)
Interest charges	11.4	9.8	1.6	24.4	19.6	4.8
Income taxes	3.5	2.1	1.4	10.0	8.7	1.3
Net Income	\$ <u>12.1</u>	\$ <u>7.6</u>	\$ <u>4.5</u>	\$ <u>35.0</u>	\$ <u>32.9</u>	\$ <u>2.1</u>

(1) GigaWatt hours ("GWh")

(2) Petajoule ("PJ")

Earnings: Central Hudson earnings growth over the prior year of \$4.5 million and \$2.1 million for the quarter and year to date, respectively, is primarily driven by additional capital invested in rate base in line with delivery rates and additional incentives earned associated with its energy efficiency programs partially offset by financing costs incurred above amounts provided for in rates related to elevated levels of working capital. Lower operating costs in 2023 for external consultants associated with stabilization efforts of its new CIS were mostly offset by higher billing credits provided to customers. The quarter over quarter and year over year earnings were also impacted by the timing of certain operating expenses.

The suspension of collection activities since the beginning of the Coronavirus pandemic ("COVID-19"), coupled with the significant increase in electric and natural gas commodity costs have resulted in a significant growth in our accounts receivable, thus increasing the level of working capital needed to currently support the business. The financing costs associated with this working capital are in excess of the amounts currently provided in rates and are not recoverable under the terms of the current rate agreement. Central Hudson is expanding its collection outreach efforts in 2023, including commencing finance charges for all customers, as well as beginning the process for final termination notices and locking service for non-payment. Based on the number of customers and their balances in arrears, the Company expects the elevated level of working capital and increased finance charges to continue as

we work through required processes to contact and collect from these customers. We anticipate that Central Hudson's continued collection efforts and communication with customers, particularly as we execute final termination notices and locking service for non-payment, will provide visibility as to the timeframe over which the arrears growth will be resolved. Under the terms of the 2021 Rate Order, Central Hudson is authorized to defer bad debt write-offs if they exceed 10 basis points above the amounts billed to customers through delivery rates and applicable surcharges. Therefore, uncollectible expense is not expected to have a significant impact on earnings on an annual basis.

Energy supply costs reflect higher electric and natural gas commodity prices. This did not have a direct impact on 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, fluctuations in volume and price will impact the revenues collected through these factors. However, the variation in revenues billed through these volumetric factors was not material.

Electricity Sales

Electricity sales for the quarter and year to date were lower in 2023 primarily as a result of milder weather.

Natural Gas Sales

Natural gas sales for the second quarter were higher when compared to the comparable period of 2022 due to higher sales to interruptible customers, including electric generators. Higher interruptible sales for the quarter were more than offset on a year-to-date basis by lower sales for residential and non-residential customers driven by milder weather during winter months in the first quarter when compared to 2022.

Depreciation and Amortization: Depreciation increased in the first half of 2023 compared to 2022 due to higher investment in Central Hudson's electric and gas infrastructure, information technology ("IT"), and common facilities in accordance with its capital expenditure program.

Other Income, net: The decrease in other income for the quarter and year to date is primarily due to a decrease in the non-service component of pension expense driven by the continued increase in interest rates and decrease in the discount rate when compared to 2022.

Interest Charges: The quarter and year over year increase in interest charges is primarily due to higher interest rates as well as higher long-term debt and short-term borrowing balances to support elevated levels of working capital, as discussed above.

Income Taxes: The increase in income taxes for the quarter and year to date is primarily due to the higher book income before taxes.

Central Hudson Revenues - Electric

Period Ended June 30

(In Millions)

	Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Revenues with Matching Expense Offsets:⁽¹⁾						
Recovery of commodity purchases	\$ 70.9	\$ 52.2	\$ 18.7	\$ 175.9	\$ 134.5	\$ 41.4
Sales to others for resale	5.6	10.5	(4.9)	7.9	19.6	(11.7)
Other revenues with matching offsets	18.8	18.9	(0.1)	37.1	37.5	(0.4)
<i>Subtotal</i>	95.3	81.6	13.7	220.9	191.6	29.3
Revenues Impacting Earnings:						
Customer sales	93.2	93.9	(0.7)	194.6	192.8	1.8
RDM and other regulatory mechanisms	1.6	(0.8)	2.4	4.3	(5.6)	9.9
Incentives earned	3.4	-	3.4	3.6	0.3	3.3
Customer credits	(2.3)	-	(2.3)	(3.6)	-	(3.6)
NRA	-	(0.4)	0.4	(2.3)	(2.2)	(0.1)
Other revenues	2.1	2.3	(0.2)	4.3	5.7	(1.4)
<i>Subtotal</i>	98.0	95.0	3.0	200.9	191.0	9.9
Total Electric Revenues	\$ 193.3	\$ 176.6	\$ 16.7	\$ 421.8	\$ 382.6	\$ 39.2

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

Central Hudson Revenues - Natural Gas

Period Ended June 30

(In Millions)

	Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Revenues with Matching Expense Offsets:⁽¹⁾						
Recovery of commodity purchases	\$ 12.8	\$ 15.4	\$ (2.6)	\$ 50.6	\$ 46.8	\$ 3.8
Sales to others for resale	0.2	1.1	(0.9)	8.8	7.1	1.7
Other revenues with matching offsets	0.4	1.1	(0.7)	1.7	2.8	(1.1)
<i>Subtotal</i>	13.4	17.6	(4.2)	61.1	56.7	4.4
Revenues Impacting Earnings:						
Customer sales	21.2	23.2	(2.0)	67.5	77.9	(10.4)
RDM and other regulatory mechanisms	5.8	1.7	4.1	10.1	(1.5)	11.6
Incentives earned	0.4	-	0.4	0.5	(0.1)	0.6
Customer credits	-	-	-	(0.1)	-	(0.1)
Negative revenue adjustments ("NRA")	-	(0.2)	0.2	(1.3)	(1.1)	(0.2)
Other revenues	2.2	1.5	0.7	3.9	3.4	0.5
<i>Subtotal</i>	29.6	26.2	3.4	80.6	78.6	2.0
Total Natural Gas Revenues	\$ 43.0	\$ 43.8	\$ (0.8)	\$ 141.7	\$ 135.3	\$ 6.4

