



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

for the period ended

MARCH 31, 2023

QUARTER ENDED MARCH 31, 2023

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CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2023	2022
Operating Revenues		
Electric	\$ 228,594	\$ 205,995
Natural gas	98,774	91,568
Total Operating Revenues	<u>327,368</u>	<u>297,563</u>
Operating Expenses		
Operation:		
Purchased electricity	107,316	91,421
Purchased natural gas	46,287	37,621
Other expenses of operation - regulated activities	95,426	95,548
Other expenses of operation - non-regulated	27	36
Depreciation and amortization	20,820	20,155
Taxes, other than income tax	24,147	22,235
Total Operating Expenses	<u>294,023</u>	<u>267,016</u>
Operating Income	<u>33,345</u>	<u>30,547</u>
Other Income and Deductions		
Income from unconsolidated affiliates	1,014	618
Interest on regulatory assets and other interest income	2,059	645
Regulatory adjustments for interest costs	372	(242)
Non-service cost components of pension and other post-employment benefits ("OPEB")	6,570	9,792
Other - net	63	964
Total Other Income	<u>10,078</u>	<u>11,777</u>
Interest Charges		
Interest on long-term debt	11,538	9,419
Interest on regulatory liabilities and other interest	1,611	553
Total Interest Charges	<u>13,149</u>	<u>9,972</u>
Income Before Income Taxes	30,274	32,352
Income Tax Expense	6,755	6,776
Net Income	<u>\$ 23,519</u>	<u>\$ 25,576</u>

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

(In Thousands)

	Three Months Ended March 31,	
	2023	2022
Net Income	\$ 23,519	\$ 25,576
Other Comprehensive Income:		
Employee future benefits, net of tax expense	2	4
Comprehensive Income	<u>\$ 23,521</u>	<u>\$ 25,580</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)

	Three Months Ended March 31,	
	2023	2022
Operating Activities:		
Net income	\$ 23,519	\$ 25,576
Adjustments to reconcile net income to net cash (used in) provided from operating activities:		
Depreciation	16,653	15,793
Amortization	4,167	4,362
Deferred income taxes - net	7,310	7,428
Uncollectible expense	2,731	1,114
Distributed (undistributed) equity in earnings of unconsolidated affiliates	(165)	(109)
Pension (credit) expense	(2,812)	(1,774)
OPEB credit	(2,194)	(2,062)
Regulatory liability - rate moderation	(3,847)	222
Regulatory asset - revenue decoupling mechanism ("RDM") recorded	(863)	7,646
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues, and other receivables	(22,676)	(64,775)
Fuel, materials, and supplies	(3,421)	(2,003)
Special deposits and prepayments	2,063	(1,237)
Income and other taxes	(728)	(231)
Accounts payable	(9,019)	10,941
Accrued interest	465	3,465
Customer advances	(1,075)	(4,515)
Other advances	(1,110)	(726)
Corporate alternative minimum tax ("AMT")	(2,700)	-
Pension plan contribution	(362)	(372)
OPEB contribution	(22)	(528)
Regulatory asset - RDM collected/(refunded)	474	(3,280)
Regulatory asset - major storm	(14,490)	(26,444)
Regulatory asset - site investigation and remediation ("SIR")	2,510	1,988
Regulatory asset - arrears management program ("AMP")	(20,974)	-
Regulatory asset - uncollectible write-offs	(475)	-
Regulatory liability - energy efficiency programs including clean energy fund ("CEF")	(5)	(8,141)
Regulatory asset - rate adjustment mechanisms ("RAM")	3,486	4,397
Regulatory asset - deferred natural gas and electric costs	8,788	(7,205)
Other - net	4,948	3,360
Net cash used in operating activities	(9,824)	(37,110)
Investing Activities:		
Additions to utility plant	(57,825)	(50,612)
Other - net	6,926	(497)
Net cash used in investing activities	(50,899)	(51,109)
Financing Activities:		
Proceeds from issuance of long-term debt	90,000	110,000
Net change in short-term borrowings	(75,000)	(17,000)
Capital contribution	67,500	29,300
Other - net	(492)	(580)
Net cash provided from financing activities	82,008	121,720
Net Change in Cash, Cash Equivalents, and Restricted Cash	21,285	33,501
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	5,010	18,129
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 26,295	\$ 51,630
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ 11,946	\$ 6,112
Federal and state income taxes paid, net	\$ 3,548	\$ 144
Non-Cash Investing Activities:		
Accrued capital expenditures	\$ 10,605	\$ 12,957

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

CH ENERGY GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

(In Thousands)

	March 31, 2023	December 31, 2022	March 31, 2022
ASSETS			
Utility Plant (Note 3)			
Electric	\$ 1,804,009	\$ 1,768,092	\$ 1,708,755
Natural gas	792,447	788,978	741,855
Common	455,113	448,796	436,825
Gross Utility Plant	3,051,569	3,005,866	2,887,435
Less: Accumulated depreciation	713,166	698,940	664,435
Net	2,338,403	2,306,926	2,223,000
Construction work in progress	146,852	146,661	115,661
Net Utility Plant	2,485,255	2,453,587	2,338,661
Non-utility property & plant	524	524	524
Net Non-Utility Property & Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	25,599	3,237	40,840
Accounts receivable from customers - net of allowance for uncollectible accounts of \$11.1 million, \$11.0 million, and \$9.4 million, respectively (Note 2)	246,862	216,680	188,894
Accounts receivable - affiliates (Note 17)	779	441	86
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of \$0.1 million, \$0.2 million, and \$1.8 million, respectively (Note 2)	24,354	27,823	20,520
Other receivables	20,304	25,906	18,950
Fuel, materials, and supplies (Note 1)	34,659	31,238	26,119
Regulatory assets (Note 4)	119,466	125,980	76,204
Income tax receivable	1,243	502	912
Fair value of derivative instruments (Note 15)	-	315	501
Special deposits and prepayments	40,643	42,706	37,445
Total Current Assets	513,909	474,828	410,471
Deferred Charges and Other Assets			
Regulatory assets - other (Note 4)	257,472	226,069	191,496
Prefunded pension costs (Note 11)	59,872	59,365	71,704
Prefunded OPEB costs (Note 11)	32,013	31,462	32,056
Investments in unconsolidated affiliates (Note 6)	27,112	23,523	16,505
Other investments (Note 16)	44,647	54,179	56,396
Other	8,988	10,497	18,397
Total Deferred Charges and Other Assets	430,104	405,095	386,554
Total Assets	<u>\$ 3,429,792</u>	<u>\$ 3,334,034</u>	<u>\$ 3,136,210</u>

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

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

(In Thousands, except share amounts)

	March 31, 2023	December 31, 2022	March 31, 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	555,602	488,102	463,102
Retained earnings	607,953	584,434	530,877
Accumulated other comprehensive income	168	166	23
Total Equity	1,163,883	1,072,862	994,162
Long-term debt (Note 10)			
Principal amount	1,184,046	1,124,046	1,016,146
Unamortized debt issuance costs	(6,202)	(5,838)	(5,608)
Net long-term debt	1,177,844	1,118,208	1,010,538
Total Capitalization	2,341,727	2,191,070	2,004,700
Current Liabilities			
Current maturities of long-term debt (Note 10)	32,100	2,100	25,364
Short-term borrowings (Note 8)	30,000	105,000	90,000
Accounts payable	66,702	81,110	68,794
Accounts payable - affiliates (Note 17)	-	624	-
Accrued interest	11,150	10,685	11,650
Accrued vacation and payroll	13,648	10,861	12,611
Customer advances	15,878	16,953	13,590
Customer deposits	6,756	6,846	7,582
Regulatory liabilities (Note 4)	78,438	75,053	62,261
Fair value of derivative instruments (Note 15)	11,688	14,034	883
Accrued environmental remediation costs (Note 13)	4,037	3,717	6,803
Other current liabilities	27,794	31,926	33,341
Total Current Liabilities	298,191	358,909	332,879
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	72,825	74,898	91,302
Regulatory liabilities - deferred OPEB costs (Note 4)	23,106	24,652	29,944
Regulatory liabilities - other (Note 4)	267,036	262,735	277,612
Operating reserves	3,495	2,892	5,215
Accrued environmental remediation costs (Note 13)	69,531	70,156	64,589
Other liabilities	32,799	32,361	44,667
Total Deferred Credits and Other Liabilities	468,792	467,694	513,329
Accumulated Deferred Income Tax (Note 5)	321,082	316,361	285,302
Commitments and Contingencies			
Total Capitalization and Liabilities	\$ 3,429,792	\$ 3,334,034	\$ 3,136,210