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

Central Hudson's revenues consist of two major categories: those that offset specific expenses in the current period (matching revenues) and those that impact earnings. Matching revenues represent amounts billed in the current period to recover costs for particular expenses (most notably, purchased electricity and purchased natural gas, major storm, pensions and OPEB, and New York State energy

efficiency programs). Any difference between these revenues and the actual expenses incurred is deferred for future recovery from or refund to customers, and therefore, does not impact earnings, 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 and year over year increases in electric revenues were primarily driven by the increase in customer delivery rates effective July 1, 2022, as well as higher recovery of purchased commodity costs. Additionally, the Company recorded positive revenue adjustments for earned incentives based on achieving certain targets and milestones associated with energy efficiency as provided in the 2021 Rate Order. Partially offsetting these increases were higher billing credits provided to customers in the quarter and on a year-to-date basis when compared to the prior year.

Natural Gas Revenues:

The increase in natural gas revenues driven by higher customer delivery rates effective July 1, 2022, was more than offset by the lower recovery of natural gas commodity costs driven by both lower sales volumes and price during the quarter compared to the prior year. On a year-to-date basis, higher recovery of natural gas commodity costs further contributed to the increase in revenues. Additionally, 2023 revenues reflect a higher level of positive revenue adjustments earned based on achieving certain targets and milestones

Central Hudson Operating Expenses

Period Ended June 30

(In Millions)

	Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Expenses Currently Matched to Revenues:⁽¹⁾						
Purchased electricity	\$ 76.5	\$ 62.7	\$ 13.8	\$ 183.8	\$ 154.1	\$ 29.7
Purchased natural gas	13.1	16.4	(3.3)	59.5	54.1	5.4
Pension & OPEB	2.6	6.8	(4.2)	4.2	12.8	(8.6)
New York State energy efficiency programs	10.1	9.7	0.4	21.8	20.9	0.9
Major storm reserve	4.2	4.0	0.2	9.0	8.7	0.3
Energy affordability programs	2.5	2.3	0.2	5.6	5.4	0.2
Other matched expenses	6.4	7.1	(0.7)	11.4	12.1	(0.7)
<i>Subtotal</i>	115.4	109.0	6.4	295.3	268.1	27.2
Other Operating Expenses:						
Depreciation and amortization	21.0	20.3	0.7	41.8	40.4	1.4
Property and school taxes ⁽²⁾	16.8	15.2	1.6	37.5	34.2	3.3
Uncollectible expense	1.7	3.1	(1.4)	4.5	4.2	0.3
Tree trimming	6.5	8.0	(1.5)	14.4	14.0	0.4
Weather related service restoration	0.3	0.6	(0.3)	1.9	3.2	(1.3)
Customer service expense	2.0	2.0	-	4.0	5.5	(1.5)
IT	4.4	6.9	(2.5)	10.5	14.5	(4.0)
Labor and related benefits	24.9	24.2	0.7	54.6	51.2	3.4
Other expenses	25.0	22.3	2.7	47.5	43.3	4.2
<i>Subtotal</i>	102.6	102.6	-	216.7	210.5	6.2
Total Operating Expenses	\$ 218.0	\$ 211.6	\$ 6.4	\$ 512.0	\$ 478.6	\$ 33.4

(1) Includes expenses that, in accordance with the 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. Central Hudson's portion is limited to 5 basis points, with a maximum of approximately \$0.6 million, pre-tax per Rate Year.

Operating Expenses:

Variations in purchased natural gas and electricity costs and other expenses currently matched to revenues do not have a direct impact on earnings due to Central Hudson's regulatory mechanism for the full deferral of these expenses. The increase in other operating expenses year to date is primarily attributed to increases in certain expenses as provided for in delivery rates, including depreciation, property and school taxes, tree trimming and uncollectible expense. The quarter over quarter and year over year operating expenses were also impacted by timing. The reduction in external customer service and IT consultants associated with CIS stabilization efforts in the first half of 2023 compared to the prior year was partially offset by higher labor and related benefits. Operating expenses in the first half of 2023 also benefited from lower weather-related restoration costs due to milder winter weather compared to 2022.

Financial Position

CH Energy Group – Regulated – Central Hudson Significant Changes in the Balance Sheets For the six months ended June 30, 2023

(In millions)

Balance Sheet Account	Increase (Decrease)	Explanation
Accounts receivable, net of allowance for uncollectible accounts	17.4	Increase is primarily due to the suspension of collection efforts which began in March 2020 and impacted customer payment behavior, partially offset by credits related to the Phase 2 Arrears Management Program ("AMP"). Collection efforts have commenced on certain customers with large arrears balances.
Accrued unbilled utility revenues, net of allowance for uncollectible accounts	(8.4)	Decrease reflects the seasonality of the business.
Regulatory assets - current	(43.3)	Decrease is primarily driven by higher recovery of previously deferred natural gas and electric commodity costs when compared to costs incurred in the current period along with lower unrealized mark-to-market losses when compared to prior year end.
Special deposits and prepayments	(17.2)	Decrease primarily due to the amortization of school taxes, which were prepaid in prior periods coupled with prepayments related to a natural gas storage agreement and the amortization of prepaid insurance policies. These decreases were partially offset by property tax payments in the first half of 2023.
Regulatory assets - long term	33.3	Increase is primarily related to the deferral for AMP Phase 2 credits, which will be recovered through a surcharge from 2024-2030 and major storm restoration costs incurred in the first half of 2023 in excess of the rate allowance. Partially offsetting these increases are environmental costs collected in rates in excess of costs incurred.
Other investments	(9.2)	Decrease is due to a withdrawal of excess funding previously held in the Supplemental Executive Retirement Plan ("SERP").
Long term debt, including current maturities	90.0	Increase is due to issuances of long-term debt in 2023.
Notes payable	(105.0)	Decrease is related to the repayment of short-term borrowings outstanding at prior year-end.
Accounts payable	(27.5)	Decrease is primarily related to the repayment of invoices that were previously outstanding associated with purchased natural gas and electric commodity costs.