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

CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share amounts)

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

Three Months Ended March 31, 2022						
<u>Common Stock</u>						
	Shares Issued	Amount	Paid-In Capital	Retained Earnings	AOCI*	Total Equity
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>

*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 March 31,	
	2023	2022
Operating Revenues		
Electric	\$ 228,594	\$ 205,995
Natural gas	98,774	91,568
Total Operating Revenues	<u>327,368</u>	<u>297,563</u>
Operating Expenses		
Operation:		
Purchased electricity	107,316	91,421
Purchased natural gas	46,287	37,621
Other expenses of operation	95,426	95,548
Depreciation and amortization	20,820	20,155
Taxes, other than income tax	24,095	22,219
Total Operating Expenses	<u>293,944</u>	<u>266,964</u>
Operating Income	<u>33,424</u>	<u>30,599</u>
Other Income and Deductions		
Interest on regulatory assets and other interest income	2,059	645
Regulatory adjustments for interest costs	372	(242)
Non-service cost components of pension and OPEB	6,575	9,798
Other - net	86	920
Total Other Income	<u>9,092</u>	<u>11,121</u>
Interest Charges		
Interest on long-term debt	11,424	9,271
Interest on regulatory liabilities and other interest	1,611	554
Total Interest Charges	<u>13,035</u>	<u>9,825</u>
Income Before Income Taxes	29,481	31,895
Income Tax Expense	6,516	6,605
Net Income	<u>\$ 22,965</u>	<u>\$ 25,290</u>

CENTRAL HUDSON
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2023	2022
Net Income	\$ 22,965	\$ 25,290
Other Comprehensive Income:		
Employee future benefits, net of tax expense	2	4
Comprehensive Income	<u>\$ 22,967</u>	<u>\$ 25,294</u>

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

CENTRAL HUDSON
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2023	2022
Operating Activities:		
Net income	\$ 22,965	\$ 25,290
Adjustments to reconcile net income to net cash (used in) provided from operating activities:		
Depreciation	16,653	15,793
Amortization	4,167	4,362
Deferred income taxes - net	7,073	7,284
Uncollectible expense	2,731	1,114
Pension credit	(2,812)	(1,774)
OPEB credit	(2,194)	(2,062)
Regulatory liability - rate moderation	(3,847)	222
Regulatory asset - RDM recorded	(863)	7,646
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues, and other receivables	(24,063)	(66,063)
Fuel, materials, and supplies	(3,421)	(2,003)
Special deposits and prepayments	2,061	(1,237)
Income and other taxes	68	(130)
Accounts payable	(8,228)	11,828
Accrued interest	350	3,317
Customer advances	(1,075)	(4,515)
Other advances	(1,110)	(726)
Pension plan contribution	(362)	(372)
OPEB contribution	(22)	(528)
Regulatory asset - RDM collected/(refunded)	474	(3,280)
Regulatory asset - major storm	(14,490)	(26,444)
Regulatory asset - SIR	2,510	1,988
Regulatory asset - AMP	(20,974)	-
Regulatory asset - uncollectible write-offs	(475)	-
Regulatory liability - energy efficiency programs including CEF	(5)	(8,141)
Regulatory asset - RAM	3,486	4,397
Regulatory asset - deferred natural gas and electric costs	8,788	(7,205)
Other - net	6,078	5,723
Net cash used in operating activities	<u>(6,537)</u>	<u>(35,516)</u>
Investing Activities:		
Additions to utility plant	(57,825)	(50,612)
Other - net	10,342	618
Net cash used in investing activities	<u>(47,483)</u>	<u>(49,994)</u>
Financing Activities:		
Proceeds from issuance of long-term debt	90,000	110,000
Net change in short-term borrowings	(75,000)	(17,000)
Capital contribution	60,000	21,000
Other - net	(492)	(580)
Net cash provided from financing activities	<u>74,508</u>	<u>113,420</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	20,488	27,910
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	3,371	14,541
Cash, Cash Equivalents, and Restricted Cash - End of Period	<u>\$ 23,859</u>	<u>\$ 42,451</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ 11,946	\$ 6,112
Federal and state income taxes paid, net	\$ -	\$ (2)
Non-Cash Investing Activities:		
Accrued capital expenditures	\$ 10,605	\$ 12,957

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

CENTRAL HUDSON
CONDENSED BALANCE SHEET (UNAUDITED)

(In Thousands)

	March 31, 2023	December 31, 2022	March 31, 2022
ASSETS			
Utility Plant (Note 3)			
Electric	\$ 1,804,009	\$ 1,768,092	\$ 1,708,755
Natural gas	792,447	788,978	741,855
Common	455,113	448,796	436,825
Gross Utility Plant	3,051,569	3,005,866	2,887,435
Less: Accumulated depreciation	713,166	698,940	664,435
Net	2,338,403	2,306,926	2,223,000
Construction work in progress	146,852	146,661	115,661
Net Utility Plant	2,485,255	2,453,587	2,338,661
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)	23,163	1,598	31,661
Accounts receivable from customers - net of allowance for uncollectible accounts of \$11.1 million, \$11.0 million, and \$9.4 million, respectively (Note 2)	246,862	216,680	188,894
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of \$0.1 million, \$0.2 million, and \$1.8 million, respectively (Note 2)	24,354	27,823	20,520
Other receivables	22,210	26,121	18,975
Fuel, materials, and supplies (Note 1)	34,659	31,238	26,119
Regulatory assets (Note 4)	119,466	125,980	76,204
Income tax receivable	-	-	161
Fair value of derivative instruments (Note 15)	-	315	501
Special deposits and prepayments	40,636	42,697	37,445
Total Current Assets	511,350	472,452	400,480
Deferred Charges and Other Assets			
Regulatory assets - other (Note 4)	257,472	226,069	191,496
Prefunded pension costs (Note 11)	60,062	59,559	71,914
Prefunded OPEB costs (Note 11)	32,013	31,462	32,056
Other investments (Note 16)	43,763	53,294	55,448
Other	8,986	10,495	18,397
Total Deferred Charges and Other Assets	402,296	380,879	369,311
Total Assets	<u>\$ 3,399,425</u>	<u>\$ 3,307,442</u>	<u>\$ 3,108,976</u>

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

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

(In Thousands, except share amounts)

	March 31, 2023	December 31, 2022	March 31, 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	301,452
Accumulated other comprehensive income	168	166	23
Retained earnings	673,078	650,113	597,311
Capital stock expense	(4,633)	(4,633)	(4,633)
Total Equity	<u>1,139,376</u>	<u>1,056,409</u>	<u>978,464</u>
Long-term debt (Note 10)			
Principal amount	1,179,400	1,119,400	1,009,400
Unamortized debt issuance costs	(6,177)	(5,810)	(5,573)
Net long-term debt	<u>1,173,223</u>	<u>1,113,590</u>	<u>1,003,827</u>
Total Capitalization	<u>2,312,599</u>	<u>2,169,999</u>	<u>1,982,291</u>
Current Liabilities			
Current maturities of long-term debt (Note 10)	30,000	-	23,400
Short-term borrowings (Note 8)	30,000	105,000	90,000
Accounts payable	68,047	82,288	70,291
Accrued interest	11,016	10,666	11,477
Accrued vacation and payroll	13,648	10,861	12,611
Customer advances	15,878	16,953	13,590
Customer deposits	6,756	6,846	7,582
Regulatory liabilities (Note 4)	78,438	75,053	62,261
Fair value of derivative instruments (Note 15)	11,688	14,034	883
Accrued environmental remediation costs (Note 13)	4,037	3,717	6,803
Other current liabilities	27,819	30,792	31,559
Total Current Liabilities	<u>297,327</u>	<u>356,210</u>	<u>330,457</u>
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	72,825	74,898	91,302
Regulatory liabilities - deferred OPEB costs (Note 4)	23,106	24,652	29,944
Regulatory liabilities - other (Note 4)	267,036	262,735	277,612
Operating reserves	3,495	2,892	5,215
Accrued environmental remediation costs (Note 13)	69,531	70,156	64,589
Other liabilities	31,736	31,299	43,540
Total Deferred Credits and Other Liabilities	<u>467,729</u>	<u>466,632</u>	<u>512,202</u>
Accumulated Deferred Income Tax (Note 5)	<u>321,770</u>	<u>314,601</u>	<u>284,026</u>
Commitments and Contingencies			
Total Capitalization and Liabilities	<u>\$ 3,399,425</u>	<u>\$ 3,307,442</u>	<u>\$ 3,108,976</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)

Three Months Ended March 31, 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>

Three Months Ended March 31, 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>

*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 6.1% ownership interest in New York Transco LLC (“Transco”). CHGT was formed to hold CH Energy Group’s ownership stake in possible gas transmission pipeline opportunities in New York State. As of March 31, 2023, there has been no activity in CHGT. CHEC had ownership interests in certain non-regulated subsidiaries that are less than 100% owned. At March 31, 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 March 31, 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 March 31, 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, which could affect the allowance for uncollectible accounts.

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 March 31, 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 March 31, 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 in 2023.

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

CH Energy Group

(In Thousands)

	March 31, 2023	March 31, 2022
Cash and cash equivalents	\$ 25,599	\$ 40,840
Restricted cash included in other long-term assets	696	10,790
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	<u>\$ 26,295</u>	<u>\$ 51,630</u>

Central Hudson

(In Thousands)

	March 31, 2023	March 31, 2022
Cash and cash equivalents	\$ 23,163	\$ 31,661
Restricted cash included in other long-term assets	696	10,790
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	<u>\$ 23,859</u>	<u>\$ 42,451</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 March 31, 2023, December 31, 2022, and March 31, 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):

	March 31, 2023	December 31, 2022	March 31, 2022
Fuel used in electric generation	\$ 579	\$ 434	\$ 380
Materials and supplies	34,080	30,804	25,739
Total	<u>\$ 34,659</u>	<u>\$ 31,238</u>	<u>\$ 26,119</u>

Effective August 1, 2020, Central Hudson entered into an Asset Management Agreement ("AMA") with a third party related to its natural gas transport and storage capacity. Central Hudson continues to make purchases of natural gas in advance of the peak winter season to hedge against price volatility for its customers. However, based on the terms of the agreement, the third party maintains control and

title over the physical gas in storage during the term of the contract. Amounts related to the AMA are recorded in “Special deposits and prepayments” in CH Energy Group’s and Central Hudson’s Balance Sheets.

Reclassification

Certain amounts shown in Note 4 – “Regulatory Matters” related to prior periods have been reclassified to conform to the March 31, 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 several 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 March 31,	
	2023	2022
Electric		
Revenues from contracts with customers (ASC 606)	\$ 223,303	\$ 207,860
Alternative revenues (Non ASC 606)	1,499	(5,448)
Other revenue adjustments (Non ASC 606)	3,792	3,583
Total Operating Revenues Electric	\$ 228,594	\$ 205,995
Natural Gas		

Notes to Quarterly Condensed Financial Statements (UNAUDITED)

Revenues from contracts with customers (ASC 606)	\$ 100,363	\$ 96,417
Alternative revenues (Non ASC 606)	1,476	(908)
Other revenue adjustments (Non ASC 606)	(3,065)	(3,941)
Total Operating Revenues Natural Gas	\$ 98,774	\$ 91,568

The quarter over quarter increase in electric and natural gas 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 increases in billed purchased electric and natural gas do not impact earnings due to full deferral of commodity costs. However, these increases have contributed to increases in accounts receivable balances from customers, which is further discussed below.

The increase in electric and natural gas alternative revenue programs quarter over quarter is due to higher RDM deferral recorded for the difference between the actual billed revenues compared to the Rate Order prescribed targets.

The quarter over quarter increase in other electric revenue adjustments is primarily driven by higher revenue offset related to bill credits provided to customers for rate moderation in the first quarter of 2023 when compared to 2022. The quarter over quarter increase in other natural gas revenue adjustments is primarily driven by higher revenue offset related to bill credits provided to customers for rate moderation in the first quarter of 2023 when compared to 2022. Partially offsetting these increases in both electric and natural gas revenue adjustments are lower amounts refunded to customers for previously deferred revenues in excess of prescribed targets and higher NRAs related to customer satisfaction prescribed targets.

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 March 31,	
	2023	2022
Balance at Beginning of Period	\$ (11,200)	\$ (11,200)
Uncollectible expense	(2,731)	(1,114)
Uncollectible write-off deferral	(475)	-
Uncollectible write-offs - net	3,206	1,114
Balance at End of Period	\$ (11,200)	\$ (11,200)

Accounts receivable balances from customers overall have continued to increase in the current period, not only in the current and 30-day past due categories, but also within arrears that are greater than 60 days past due. 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. During the first quarter of 2023, approximately \$0.5 million in credits have been issued under Phase 1. 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 \$22.7 million in credits in the first quarter of 2023 which will be collected over a seven-year period via a surcharge. 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. These efforts have generated some success with payments or payment arrangements. Central Hudson anticipates that its 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 likely 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. For the period ended March 31, 2023, accounts written off as uncollectible exceeded the 10 basis points prescribed in rates and, as such, Central Hudson has deferred \$0.5 million 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 March 31, 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 March 31, 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		
		March 31, 2023	December 31, 2022	March 31, 2022
Electric:				
Production	25-95	\$ 43,857	\$ 43,767	\$ 43,660
Transmission	30-90	488,470	469,800	461,783
Distribution	8-80	1,264,616	1,247,465	1,196,402
Other	40	7,066	7,060	6,910
Total		\$ 1,804,009	\$ 1,768,092	\$ 1,708,755
Natural Gas:				
Transmission	19-85	\$ 64,703	\$ 64,679	\$ 63,886
Distribution	28-95	727,302	723,857	677,527
Other	N/A	442	442	442
Total		\$ 792,447	\$ 788,978	\$ 741,855
Common:				
Land and structures	50	\$ 115,384	\$ 114,656	\$ 112,642
Office and other equipment, radios, and tools	8-35	88,807	87,303	87,334
Transportation equipment	10-12	82,519	82,520	78,778
Other	3-15	168,403	164,317	158,071
Total		\$ 455,113	\$ 448,796	\$ 436,825
Gross Utility Plant		\$ 3,051,569	\$ 3,005,866	\$ 2,887,435

For the three months ended March 31, 2023 and 2022, the borrowed component of funds used during construction and recorded as a reduction of interest expense was \$0.8 and \$0.3 million, respectively, and the equity component reported as other income was \$0.6 million for both periods.

Included in the Net Utility Plant balance of \$2.5 billion at March 31, 2023 and December 31, 2022 and \$2.3 billion at March 31, 2022 is \$199.3 million, \$195.0 million, and \$187.9 million of intangible utility plant assets, comprised primarily of computer software costs, land, transmission, water and other

rights, and the related accumulated amortization of \$98.5 million, \$95.9 million and \$82.9 million, respectively.