Regulatory liabilities - current	11.7	Increase is primarily due to an increase in bill credits to be provided to customers in Rate Year 3 accordance with the 2021 Rate Order.
Fair value of derivative instruments - current liabilities	(5.1)	Decrease in liabilities is due to lower unrealized mark-to-market losses related to open electric derivative contracts.
Accumulated deferred income taxes	13.0	Increase is primarily due to the accounting requirement to recognize deferred taxes for the difference between tax basis of assets and liabilities and the book basis. These amounts are fully deferred for future return to or recovery from customers.

Liquidity and Capital Resources

CH Energy Group - Regulated, Non-regulated and Holding Company Summary of Cash Flow

Period Ended June 30

(In Millions)

	Year to Date	
	2023	2022
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	\$ 5.0	\$ 18.1
Cash from operations pre-working capital	49.3	45.6
Working capital	18.6	(42.5)
Operating activities	67.9	3.0
Investing activities	(109.8)	(103.7)
Financing activities	56.9	103.2
Cash, Cash Equivalents and Restricted Cash - End of Period	\$ 20.0	\$ 20.7

Operating Activities: Cash from operations pre-working capital in the first half of 2023 was consistent with 2022. The increase in cash from working capital is primarily attributable to a slow-down in the growth of the accounts receivable in arrears and the increase in the recovery of previously deferred commodity costs above purchases in 2023 as compared to 2022. The growth in accounts receivable in arrears continues to cause a drag on cash from operations, but not as significantly as in the prior year, due to AMP and collection efforts to date.

Investing Activities: Central Hudson's capital expenditures during the first half of 2023 reflect its growing 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 \$280 million for the year ending December 31, 2023, compared to the actual capital spending of \$225 million for 2022. This increase in capital expenditures was partially offset by withdrawal of excess funding above the required 110% funding level for the SERP.

Financing Activities: Cash provided from financing activities in 2023 was lower than 2022 primarily related to higher repayments of short-term debt partially offset by higher capital contributions received.

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.

Central Hudson utilizes short-term debt to fund seasonal and temporary variations in working capital requirements. Delays in collections of accounts receivable from customers, combined with increased wholesale energy prices, resulted in a significant increase in working capital in 2022, which continued into 2023. 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.

Central Hudson's secondary source of funds are its credit facilities. 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 2023 or the foreseeable future.

Central Hudson's credit facilities include a few regional banks. In light of bank failures in 2023, Central Hudson is closely monitoring market activity for these institutions and has proactively communicated with our banking contacts to understand their current position and potential holdings exposure. Central Hudson's regional banking partners remain stable in their credit rating profiles. Additionally, their depositor base and holdings portfolios differentiate them from banking institutions that have recently experienced financial distress. As such, Central Hudson believes the potential risk associated with its regional bank partners is not significant and is not expected to have a material impact on the Company's access to its capital and liquidity profile.

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 March 28, 2023, and believes capital markets will be accessible for the foreseeable future.

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 this 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.

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

Committed Credit Facilities

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

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.

On May 24, 2023, Central Hudson filed a Financing Petition with the PSC asking for authorization to issue up to \$380 million of long-term debt during 2024-2026 and to enter into a new committed credit agreement for an aggregate commitment amount of up to \$350 million.

At June 30, 2023, there were no borrowings outstanding under Central Hudson's committed credit agreement. At December 31, 2022, there were \$90 million in borrowings outstanding under Central Hudson's committed credit agreements.

Uncommitted Credit

At June 30, 2023 and December 31, 2022, CH Energy Group and Central Hudson had \$10 million and \$60 million, respectively, in uncommitted short-term credit arrangements totaling \$70 million. At June 30, 2022, Central Hudson had uncommitted short-term credit arrangements totaling \$30 million. There were no outstanding borrowings under CH Energy Group or Central Hudson's uncommitted credit agreements at June 30, 2023. There were outstanding borrowings of \$15 million under Central Hudson's uncommitted credit agreements at December 31, 2022.

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.

Central Hudson's Bond Ratings

	June 30, 2023		December 31, 2022	
	Rating ⁽¹⁾	Outlook	Rating ⁽¹⁾	Outlook
S&P	BBB+	Stable	BBB+	Stable
Moody's	Baa1	Stable	Baa1	Stable
Fitch	A-	Negative	A-	Stable

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

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

On March 2, 2023, S&P affirmed its rating BBB+ and stable outlook of Central Hudson's senior unsecured debt.

On December 1, 2022, S&P lowered the rating of Central Hudson's senior unsecured debt from A- to BBB+ and changed its rating outlook from negative to stable. S&P indicated that the downgrade reflects the weakening of the Company's financial measures driven by the effects of rising inflation and higher interest rates, as well as the Company's elevated capital expenditures and increasing operating expenses. In addition, S&P cited that Central Hudson's 2021 Rate Order is restraining to cash flows, which further weakens the Company's financial measures.

On January 20, 2023, Fitch affirmed the A- rating of Central Hudson's senior unsecured debt and changed its rating outlook from stable to negative. Fitch indicated Central Hudson's rating reflects the

low-risk nature of its regulated electric and gas utility operations. However, the negative outlook reflects Fitch's concerns regarding the credit supportiveness of the PSC, with particular concern as to whether the Company's next rate case will support future credit metrics consistent with Central Hudson's current rating.

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.

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.

On March 28, 2023, Central Hudson issued \$40 million of Series AA, 10-year Senior Notes with an interest rate of 5.68% per annum, \$15 million of Series BB, 12-year Senior Notes with an interest rate of 5.78% per annum, and \$35 million of Series CC, 15-year Senior Notes with an interest rate of 5.88% per annum. Central Hudson used the proceeds from the sale of the Senior Notes general corporate purposes, including the repayment of short-term borrowings.