As of March 31, 2023, December 31, 2022, and March 31, 2022, Central Hudson has reclassified from utility plant assets \$48.9 million, \$47.4 million, and \$44.7 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 March 31, 2023, December 31, 2022, and March 31, 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):

	March 31, 2023	December 31, 2022	March 31, 2022
Regulatory Assets:			
Deferred purchased electric costs (Note 1)	\$ 45,041	\$ 43,490	\$ 22,604
Deferred purchased natural gas costs (Note 1)	6,584	16,923	9,977
Deferred unrealized losses on derivatives - electric and natural gas (Note 15)	11,688	14,034	883
RAM - electric and carrying charges	13,367	16,109	12,500
RAM - natural gas and carrying charges	1,971	1,560	2,089
EAMs - electric	6,600	7,140	3,158
RDM and carrying charges - electric	2,673	2,064	-
RDM and carrying charges - natural gas	2,915	4,511	-
Energy efficiency programs and carrying charges	29,412	28,829	22,603
Demand management programs and carrying charges	7,048	7,359	8,589
Deferred and accrued costs - SIR (Note 13) and carrying charges	68,568	71,436	73,831
Deferred storm costs and carrying charges	57,113	41,846	40,648
Deferred vacation pay accrual	11,879	9,010	11,203
Income taxes recoverable through future rates	44,196	42,704	25,085
Tax reform - unprotected impacts (Note 5)	23,733	23,733	23,733
Lost finance charge revenue and carrying charges	4,280	2,746	1,475 ⁽²⁾
AMP and carrying charges	24,318	3,102	-
Uncollectible write-offs and carrying charges	3,551 ⁽³⁾	4,130	-
Other	12,001 ⁽¹⁾	11,323 ⁽¹⁾	9,322 ⁽¹⁾⁽²⁾
Total Regulatory Assets	\$ 376,938	\$ 352,049	\$ 267,700
Less: Current Portion of Regulatory Assets	\$ 119,466	\$ 125,980	\$ 76,204
Total Long-term Regulatory Assets	\$ 257,472	\$ 226,069	\$ 191,496
Regulatory Liabilities:			
Rate moderator - electric and carrying charges	\$ 14,102	\$ 16,376	\$ 20,315
Rate moderator - natural gas and carrying charges	7,349	8,739	9,863
CEF and carrying charges	49,651	49,027	50,059
Tax reform - protected deferred tax liability (Note 5)	177,914	176,075	179,020
Deferred cost of removal (Note 3)	48,932	47,357	44,693
Deferred pension costs (Note 11)	72,825	74,898	91,302
Deferred property taxes and carrying charges	8,164	2,109 ⁽²⁾	3,361
Income taxes refundable through future rates	10,225	10,711	7,357
Deferred OPEB costs (Note 11)	23,106	24,652	29,944
Energy affordability program and carrying charges	4,824	4,428	5,606

Notes to Quarterly Condensed Financial Statements (UNAUDITED)

Net plant and depreciation targets	1,031	764 ⁽²⁾	371
Fast charging infrastructure program and carrying charges	5,582	5,516	5,525
NRAs	5,751	2,597	2,091
Deferred unbilled revenue	5,082	5,082	5,082
Utility asset sale to Transco and carrying charges	4,402	4,338	-
Other	2,465 ⁽¹⁾	4,669 ⁽¹⁾⁽²⁾	6,530 ⁽¹⁾
Total Regulatory Liabilities	\$ 441,405	\$ 437,338	\$ 461,119
Less: Current Portion of Regulatory Liabilities	\$ 78,438	\$ 75,053	\$ 62,261
Total Long-term Regulatory Liabilities	\$ 362,967	\$ 362,285	\$ 398,858
Net Regulatory Liabilities	\$ (64,467)	\$ (85,289)	\$ (193,419)

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

(2) Certain amounts included in Other related to prior periods, have been reclassified to conform to the March 31, 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 traditional utility purposes and up to \$33.7 million to refinance its variable interest debt.

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 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 ("LSEs") 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 is expected to be filed with FERC on May 15, 2023 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. On February 21, 2023, Central Hudson filed its certification of eligible arrears amounts, estimating approximately \$22.7 million in total credits which will be collected via surcharge over a seven-year period.

Customer Information System (“CIS”) Show Cause Order

During the March 2022 PSC session, the PSC directed the 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 (“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, 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 to 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 to enter 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.

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

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

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

	CH Energy Group		Central Hudson	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Unrecognized tax benefits balance, beginning of the period	\$ 10,538	\$ 10,641	\$ 10,538	\$ 10,641
Additions related to the current year	300	158	300	158
Decreases related to the prior year	(2,061)	-	(2,061)	-
Unrecognized tax benefits balance, end of the period	8,777	10,799	8,777	10,799
Offset per ASU No. 2013-11 ⁽¹⁾	(8,777)	(10,799)	(8,777)	(10,799)
Tax Reserve Balance, End of the Period	\$ -	\$ -	\$ -	\$ -

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

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 effective for tax years beginning after December 31, 2022. During the first quarter of 2023, CH Energy Group made a payment of \$2.7M 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 March 31, 2022, the liability for the deferred payment of the employer's portion of Social Security tax on payroll was \$2.6 million reflected in "Other current liabilities" in the CH Energy Group and Central Hudson Balance Sheets, which was paid in December 2022.

New York State 2022 Budget Bill

On April 6, 2021, the New York State fiscal year 2022 budget bill was enacted. The budget bill included an increase in the corporate tax rate for businesses with taxable income over \$5 million from 6.5% to 7.25% for tax years beginning on or after January 1, 2021, and before January 1, 2024, and extended the capital base tax, which was set to phase out in 2021. For tax years beginning on or after January 1, 2021, and before January 1, 2024, the business capital tax rate would be 0.1875% and would phase out for tax years beginning on and after January 1, 2024. CH Energy Group and Central Hudson 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 both the three months ended March 31, 2023 and 2022, Central Hudson recorded \$0.5 million of capital base tax. 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 March 31,	
	2023	2022
Effective tax rate - federal	16.5%	15.0%
Effective tax rate - state	5.8%	5.9%
Effective Tax Rate - Combined	22.3%	20.9%

Central Hudson

	Three Months Ended March 31,	
	2023	2022
Effective tax rate - federal	16.3%	14.9%
Effective tax rate - state	5.8%	5.8%
Effective Tax Rate - Combined	22.1%	20.7%

For the three months ended March 31, 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 tax normalization rules and the timing of flow through tax items.

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 March 31, 2023, CHET has made capital contributions of \$19.9 million to Transco to fund a portion of the Segment B project costs plus interconnection costs. At March 31, 2023, December 31, 2022, and March 31, 2022 CHET's investment in Transco was approximately \$27.1 million, \$23.5 million, and \$16.5 million, respectively.

During the first quarter of 2022, CHEC received a final distribution from one of its remaining investments following termination of the partnership and as such, 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 March 31, 2023 and 2022 were \$1.0 million and \$1.1 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 March 31, 2023, Central Hudson was in compliance with all financial debt covenants.

Uncommitted Credit

At March 31, 2023, CH Energy Group and Central Hudson had \$10 million and \$45 million, respectively, in uncommitted short-term credit arrangements with three commercial banks totaling \$55 million.

At December 31, 2022, CH Energy Group and Central Hudson had \$10 million and \$60 million, respectively, in uncommitted short-term credit arrangements with four commercial banks totaling \$70 million.

At March 31, 2022, Central Hudson had uncommitted short-term credit arrangements with two commercial banks totaling \$30 million.

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		
	March 31, 2023	December 31, 2022	March 31, 2022	March 31, 2023	December 31, 2022	March 31, 2022
Committed credit	\$ 30,000	\$ 90,000	\$ 90,000	\$ 30,000	\$ 90,000	\$ 90,000
Uncommitted credit	-	15,000	-	-	15,000	-
Total	\$ 30,000	\$ 105,000	\$ 90,000	\$ 30,000	\$ 105,000	\$ 90,000
Weighted Average Interest Rate	5.71%	5.17%	1.29%	5.71%	5.17%	1.29%

NOTE 9 – Capitalization – Common and Preferred Stock

Capitalization

During the first quarter of 2023, CH Energy Group received a capital contribution of \$67.5 million from FortisUS and Central Hudson received a capital contribution of \$60.0 million from its parent CH Energy Group. Additionally, during the three months ended March 31, 2023, CHET received capital contribution of \$2.2 million from its parent CH Energy Group in order to fund capital expenditures related to the Transco AC Project.

During the first quarter of 2022, CH Energy Group received a capital contribution of approximately \$29.3 million from its parent FortisUS and Central Hudson received a capital contribution of \$21.0 million from its parent CH Energy Group. Additionally, during the three months ended March 31, 2022, CHET received a capital contribution of \$1.3 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 \$71.8 million and \$71.0 million in dividends to CH Energy Group for the periods ended March 31, 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 in the first quarter of 2023 and 2022.

Preferred Stock

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

NOTE 10 – Capitalization – Long-Term Debt

As of March 31, 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 March 31, 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 \$0.1 million during the three months ended March 31, 2023. There was no payout on this interest rate cap during the three months ended March 31, 2022.

The principal amount of Central Hudson's outstanding 1999 Series B NYSERDA Bonds totaled \$33.7 million at March 31, 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 months ended March 31, 2023. There was no payout on this interest rate cap during the three months ended March 31, 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 March 31,		Three Months Ended March 31,	
	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>

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

	March 31, 2023 ⁽¹⁾⁽²⁾	December 31, 2022 ⁽¹⁾⁽²⁾	March 31, 2022 ⁽¹⁾⁽²⁾
Prefunded pension costs	\$ 58,695	\$ 57,769	\$ 70,211

- (1) Includes approximately \$0.2 million at March 31, 2023, December 31, 2022, and March 31, 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 \$1.6 million at March 31, 2023 and December 31, 2022 and \$1.5 million at March 31, 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 \$29.8 million, \$39.7 million, and \$40.2 million of SERP trust assets at March 31, 2023, December 31, 2022, and March 31, 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):

	March 31, 2023 ⁽¹⁾⁽²⁾	December 31, 2022 ⁽¹⁾⁽²⁾	March 31, 2022 ⁽¹⁾⁽²⁾
Accrued pension costs prior to funding status adjustment	\$ (6,136)	\$ (9,559)	\$ (21,940)
Funding status adjustment required	64,831	67,328	92,151
Prefunded Pension Costs	<u>\$ 58,695</u>	<u>\$ 57,769</u>	<u>\$ 70,211</u>
Offset to Funding Status Adjustment - Regulatory Liability - Pension Plan	<u>\$ (64,611)</u>	<u>\$ (67,109)</u>	<u>\$ (92,122)</u>
Offset to Funding Status Adjustment - Accumulated OCI, Net of Tax of (\$62), (\$61) and (\$9), respectively	<u>\$ (159)</u>	<u>\$ (158)</u>	<u>\$ (20)</u>

Notes to Quarterly Condensed Financial Statements (UNAUDITED)

- (1) Includes approximately \$0.2 million at March 31, 2023 December 31, 2022, and March 31, 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 \$1.6 million at March 31, 2023 and December 31, 2022 and \$1.5 million at March 31, 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 March 31,	
	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 withdrawal \$9.5 million of the excess funds above the required funding level in the first quarter 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 March 31, 2023 and 2022 were \$1.5 million, respectively. Central Hudson also provides an additional contribution of 4% to the 401(k) plan of annualized base salary for eligible employees who do not qualify for Central Hudson’s Retirement Income Plan. The additional non-discretionary contribution was approximately \$0.9 million and \$0.7 million for the three months ended March 31, 2023 and 2022, 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. The first quarter of 2023 includes \$1.0 million contribution and is expected to be approximately \$0.3 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	22,090	-	-
2023 SUP	January 1, 2023	\$ 40.35	-	-	43,327	44,180
2022 RSUP ⁽³⁾	January 1, 2022	\$ 48.18	12,781	12,512	-	-
2022 SUP	January 1, 2022	\$ 48.18	-	-	25,562	26,800
2021 RSUP ⁽³⁾	January 1, 2021	\$ 41.12	14,249	14,522	-	-
2021 SUP	January 1, 2021	\$ 41.12	-	-	28,497	31,021
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 March 31, 2023.

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

Compensation Expense

	Three Months Ended March 31,	
	2023	2022
CH Energy Group	\$ 2,120	\$ 1,562
Central Hudson	\$ 2,120	\$ 1,562

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 a 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 has satisfied Tier 1 REC obligations from Value Stack offset through December 2022. At March 31, 2023, the forward Tier 1

obligations for Central Hudson full-service customers are estimated to be approximately \$4.6 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 March 31, 2024 is approximately \$10 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. In January 2023, Central Hudson made an immaterial contribution to the 401(h) Plan to fund the management OPEB liabilities, in accordance with Central Hudson's OPEB policy and strategy. Actual contributions for 2023 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 withdrawal \$9.5 million of the excess funding in the first quarter 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 March 31, 2023, the amount of the outstanding parental guarantee was \$54.3 million. CHET's investment in Transco was approximately \$27.1 million at March 31, 2023 and CH Energy Group is currently not aware of any existing condition that would require any payments under this guarantee.

Contingencies

Environmental Matters

Central Hudson accrues for remediation costs based on the amounts that can be reasonably estimated at a point in time. At March 31, 2023, Central Hudson has accrued \$73.6 million with respect to all SIR activities, including operation, maintenance, and monitoring costs (“OM&M”), of which \$4.0 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 March 31, 2023	Estimated spend in the next twelve months
Investigation	Little Britain Road	\$ 2.1	\$ 0.1
Remedial alternatives analysis		-	-
Remedial design		-	-
Remediation	North Water Street	67.5	3.8
Post-remediation monitoring	Newburgh Areas A, B & C, Laurel Street, Catskill, Kingston, and Eltings Corners	4.0	0.1
No action required	Beacon and Bayeaux Street	-	-
Total		\$ 73.6	\$ 4.0

There were no significant updates during the three months ended March 31, 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 will be 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 March 31, 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 March 31, 2023, for this site of \$67.5 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 March 31, 2023, for the next 12 months of approximately \$3.8 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 \$5.7 million recovered through March 31, 2023.
- There was no spending related to site investigation and remediation for the three months ended March 31, 2023 and \$0.3 million for the comparable period in 2022.
- The regulatory asset balance as of March 31, 2023, December 31, 2022, and March 31, 2022 was \$68.6 million, \$71.4 million, and \$73.8 million, respectively, which represents the cumulative difference between amounts spent or currently accrued as a liability and the amounts recovered to date through rates or insurance recoveries.

Central Hudson has put its insurers on notice and intends to seek reimbursement from its insurers for its costs. Certain insurers have denied coverage. There were no insurance recoveries during the three months ended March 31, 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 March 31, 2023, of the 3,387 asbestos cases brought against Central Hudson, 1,164 remain pending. Of the cases no longer pending against Central Hudson, 2,059 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 March 31, 2023				
	Segments		Other		Total
	Central Hudson		Businesses and Investments		
	Electric	Natural Gas		Eliminations	
Revenues from external customers	\$ 228,594	\$ 98,774	\$ -	\$ -	\$ 327,368
Intersegment revenues	14	258	-	(272)	-
Total operating revenues	228,608	99,032	-	(272)	327,368
Income before income taxes	10,025	19,456	793	-	30,274
Net Income Attributable to CH Energy Group	\$ 8,512	\$ 14,453	\$ 554	\$ -	\$ 23,519
Segment Assets at March 31, 2023	\$ 2,466,283	\$ 933,142	\$ 33,816	\$ (3,449)	\$ 3,429,792

CH Energy Group Segment Disclosure

(In Thousands)

	Three Months Ended March 31, 2022				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	\$ 205,995	\$ 91,568	\$ -	\$ -	\$ 297,563
Intersegment revenues	15	544	-	(559)	-
Total operating revenues	206,010	92,112	-	(559)	297,563
Income before income taxes	8,380	23,515	457	-	32,352
Net Income Attributable to CH Energy Group	\$ 7,719	\$ 17,571	\$ 286	\$ -	\$ 25,576
Segment Assets at March 31, 2022	\$ 2,257,117	\$ 851,859	\$ 28,996	\$ (1,762)	\$ 3,136,210

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 March 31, 2023 are as follows:

Central Hudson	% of Requirement Hedged ⁽¹⁾
Electric Derivative Contracts:	0.1 million MWh
June 2023 – August 2023	16.5%
Natural Gas Derivative Contracts:	0.3 million Dth
November 2023 – December 2023	5.1%
January 2024 – March 2024	3.8%

(1) Projected coverage as of March 31, 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 March 31, 2023, there were five open contracts with credit risk contingent features in a liability position and, if the contingent features were triggered, \$11.7 million would be required to settle these instruments.