On May 26, 2023, in anticipation of scheduled sunseting of the LIBOR interest rate on June 30, 2023, Central Hudson executed a second amendment on its 2014 Series E 10-year Variable Rate Note Purchase Agreement to transition the floating interest rate to Term Secured Overnight Financing Rate ("SOFR") plus 1.261%, effective July 1, 2023. On June 16, 2023, Central Hudson also amended the interest rate cap associated with this 2014 Series E variable rate note. The amended rate cap remains at 3% but is now based on the Term SOFR Rate, with a spread of 0.178%.

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

CH Energy Group

	June 30, 2023		December 31, 2022	
	\$	%	\$	%
Long-term debt ⁽¹⁾	1,215.1	50.7	1,126.1	48.9
Short-term debt	-	-	105.0	4.5
Common equity	1,182.6	49.3	1,073.0	46.6
Total	<u>\$ 2,397.7</u>	<u>100.0</u>	<u>\$ 2,304.1</u>	<u>100.0</u>

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

Central Hudson

	June 30, 2023		December 31, 2022	
	\$	%	\$	%
Long-term Debt ⁽¹⁾	1,209.4	51.2	1,119.4	49.1
Short-term Debt	-	-	105.0	4.6
Common Equity	1,151.4	48.8	1,056.4	46.3
Total	<u>\$ 2,360.8</u>	<u>100.0</u>	<u>\$ 2,280.8</u>	<u>100.0</u>

(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 ROE of 9.0%.

Summary of Changes in Accounting Policies since December 31, 2022

Regulation: There were no material changes to Central Hudson's regulatory accounting policies during the six months ended June 30, 2023.

Critical Accounting Estimates: There were no material changes to CH Energy Group's or Central Hudson's critical accounting estimates during the six months ended June 30, 2023.

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 six months ended June 30, 2023.

Business Outlook

There have been no material changes to CH Energy Group's or Central Hudson's mission and strategy since its 2022 Annual Financial Report.

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 six months ended June 30, 2023.

Regulatory Proceedings

There have been no material changes to regulatory proceedings disclosed in the 2022 Annual Financial Report; however, activity related to on-going and new proceedings in 2023 are noted below.

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

2023 Rate Case Filing

On July 31, 2023, Central Hudson filed an electric and natural gas rate case with the PSC requesting an increase in electric and gas delivery revenue of \$139.5 million and \$41.5 million, respectively, to be effective July 1, 2024. The main drivers of the rate filing include: (1) replacement of aging and obsolete infrastructure to maintain safety and reliability as well as create greater resiliency and capacity to incorporate distributed energy resources; (2) workforce expansion; (3) capitalization structure and costs; (4) major storm restoration costs; (5) program costs in support of NY clean energy goals and bill affordability.

2023 Financing Petition

On May 23, 2023, Central Hudson filed a request with the PSC for authorization to enter into multi-year credit agreements to provide committed funding to meet projected liquidity needs in amounts not to exceed \$350 million in the aggregate and maturities not to exceed 5 years; and approval to issue and sell long-term debt securities, from time to time from January 1, 2024 through December 31, 2026 for general corporate purposes, in an aggregate amount not to exceed \$380 million.

Investigations and Inquiries into Central Hudson's CIS and Billing Practices

On September 1, 2021, Central Hudson launched its new CIS. The system replaced the Company's 40-year-old legacy mainframe system and was implemented after careful due diligence, planning, and

investigation to address critical obsolescence and cyber security risks. The new CIS enables Central Hudson to provide creative solutions for our customers and adapt to evolving technology.

After implementation, technical issues arose relating primarily to overlapping complex billing transactions. As a result, a portion of Central Hudson customers experienced delays in their bills in the months following the implementation. In certain cases, customers received bills that required adjustments. Amounts that were not billed were recorded within the RDM or as unbilled revenue and any adjustments to bills outside the prescribed tariff period were credited to customers. Remediation of these billing issues has been a top priority across the Company. A significant force of external resources was retained by the Company to support stabilization of the system and billing processes.

CIS Show Cause Order

During the March 2022 PSC session, the PSC directed Department of Public Service (“DPS”) Staff, and subsequently instituted Case 22-00666, to investigate billing issues subsequent to the implementation and to publicly track comments and other related documents. In connection with that investigation, the Company answered numerous data requests regarding the CIS implementation. On December 15, 2022, the PSC issued its Order to Commence Proceeding and Show Cause, under Case 22-M-0645. The Order discussed issues related to the CIS project, including system defects, training, testing, staffing, and cited alleged apparent violations of PSL, New York Codes, Rules and Regulations, and prior PSC Orders. Central Hudson filed its response on January 17, 2023, in which it acknowledged the unintended disruptive impact on customers affirmed that the Company did not violate the PSL, rules, or Commission Orders and that neither penalties under PSL §§ 25, 25-a nor a prudence review is warranted. Central Hudson cited in its response its legal position that the Office of Investigation and Enforcement report misinterpreted or misapplied specific sections of statutes, rules, and Commission Orders.

Agway Energy Services LLC Petition (“Agway”)

On February 25, 2022, Agway filed a Petition for Declaratory Ruling and Corrective Action Plan Concerning Failure of Central Hudson to provide accurate Electronic Data Interchange information or provide accurate client bills (“Petition”). Agway is a licensed Energy Service Company (“ESCO”) that supplies energy for approximately 1,035 customers in Central Hudson’s service territory. The Petition alleges impacts to Agway’s business related to Central Hudson’s billing system transition and alleges violations of the Uniform Billing Practices (“UBP”) and that Central Hudson breached the Billing Services Agreement (“BSA”). Agway requested that the PSC investigate these issues, declare violations, order that Central Hudson resolve these violations in a timely manner, appoint an independent monitor to oversee the resolution, disgorge incurred fees, and award compensatory damages.