Derivative Contracts

CH Energy Group and Central Hudson have elected gross presentation for their derivative contracts under master netting agreements and collateral positions. On March 31, 2023, December 31, 2022, and March 31, 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 March 31, 2023 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ 315</u>	<u>\$ 315</u>	<u>\$ -</u>	<u>\$ -</u>
As of March 31, 2022 ⁽¹⁾						
Derivative Contracts:						

Notes to Quarterly Condensed Financial Statements (UNAUDITED)

Central Hudson - electric	\$ 385	\$ -	\$ 385	\$ 385	\$ -	\$ -
Central Hudson - natural gas	116	-	116	-	-	116
Total CH Energy Group and Central Hudson Assets	<u>\$ 501</u>	<u>\$ -</u>	<u>\$ 501</u>	<u>\$ 385</u>	<u>\$ -</u>	<u>\$ 116</u>

(1) Interest rate cap agreements are not shown in the above chart. As of March 31, 2023, the fair value was \$0.6 million. At December 31, 2022, and March 31, 2022, the fair value was \$0.

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
				Financial Instruments	Cash Collateral Received	Net Amount
As of March 31, 2023 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 11,683	\$ -	\$ 11,683	\$ -	\$ -	\$ 11,683
Central Hudson - natural gas	5	-	5	-	-	5
Total CH Energy Group and Central Hudson Liabilities	<u>\$ 11,688</u>	<u>\$ -</u>	<u>\$ 11,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,688</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 March 31, 2022 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 883	\$ -	\$ 883	\$ 385	\$ -	\$ 498
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ 883</u>	<u>\$ 385</u>	<u>\$ -</u>	<u>\$ 498</u>

(1) Interest rate cap agreements are not shown in the above chart. As of March 31, 2023, December 31, 2022, and March 31, 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 March 31, 2023, December 31, 2022, and March 31, 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 March 31, 2023⁽¹⁾				
Assets:				
Derivative Contracts:				
Central Hudson - electric	\$ -	\$ -	\$ -	\$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Assets	\$ -	\$ -	\$ -	\$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	\$ 11,683	\$ 11,683	\$ -	\$ -
Central Hudson - natural gas	5	-	5	-
Total CH Energy Group and Central Hudson Liabilities	\$ 11,688	\$ 11,683	\$ 5	\$ -
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 March 31, 2022⁽¹⁾				
Assets:				
Derivative Contracts:				
Central Hudson - electric	\$ 385	\$ -	\$ 385	\$ -
Central Hudson - natural gas	116	116	-	-
Total CH Energy Group and Central Hudson Assets	\$ 501	\$ 116	\$ 385	\$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	\$ 883	\$ -	\$ 883	\$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	\$ 883	\$ -	\$ 883	\$ -

(1) Interest rate cap agreements are not shown in the above chart. These are classified as Level 2 in the fair value hierarchy using SIFMA Municipal Swap Curves and 3-month US Dollar LIBOR rate forward curves. As of March 31, 2023, December 31, 2022, and March 31, 2022 the fair value was \$0.6 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 months ended March 31, 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 Statements of Income		Location of Gain (Loss)
	Three Months Ended March 31,		
	2023	2022	
Central Hudson:			
Electricity swap contracts	\$ (43,071)	\$ 12,310	Deferred purchased electric costs ⁽¹⁾
Natural gas swap contracts	(933)	493	Deferred purchased natural gas costs ⁽¹⁾
Total CH Energy Group and Central Hudson	\$ (44,004)	\$ 12,803	

(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 as of March 31, 2023.

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. In 2020, Central Hudson entered into premium based weather options for the periods of December 1, 2020 through March 31, 2021. The aggregate limit per contract was \$5 million. Premiums paid were amortized to purchased electricity over the term of the agreements. The payout earned of \$0.6 million was recorded as a reduction to purchased electricity in the Statements of Income in the periods earned.

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 as of March 31, 2023.

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. In 2020, Central Hudson entered into premium based weather options for the periods of December 1, 2020 through March 31, 2021. The aggregate limit per contract was \$5 million. Premiums paid were amortized to purchased natural gas over the term of the agreements. The payout earned of \$0.1 million was recorded as a reduction to purchased natural gas in the Statements of Income in the periods earned.

NOTE 16 – Other Fair Value Measurements

Other Assets Recorded at Fair Value

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2023:				
Other Investments	\$ 11,043	\$ 11,043	\$ -	\$ -
As of December 31, 2022:				
Other Investments	\$ 20,645	\$ 20,645	\$ -	\$ -
As of March 31, 2022:				
Other Investments	\$ 21,615	\$ 21,615	\$ -	\$ -

As of March 31, 2023, December 31, 2022, and March 31, 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 March 31, 2023, December 31, 2022, and March 31, 2022 the total cash surrender value of trust-owned life insurance held by these trusts was approximately \$33.6 million, \$33.5 million, and \$34.8 million, respectively. The change in the cash surrender value is reported in “Other – net” income in the CH Energy Group’s and Central Hudson’s Income Statements.

Other Fair Value Disclosure

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

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

Cash and Cash Equivalents: Carrying amount.

Short-Term Borrowings: Carrying amount.

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

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

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

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

CH Energy Group

	March 31, 2023		December 31, 2022		March 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	\$ 1,152,446	\$ 1,024,671	\$ 1,062,446	\$ 896,255	\$ 977,810	\$ 986,389
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	\$ 1,216,146	\$ 1,088,371	\$ 1,126,146	\$ 959,955	\$ 1,041,510	\$ 1,050,089
Estimated effective interest rate		4.31%		4.17%		3.75%

Central Hudson

	March 31, 2023		December 31, 2022		March 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	\$ 1,145,700	\$ 1,017,877	\$ 1,055,700	\$ 889,524	\$ 969,100	\$ 977,275
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	\$ 1,209,400	\$ 1,081,577	\$ 1,119,400	\$ 953,224	\$ 1,032,800	\$ 1,040,975
Estimated effective interest rate		4.30%		4.15%		3.72%

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 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	
	March 31, 2023	March 31, 2022
CH Energy Group (Thompson Hine LLP)	\$ 686	\$ 485
Central Hudson (Thompson Hine LLP)	\$ 680	\$ 476

Central Hudson (LaBella) ⁽¹⁾	\$	-	\$	108
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(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):

	March 31, 2023	December 31, 2022	March 31, 2022
	Fortis	Fortis	Fortis
CH Energy Group ⁽¹⁾			
Accounts Receivable	\$ 779	\$ 441	\$ 86
Accounts Payable	\$ -	\$ 624	\$ -

	March 31, 2023			December 31, 2022			March 31, 2022		
Central Hudson ⁽¹⁾⁽²⁾	CH Energy Group	Fortis	Other Affiliates	CH Energy Group	Fortis	Other Affiliates	CH Energy Group	Fortis	Other Affiliates
Accounts Receivable	\$ 1,873	\$ 30	\$ 78	\$ 10	\$ 183	\$ 195	\$ 15	\$ 6	\$ 5
Accounts Payable	\$ 1,548	\$ -	\$ -	\$ 1,365	\$ -	\$ -	\$ 1,714	\$ -	\$ -

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

⁽²⁾ Other Affiliates amounts include CHEC, CHET, and Transco.

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

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	CH Energy Group	Fortis ⁽¹⁾	CH Energy Group	Fortis ⁽¹⁾
CH Energy Group	\$ -	\$ 1,566	\$ -	\$ 1,563
Central Hudson	\$ 1,687	\$ -	\$ 1,667	\$ -

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

NOTE 18 – Subsequent Events

An evaluation of subsequent events was completed through May 2, 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 March 31, 2023.

On April 3, 2023, the Transco Board of Managers gave notice to CHET that it will be required to make a \$2.2 million capital contribution to Transco during the second quarter of 2023 to fund capital expenditures related to the Transco AC Project.

On April 14, 2023, the IRS issued Revenue Procedure 2023-15, which provides a safe harbor method of accounting that taxpayers may use to determine whether expenses to repair, maintain, replace, or improve natural gas transmission and distribution property must be capitalized for tax purposes. Management is still assessing the impact the adoption of this ruling will have on CH Energy Group and its subsidiaries' earnings, financial position, cash flows, or financial disclosures.

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS

For the Three Months Ended March 31, 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 6.1% 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 \$320 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 requirement of

this cost as a 6.1% owner of this project in Transco is expected to be \$19.4 million. At March 31, 2023, CHET's investment in Transco was approximately \$27.1 million.

In November 2018, the Transco limited liability company agreement was amended to allow Transco to pursue additional projects that might result from future NYISO Public Policy Transmission Planning Processes. In response to a Long Island Offshore Wind Export Public Policy Transmission Need Project Solicitation issued by the NYISO on August 12, 2021, Transco, partnering with the New York Power Authority ("NYPA"), submitted to NYISO on October 11, 2021, four separate proposed solutions to upgrade existing transmission facilities on Long Island to accommodate 3,000 MWs of anticipated offshore wind generated electricity while also proposing three alternative expansion solutions. Three unrelated developers proposed 12 other solutions. NYISO's response to the solicitation proposals, including the Transco-NYPA proposals, is expected to be issued in the second quarter of 2023. In the event that a Transco-NYPA proposal is accepted by NYISO, CHET would own and fund the equity investment associated with Transco's portion of the project.

Central Hudson 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 into Central Hudson's operations and reduction of carbon emissions are aligned with and support New York State's Climate Leadership and Community Protection Act ("CLCPA"). The CLCPA has mandated an 85% greenhouse gas ("GHG") emissions reduction from 1990 levels by 2050. In addition, we continue to seek opportunities to update and modernize our operations as we adapt to an evolving clean energy landscape while building towards a more sustainable future. At Central Hudson, these efforts take place in a broader context of a heightened focus on Environment, Social, and Governance ("ESG") factors. We believe that the transparent management of ESG performance and related goals are important for our stakeholders to understand the path we are taking towards our sustainability goals and for Central Hudson to provide assurance around the integrity of the broader operating environment in which those targets are being pursued. Strong ESG performance is expected to yield 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 March 31

	Year to Date		
	2023	2022	Change
Electricity Sales (GWh) ⁽¹⁾	1,267	1,256	11
Natural Gas Sales (PJ) ⁽²⁾	8.6	10.0	(1.4)
<i>(In Millions)</i>			
Revenues	\$ 327.4	\$ 297.6	\$ 29.8
Energy supply costs - matched to revenues	153.6	129.0	24.6
Operating expenses - matched to revenues	26.2	30.0	(3.8)
Operating expenses - other	93.3	87.8	5.5
Depreciation and amortization	20.8	20.2	0.6
Other income, net	9.1	11.1	(2.0)
Interest charges	13.0	9.8	3.2
Income taxes	6.5	6.6	(0.1)
Net Income	\$ <u>23.0</u>	\$ <u>25.3</u>	\$ <u>(2.3)</u>

(1) GigaWatt hours ("GWh")

(2) Petajoule ("PJ")

Earnings: The year over year earning's growth on additional capital invested in rate base as provided through delivery rates was more than offset in the first quarter of 2023 by certain operating expenses, as well as finance costs incurred above amounts provided for in rates. 2023 earnings were also negatively impacted by a higher level of negative revenue adjustments ("NRAs") resulting from customer service levels below PSC prescribed targets and by higher credits provided to customers. Central Hudson has made significant progress related to on-going stabilization and optimization efforts associated with its CIS. Operating expenses in the first quarter of 2023 as compared to 2022, reflects reduced external customer service and information technology ("IT") consultants associated with stabilization efforts of its new CIS; however, this was offset by other operating expenses above amounts provided for in rates, including labor and related benefits.

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 in the first quarter of 2023 were comparable to those in the same period in 2022.

Natural Gas Sales

Natural gas sales were lower quarter over quarter due to milder winter weather in 2023 when compared to the prior period. Lower sales to residential and commercial customers were partially offset by higher sales to interruptible customers and higher sales for resale.

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

Other Income, net: The decrease in other income quarter over quarter 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 over quarter increase in interest charges is primarily due to higher interest rates, long-term debt, and short-term borrowing balances to support elevated levels of working capital, as discussed above.

Income Taxes: The decrease in income taxes quarter over quarter is due to the lower book income before taxes, partially offset by the timing of flow through tax items.

Central Hudson Revenues - Electric

Period Ended March 31

(In Millions)

	Year to Date		
	2023	2022	Change
Revenues with Matching Expense Offsets:⁽¹⁾			
Recovery of commodity purchases	\$ 105.0	\$ 82.3	\$ 22.7
Sales to others for resale	2.3	9.1	(6.8)
Other revenues with matching offsets	18.3	18.6	(0.3)

<i>Subtotal</i>	125.6	110.0	15.6
Revenues Impacting Earnings:			
Customer sales	101.5	98.9	2.6
Revenue decoupling mechanism (“RDM”) and other regulatory mechanisms	2.7	(4.8)	7.5
Incentives earned	0.3	0.3	-
Customer credits	(1.3)	-	(1.3)
NRA	(2.3)	(1.9)	(0.4)
Other revenues	2.1	3.5	(1.4)
<i>Subtotal</i>	103.0	96.0	7.0
Total Electric Revenues	\$ 228.6	\$ 206.0	\$ 22.6

- (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 March 31

(In Millions)

	Year to Date		
	2023	2022	Change
Revenues with Matching Expense Offsets:⁽¹⁾			
Recovery of commodity purchases	\$ 37.7	\$ 31.5	\$ 6.2
Sales to others for resale	8.5	6.0	2.5
Other revenues with matching offsets	1.3	1.7	(0.4)
<i>Subtotal</i>	47.5	39.2	8.3
Revenues Impacting Earnings:			
Customer sales	46.3	54.7	(8.4)
RDM and other regulatory mechanisms	4.3	(3.2)	7.5
Incentives earned	0.1	(0.1)	0.2
Customer credits	(0.1)	-	(0.1)
NRA	(1.2)	(1.0)	(0.2)
Other revenues	1.9	2.0	(0.1)
<i>Subtotal</i>	51.3	52.4	(1.1)
Total Natural Gas Revenues	\$ 98.8	\$ 91.6	\$ 7.2

- (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 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 and Natural Gas Revenues:

The quarter over quarter increase in both electric and natural gas revenues is primarily due to increased commodity prices, which are recovered from customers and the increase in delivery rates

approved by the PSC effective July 1, 2022. The increase in natural gas revenues was also impacted by higher sales for resale in 2023. Partially offsetting these increases are higher NRAs for 2023 related to customer service levels below the PSC prescribed target and higher quarter over quarter credits provided to customers.