On March 18, 2022, Central Hudson filed its Verified Motion to Dismiss and Opposition to the Petition of Agway for a Declaratory Ruling (“Motion”). The Motion argues that the Petition should be dismissed because it is not a proper Petition for Declaratory Ruling since it fails to seek a PSC interpretation of a statute or rule and is deficient since it fails to allege a specific violation of either the UBP or BSA. Central Hudson’s Motion also argues that it is improper for Agway to seek compensatory damages as damages are limited pursuant to the BSA and outside of the PSC’s jurisdiction to provide. Agway has submitted a filing requesting mediation on this matter, including recurring meetings with both parties and DPS Staff. On June 24, 2022, the Company entered mediation with Agway and continues to hold bi-weekly meetings to discuss, investigate, and resolve issues. On March 21, 2023, after almost a year of mediation, Agway filed a Motion of Agway Energy Services, LLC for an Initial Decision and Request to Supplement the Record. Central Hudson filed its response on March 29, 2023.

New York State Office of the Attorney General Billing System Inquiry

On May 17, 2022, Central Hudson received inquiries from the New York State Office of the Attorney General (“AG’s Office”) seeking information regarding CIS implementation as a result of complaints that

the AG's Office received from Central Hudson's customers. Central Hudson has responded to these inquiries and continues to have discussions with the AG's Office regarding the billing system and customer complaints and cannot predict the outcome of this matter.

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 SDU being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, O&M of the SDU, and a reasonable return on its investment. FERC approved an Offer of Settlement on October 4, 2021, which included an updated ROE of 9.4% plus a 50-basis point adder for a total ROE of 9.9%. Project costs are to be recovered by Central Hudson and allocated to the Load Serving Entities pursuant to Rate Schedule 12 of the NYISO OATT plus O&M and other applicable costs. The FERC formula was posted for comment on the NYISO website on April 14, 2023, which included an updated project cost 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 rate will be updated annually going forward.

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 is being conducted by an independent auditor selected by DPS Staff as announced at the March 2022 PSC session. The scope of the audit includes issues from the previous audit for follow-up, as well as the planning and implementation of the Company's information systems, including its customer information system, improvements to the electric load forecasting processes to support grid modernization and CLCPA goals, and various elements of pipeline safety. Discovery has concluded after 689 information requests and 42 interviews with subject matter experts and various members of Central Hudson's Board of Directors. The independent auditor and DPS Staff released a Draft Audit Report on December 28, 2022. Central Hudson provided a comprehensive set of comments regarding factual accuracy and confidentiality on January 20, 2023, which were subsequently reviewed during an exit conference among Central Hudson, the independent auditor, and DPS Staff on February 22, 2023. The Final Audit Report was released under an order approved by the Commission at its April 20, 2023 session, with such order requiring the submission of an implementation plan addressing the recommendations contained in the Final Audit Report. On May 22, 2023, Central Hudson submitted its Implementation Plan addressing the implementation of the 37 actionable recommendations contained in the Final Audit Report. On June 14, 2023, the PSC issued a notice indicating that public comments will be received on this Implementation Plan until August 14, 2023, after which the Commission will issue an order addressing Central Hudson's approach to implementation.

Storm Hardening & Climate Resilience Law

On December 22, 2021, Governor Kathy Hochul Signed the Storm Hardening & Climate Resilience Bill (S4824A) into law. Part A of this law concerns Climate Vulnerability Studies.

Climate Vulnerability Studies

Part A requires that each utility complete a Climate Vulnerability Study evaluating its infrastructure, design specifications, and procedures to understand the utility's vulnerability to climate driven risks and file it with the PSC by September 22, 2023. The law also requires utilities to file a subsequent Climate Resilience Plan within 60 days from submission of the Climate Vulnerability Study that must include 1) storm hardening and resilience measures planned for the next ten to twenty years; 2) details of how the utility will incorporate climate change into its planning, design, operations, and emergency response; 3) details of incorporating climate change into existing processes and practices, managing climate risks

and building resilience; and 4) proposed adjustments to planning and design of infrastructure in response to the increasing impacts from climate change.

On June 16, 2022, the PSC Issued its Order Initiating Proceeding Concerning Electric Utility Climate Vulnerability Studies and Plans. The proceeding was initiated to develop and consider studies, proposals, plans, rules, and procedures for implementing the provisions of the Storm Hardening & Climate Resilience Law. On July 14, 2022, the PSC issued an Order adopting the necessary definitions, processes, and procedures to implement the Storm Hardening & Climate Resilience Law. Compliance tariff leaves were filed on July 22, 2022. On August 15, 2022, the utilities jointly filed comments in response of the Order, including a request to the PSC to move expeditiously to approve cost recovery mechanisms associated with the development and implementation of each utility's Studies and Plans. Development of Central Hudson's Climate Vulnerability Study is ongoing. To date, three stakeholder meetings have been held to gather input on the study.

Low Income Energy Affordability & COVID-19 Proceeding

On January 19, 2023, the PSC issued Order for Phase 2 AMP providing arrears relief for certain residential and small commercial customers with arrears balances as of May 1, 2022, which were not eligible for Phase 1 AMP. Through the Phase 2 AMP, Central Hudson provided approximately \$22.4 million in relief to non-low-income customers in March and April of 2023. The Phase 2 AMP will be funded entirely through a temporary (7 years) surcharge on utility bills not to exceed a 0.5% bill impact for residential customers.

The 2024 State budget signed by the Governor on May 3, 2023 included the appropriation of \$200 million for prompt affordability assistance to utility customers. The DPS will administer the funds in consultation with the Energy Affordability Policy ("EAP") Working Group which includes Central Hudson and other utilities and stakeholders. The 2024 State Budget also requires the DPS to establish a new, expanded discount program in consultation with the EAP Working Group to provide relief to customers that do not currently qualify for EAP programs but earn less than the state median income, as well establishing an Energy Affordability Guarantee designed to ensure that customers participating in NYSERDA's EmPower Plus Program have energy cost burdens less than six percent of household income.

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

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

Transmission Planning – Accelerated Renewable Energy Growth and Community Benefit

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

On September 9, 2021, the PSC issued an Order Local Transmission and Distribution Planning Process and Phase 2 Project Proposals ("September 9th") that addressed the CLCPA investment criteria and Phase 2 upgrades and improves headroom calculations and visibility of headroom data to stakeholders. The Order identifies the need to better align the proposed benefit cost analysis approach with CLCPA objectives. The Order directed the Joint Utilities ("JU") to coordinate with NYSERDA, the NYISO, and DPS Staff on various compliance filings which were due between December 2021 and March 2022. On January 7, 2022, the JU filed a Cost Sharing and Recovery Agreement ("CSRA") and Cost Allocation Mechanism in compliance with Clauses 3 and 4 of the PSC's September 9th Order.

On January 20, 2022, the PSC issued an Order on Power Grid Study Recommendations which addressed several other findings and recommendations from the Initial Report, particularly those related to offshore wind, future onshore bulk transmission planning needs, the proposal to consider Renewable Energy Zones, and approaches to deploying advanced technologies. The Order directed the JU to file a proposed research plan to deploy advanced technologies along with a budget for the necessary work and any deployment recommendations within six months of the date of this Order, and a progress report within one year of that date. On February 1, 2022, pursuant to Clause 8 of the PSC's September 9th Order, the JU filed their Revised Headroom Calculations and on March 8, 2022, pursuant to Clause 6 of the same Order, Central Hudson along with several other utilities submitted their Petition Identifying Area of Concern Needs and Recommended Solutions. On May 12, 2022, the PSC issued Order Accepting both the CSRA and Rate Schedule 19 as compliant with its Phase 2 Order. The JU will proceed to FERC for approval of the PSC-sanctioned CSRA and Rate Schedule 19 under Federal Power Act ("FPA") section 205 in order to establish a cost allocation and recovery framework for Approved Local CLCPA Projects. On December 22, 2022, the JU requested an extension of Ordering Clause 5 of the Order on Local Transmission and Distribution Planning Process and Phase 2 Project Proposals, issued September 9, 2021, which directed the Filing Parties to submit a coordinated portfolio of Phase 2 projects that meet the requisite investment criteria and benefit cost analysis by January 1, 2023. On December 29, 2022, the extension was granted until March 3, 2023 and the filing was made on time. On February 16, 2023, the PSC authorized the upstate utilities to develop the Phase 2 Area of Concern projects, including Central Hudson's North Catskill-Coxsackie project. To date, National Grid, New York State Electric and Gas, Rochester Gas and Electric Corporation, and Consolidated Edison, Inc. have made their FERC formula rate filings, and all are in the process of review. Central Hudson has indicated its intent to file its FERC Formula Rate for these Rate Schedule 19 projects later this summer.

Community Distributed Generation ("CDG")

In November 2021, the PSC issued Order Identifying Further Procedural Steps Regarding the Development of Opt-Out Community Distributed Generation. Subsequently on March 29, 2022, DPS Staff filed its Whitepaper on proposed opt-out CDG program operation, oversight, and enforcement rules for future PSC consideration. On May 19, 2023, DPS Staff filed a Whitepaper proposing a statewide Solar for All program whereby the utilities would aggregate community solar credits and allocate them to Energy Affordability Program participants presumably in place of opt-out CDG.

On September 15, 2022, the Commission issued an Order establishing a process intended to address and resolve ongoing CDG billing issues, improve the industry's visibility into the utilities' transition to an automated Net-Crediting billing process, and incentivize more accurate and timely utility performance in billing for CDG. A series of stakeholder conferences were held focused on developing utility CDG billing and crediting performance metrics and a negative revenue adjustment mechanism. Staff is expected to propose CDG billing metrics, negative revenue adjustments, and reporting requirements to the Commission for consideration by the end of 2023.

Additionally, as directed by the September 15, 2022 Order, Central Hudson filed on October 17, 2022, an Implementation Plan detailing the progress toward automation of crediting and billing of CDG including: (1) the current billing system constraints preventing full CDG billing automation; (2) the billing system changes necessary to effectuate automated CDG billing; and (3) the steps and timeline to achieve full automation of CDG billing. Central Hudson will continue to provide quarterly updates until automation efforts are complete.

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

On November 9, 2022, NYSERDA filed a petition with the PSC to modify the CES to transition from a defined percentage obligation to a load share obligation for load serving entities. Under the current Tier 1 approach, Load Serving Entities ("LSEs") must meet their compliance obligation, which is represented

as a pre-determined and ascending percentage of the load they serve, by procuring Tier 1 Renewable Energy Credits (“REC”) from NYSERDA or other sources, or, in the alternative, by making Alternative Compliance Payments (“ACPs”). Under the new approach proposed in this petition, LSEs would simply be obligated to procure all Tier 1 RECs made available by NYSERDA, after the completion of voluntary sales, in a proportion equivalent to their share of the State load or load share. Without a pre-determined compliance obligation percentage, there would no longer be a need for ACPs, nor would there be an incentive for LSEs to purchase RECs outside of those purchased by NYSERDA. On February 6, 2023, the JU filed comments in support of certain elements of NYSERDA’s petition, while also providing additional recommendations including a Value of Distributed Energy Resources (“VDER”) compensation factor which would be designed to account for RECs that will be produced throughout the year by utility customers with distributed generation. The Commission issued an Order on April 20, 2023, largely adopting the JU position.

On June 12, 2023, Alliance for Clean Energy New York (“ACE”) filed a petition which proposes a cost adjustment mechanism for CES Tier 1 procurements. The proposal states that it is intended to address rising costs which have made many of the Tier 1 projects uneconomical and unlikely to proceed. ACE included an economic analysis and formulaic mechanism for the adjustments.

On June 23, 2023, the Commission issued an Order approving, with modifications, NYSERDA’s petition addressing a CES financial backstop collection process. The approved process for backstop collections reflects recovery from utility delivery customers, including a mechanism to cure the existing Zero-Emission Credits (“ZEC”) shortfall, and establishes a procedure for future invocations of the CES financial backstop. Central Hudson is required to commence CES backstop collections of \$1.2 million over a period not to exceed 12 billing periods beginning October 1, 2023.

New Efficiency New York

The New Efficiency New York proceeding addresses the statewide customer energy efficiency and electrification program portfolios. The proceeding was substantially initiated with the filing of a joint DPS Staff & NYSERDA New Efficiency: New York Report in April of 2018 which made recommendations to expand the scope of the statewide initiatives in pursuit of the state’s clean energy objectives. Subsequent Orders in December 2018 and January 2020 directed further program and portfolio development, increased budget authorizations, and adjusted the regulatory and strategic framework around energy efficiency and electrification.

In September 2022, the Commission issued Order Initiating the New Efficiency: New York Interim Review and Clean Energy Fund Review. The review is intended to provide an opportunity to assess progress to date and consider modifications that will improve the management of the portfolios, increase the effectiveness of the programs, and ensure alignment with evolving state policies. On December 20, 2022, DPS Staff issued its Energy Efficiency and Building Electrification Report (“NENY Report”). The NENY Report details historical performance across all energy efficiency & electrification programs, identifies areas of success or potential concern, contemplates necessary policy adjustments, and considers the appropriateness of continued opportunities for EAMs and potential NRAs. Central Hudson and certain other utilities submitted joint comments on this report on March 27, 2023. The comments were strongly supportive of continued EAM opportunities for support of ambitious state climate goals and emphasized that NRAs would be counterproductive.

Central Hudson’s Clean Heat Program has experienced consistently high demand since its launch in 2020, exceeding its cumulative six-year (2020-2025) Clean Heat savings target in its first two years of implementation. Despite lowering incentive levels twice, program expenditures have been higher than anticipated, exhausting the cumulative authorized \$43.2 million program budget allocation ahead of schedule, as well as other funding sources allowable under the existing flexibility rules established by the Commission.

To satisfy the anticipated demand of the Clean Heat Program through 2025, Central Hudson filed a petition on February 3, 2023 seeking PSC approval to:

- transfer unspent and previously authorized funds for other programs to the Company's Clean Heat Program;
- implement an incremental continuity funding mechanism to be used upon depletion of transferred funds; and
- recover the costs associated with accelerated, transferred, and incremental funds through the System Benefits Charge.

On June 23, 2023, the Commission approved Central Hudson's petition with modifications. The Order:

- authorizes Central Hudson to reallocate \$13.5 million from its non-low-income and moderate income electric energy efficiency portfolio to its Clean Heat program;
- utilize \$1.7 million in accrued interest on the Company's Clean Energy Fund collections towards the Clean Heat program once transferred funds are depleted;
- establishes a Continuity Funding mechanism of up to \$6 million to be expended at a maximum rate of \$1 million per month once the accrued interest is depleted; and
- recover funds associated with the Continuity Funding through a Clean Heat Program surcharge.

Management does not anticipate the reallocation of funding until second quarter of 2024.

Climate Leadership and Community Protection Act

In June 2019, the CLCPA was passed by the New York State Senate and the New York State Assembly. The CLCPA includes renewable energy and emission reduction targets for New York State, 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 LSEs to together procure 6,000 MW of solar energy by 2025, 3,000 MW of energy storage by 2030, and 9,000 MW of offshore wind energy by 2035. The CLCPA also requires New York State to cut GHG emissions 40% (from 1990 baseline levels) by 2030 and 85% by 2050 and 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. These emissions offset projects may be established by the Department of Environmental Conservation ("DEC") as an alternative compliance mechanism for sources subject to the emissions limits.

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

On May 12, 2022, the PSC issued an Order on Implementation of the CLCPA under Case 22-M-0149. This Order initiates a proceeding to track compliance and develop provisions of the CLCPA, including minimum percentages of benefits to be distributed to disadvantaged communities. Coincident with the Implementation Order, the PSC also issued a request for public comments regarding utility ownership of distributed energy resources and large-scale renewables.

The bill also established a Climate Action Council ("CAC") to develop a Scoping Plan that serves as a framework for how New York State will achieve the CLCPA goals. That Scoping Plan was finalized in December 2022 and includes a wide range of programmatic and legislative recommendations. Two such proposals which are included in the State budget bill are a cap and invest program for emissions in all sectors, and broad restrictions on using natural gas for heating, water heating, and cooking in new residences and buildings. The DEC and NYSERDA are moving forward with a multi-phase plan to create a Cap and Invest program in New York ("NYCI") that will cover all sectors of the New York

economy. The first round of informational webinars has completed, and stakeholder comments were accepted starting at July 1. The two agencies hope to have the program implemented by 2025.

On May 18, 2023, the PSC issued an Order on Process Regarding Zero Emissions Target (“DEFR Order”) under Case 15-E-0302 to initiate a process to (a) identify technologies that can close the gap between the capabilities of existing renewable energy technologies and future system reliability needs, and (b) more broadly identify the actions needed to pursue attainment of the state’s Zero Emission Target by 2040 Target. In the Order, the PSC requested public comments by July 17, 2023 and subsequently extended the due date to August 16, 2023.

Thermal Network Pilots

On July 5, 2022, the Utility Thermal Energy Networks and Jobs Act (“Act”) was signed into law by Governor Kathy Hochul. The Act requires utilities to each submit proposals for up to five thermal energy pilots and requires the PSC to promulgate rules and regulations related to thermal energy networks. The Act includes provisions requiring that a minimum number of projects be located in disadvantaged communities and that the operation of the projects be staffed with union labor and include apprenticeship and pre-apprenticeship programs. On September 15, 2022, the PSC issued an Order on Developing Thermal Energy Networks Pursuant to the Utility Thermal Energy Network and Jobs Act under Case 22-M-0429. This Order requires that utilities in New York State, including Central Hudson, submit proposals for pilot projects to install anywhere from one to five thermal energy networks as demonstrations for how the building sector can be transitioned from using fossil fuels for space and water heating. In accordance with the Order, Central Hudson filed its Thermal Energy Network Pilot Plan on October 7, 2022 and subsequently filed the Thermal Energy Network File Plan Update on January 9, 2023. On February 1, 2023, the Commission issued Notice Soliciting Comment by April 3, 2023. Central Hudson filed an updated plan on June 30, 2023 with a proposed pilot project at a community center and surrounding neighborhood in the city of Poughkeepsie.

Electric Vehicle (“EV”)

On December 31, 2021, Governor Kathy Hochul signed bill A3876/S3929 into law, requiring utilities to propose alternative non-demand based commercial electric vehicle charging tariffs. Subsequently on March 18, 2022, Governor Kathy Hochul signed bill A8797/S7836 into law which amended the prior law by expanding the scope of the utilities’ proposal to other potential operating cost relief mechanisms.

On January 19, 2023, the PSC issued an Order adopting a suite of operating cost relief solutions for commercial EV charging customers, differentiated by upstate and downstate utilities. For the upstate utilities, including Central Hudson, the Order established both Immediate and Near-Term Solutions, consisting of: 1) a 50% Demand Charge Rebate for all commercial EV charging customers; and 2) an EV Phase-In Rate that scales demand and volumetric charges with load factor, respectively. The utilities are also required to propose an upfront incentive program for charging-related demand management technologies using funds from the cancelled Per-Plug Incentive (“PPI”) program, along with commercial managed charging programs. The JU filed plans for the Demand Charge Rebate, PPI program discontinuation, and downstate commercial managed charging programs on March 20, 2023. The JU also filed a proposal for a program to incentivize load management technologies on May 19, 2023 and will file EV Phase-In rates and upstate commercial managed charging programs by July 18, 2023. We anticipate an Order on the Immediate Solutions in the third quarter of 2023 and the Near-Term Solutions later in 2024.

Further, on July 14, 2022, the PSC issued the Order Approving Managed Charging Programs with Modifications, establishing utility-administered programs for residential customers which are designed to encourage vehicle charging during off-peak times. Subsequently, DPS Staff convened a stakeholder process to investigate the accuracy of managed charging-enabling technologies. Central Hudson filed its Managed Charging Program Implementation Plan on September 26, 2022, and a petition to modify

the incentive payment frequency from monthly to end-of-season which was approved on June 23, 2023. The program will launch in the summer of 2023.

Additionally, DPS Staff commenced the Electric Vehicle Supply Equipment Make-Ready program midpoint review on August 30, 2022. On October 3, 2022, the JU filed comments related to the midpoint review, and subsequently, on March 1, 2023, DPS Staff issued a Midpoint Review and Recommendations Whitepaper which proposed several program changes, including increased Direct Current Fast Charging (“DCFC”) and decreased L2 targets, expanded Medium/Heavy Duty Pilots, and modified eligibility criteria for Disadvantaged Communities. The JU filed comments in May 2023 and Central Hudson anticipates an Order later in 2023.

On April 20, 2023, the Commission initiated a new proceeding to address the electrification of the State’s medium and heavy-duty (“MHD”) EV sector, with a focus on prioritizing EV infrastructure investments to benefit disadvantaged communities. The proceeding will also be used to develop a proactive planning approach to ensure grid infrastructure is prepared to enable EV charging needs across the State. The JU filed detailed comments and reply comments on June 5 and 26, 2023, respectively. The comments highlight the need for: 1) a full-scale MHD vehicle make-ready program to spur third-party investment; and 2) a robust, and separate, proactive grid planning process to facilitate infrastructure planning and build-out in advance of transportation electrification load requests. Following the initial comment process, Staff will prepare a whitepaper for Commission consideration.

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 New York State and a Staff Moratorium Proposal that identifies procedures and criteria for managing moratoria on new attachments to the gas distribution systems.

On 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”). Through the Planning Process Order, the PSC adopted modernized long-term natural gas planning procedures to ensure that the State, customers, stakeholders, and all other interested entities have the opportunity to understand and engage in the future of natural gas infrastructure in the State. Through the Moratorium Order, the PSC adopted new rules that set forth the process for initiating, operating, and lifting a natural gas moratorium, and covers issues including the metrics used to identify supply shortfall, communications, a Customer Bill of Rights, training materials and outreach, and information on low and moderate-income customer and disadvantaged community impacts.

In compliance with the Gas Planning Process Order, on August 10, 2022, the Company and the JU 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. Draft tariffs were filed with the criteria that would necessitate the calling of a gas moratorium in compliance with the Moratorium Order. The Company filed a Moratorium Communications Plan on December 27, 2022. Central Hudson expects to file a long-term gas plan in January 2024 under the PSC’s Gas Distribution System Planning proceeding. Work on this plan has commenced.

Examination of Installation of PermaLock Tapping Tee Assemblies

On March 16, 2023, the PSC issued Order Initiating New Proceeding in Case 23-G-0083 regarding the examination by gas distribution utilities concerning the installation of PermaLock Tapping Tee Assemblies. Initially, the PSC has directed the gas distribution utilities to confirm and report on the use of PermaLock Tapping Tees in their service territories and systems within 30 days. This proceeding is the result of the National Transportation Safety Board’s June 18, 2018, Safety Recommendation Report

entitled “Installation of PermaLock Mechanical Tapping Tee Assemblies,” Accident/Incident Number DCA17FP006 Report, related reports and matters, and a February 2, 2022 incident in the service territory of New York State Electric & Gas in Brewster, New York. On April 13, 2023, Central Hudson filed its compliance filing noting that 7,682 PermaLock Tapping Tees are currently used in its gas distribution system.

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 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.