Central Hudson Operating Expenses

Period Ended March 31

(In Millions)

	Year to Date		
	2023	2022	Change
Expenses Currently Matched to Revenues:⁽¹⁾			
Purchased electricity	\$ 107.3	\$ 91.4	\$ 15.9
Purchased natural gas	46.4	37.6	8.8
Pension & OPEB	1.5	6.0	(4.5)
New York State energy efficiency programs	11.7	11.2	0.5
Major storm reserve	4.8	4.7	0.1
Energy affordability programs	3.1	3.0	0.1
Other matched expenses	5.0	5.1	(0.1)
<i>Subtotal</i>	179.8	159.0	20.8
Other Operating Expenses:			
Depreciation and amortization	20.8	20.2	0.6
Property and school taxes ⁽²⁾	20.7	19.0	1.7
Uncollectible expense	2.7	1.1	1.6
Tree trimming	7.8	6.0	1.8
Weather related service restoration	1.6	2.6	(1.0)
Customer service expense	2.1	3.5	(1.4)
IT	6.1	7.6	(1.5)
Labor and related benefits	29.6	27.0	2.6
Other expenses	22.7	21.0	1.7
<i>Subtotal</i>	114.1	108.0	6.1
Total Operating Expenses	<u>\$ 293.9</u>	<u>\$ 267.0</u>	<u>\$ 26.9</u>

(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:

The quarter over quarter increase in operating expenses was primarily the result of higher commodity costs for both electric and natural gas. 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 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 as well as finance costs incurred above amounts provided in rates. These increases were partially offset by lower weather-related restoration costs due to milder winter weather in 2023. The reduction in external customer service and IT consultants associated with CIS stabilization efforts in the first quarter of 2023 compared to the prior year was offset by higher labor and related benefits.

Financial Position

CH Energy Group – Regulated – Central Hudson Significant Changes in the Balance Sheets For the three months ended March 31, 2023

(In Millions)

Balance Sheet Account	Increase (Decrease)	Explanation
Accounts receivable, net of allowance for uncollectible accounts	30.2	Increase is primarily due to the suspension of collection efforts, which impacted customers' payment behavior and increased electric and natural gas commodity prices during the winter season, partially offset by credits related to the Phase 2 Arrears Management Program ("AMP").
Regulatory assets - current	(6.5)	Decrease is primarily driven by higher recovery of previously deferred natural gas commodity cost when compared to cost incurred along with lower unrealized mark-to-market losses when compared to prior year end. Partially offsetting these decreases are increases in the vacation accruals for the quarter coupled with an increase in the current portion of AMP, which will be recovered via surcharge in the next twelve months.
Regulatory assets - long term	31.4	Increase is primarily related to higher deferral for AMP credits, which will be recovered through a surcharge from 2024-2030, higher commodity costs, and higher major storm restoration costs in excess of the rate allowance. Partially offsetting these increases are environmental costs collected in rates in excess of costs incurred.
Other investments	(9.5)	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	(75.0)	Decrease is related to the repayment of short-term borrowings outstanding at prior year-end.
Accounts payable	(14.2)	Decrease is primarily related the payment of invoices that were previously outstanding associated with purchased natural gas and electric commodity costs as well as energy efficiency programs, partially offset by storm restoration costs and higher engineering costs associated with construction.
Accumulated deferred income taxes	7.2	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 March 31

(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	23.0	25.8
Working capital	(32.8)	(62.9)
Operating activities	(9.8)	(37.1)
Investing activities	(50.9)	(51.1)
Financing activities	82.0	121.7
Cash, Cash Equivalents and Restricted Cash - End of Period	<u>\$ 26.3</u>	<u>\$ 51.6</u>

Operating Activities: Cash from operations pre-working capital in the first quarter of 2023 was consistent with 2022. Higher working capital needs continue to cause a drag on cash from operations; however, there was an improvement in the first quarter of 2023 as compared to prior year. Accounts

receivable balances increased in the first quarter, but not as significantly as in the prior year due to the credits provided from AMP. This increase was partially offset by the timing of payments related to higher electric energy and natural gas commodity costs in the first quarter of 2023 as compared to 2022 and higher operating costs above amounts provided for in rates.

Investing Activities: Central Hudson's capital expenditures were higher during the first quarter of 2023 as compared to 2022 due to continued strengthening of existing electrical and natural gas infrastructure, resiliency and automation of distribution systems, investments in cybersecurity, and new common facilities. Projected capital spending is estimated to be approximately \$280 million for the year ended December 31, 2023, compared to the actual 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 the first quarter of 2023 was lower than the first quarter of 2022 primarily related to higher repayments of short-term debt and lower proceeds from Senior Notes issued, 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, have resulted in a significant increase in working capital in 2022, which continued in first quarter of 2023. Central Hudson has begun collection efforts for certain customers with large arrears balances. Continued and expansion of collection efforts are expected to provide visibility into the 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. Short-term debt will be used to supplement liquidity until customer payment behaviors and commodity prices stabilize.

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 regional banking partners remain stable in their credit rating profiles and 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 also has credit with a few regional

banks. In light of the recent bank failures, 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. While market turmoil has subsided somewhat, there continues to be volatility and uncertainty in the sector, particularly with regards to fear and runs on regional banks.

Central Hudson has not experienced any issues with accessing capital markets, having successfully secured new financing in recent years, as well as 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 traditional utility purposes and \$33.7 million to refinance its variable interest 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 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. Borrowings 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 credit facility is subject to certain covenants and certain restrictions and conditions, as well as Central Hudson is required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's ("S&P") or Moody's rating on the average daily unused portion of the credit facility.

At March 31, 2023, there were \$30 million in borrowings outstanding under Central Hudson's committed credit arrangements. At December 31, 2022, there were \$90 million in borrowings outstanding under Central Hudson's committed credit arrangements.

Uncommitted Credit

At March 31, 2023, CH Energy Group had an uncommitted short-term credit arrangement with one commercial bank totaling \$10 million and Central Hudson had uncommitted short-term credit arrangements with two commercial banks totaling \$45 million. There were no outstanding borrowings under CH Energy Group or Central Hudson's uncommitted credit agreements at March 31, 2023. At December 31, 2022, CH Energy Group and Central Hudson had \$10 million and \$60 million respectively, in uncommitted short-term credit arrangements with four commercial banks, with outstanding borrowings of \$15 million under Central Hudson's uncommitted credit agreements.

Central Hudson's Bond Ratings

	March 31, 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 March 2, 2023, S&P affirmed its rating (BBB+) and stable outlook of Central Hudson's senior unsecured debt.

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.

On September 22, 2021, Moody's downgraded Central Hudson's senior unsecured credit rating from A3 with a negative outlook to Baa1 with a stable outlook. 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.

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.

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

CH Energy Group

	March 31, 2023		December 31, 2022	
	\$	%	\$	%
Long-term debt ⁽¹⁾	1,216.1	50.5	1,126.1	48.9
Short-term debt	30.0	1.1	105.0	4.5
Common equity	1,164.0	48.3	1,073.0	46.6
Total	<u>\$ 2,410.1</u>	<u>100.0</u>	<u>\$ 2,304.1</u>	<u>100.0</u>

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

Central Hudson

	March 31, 2023		December 31, 2022	
		%		%
Long-term Debt ⁽¹⁾	\$ 1,209.4	50.8	\$ 1,119.4	49.1
Short-term Debt	30.0	1.3	105.0	4.6
Common Equity	1,139.4	47.9	1,056.4	46.3
Total	<u>\$ 2,378.8</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 continued 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 three months ended March 31, 2023.

Critical Accounting Estimates: There were no material changes to CH Energy Group's or Central Hudson's critical accounting estimates during the three months ended March 31, 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 three months ended March 31, 2023.

Business Outlook

There were 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 three months ended March 31, 2023.

Regulatory Proceedings

There were 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.

2021 Rate Order

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

The 2021 Rate Order provides electric delivery revenue (decreases)/increases of (\$3.1) million, \$19.5 million, and \$20.7 million in RY1, RY2, and RY3, respectively, and natural gas delivery revenue increases of \$4.7 million, \$6.3 million, and \$6.4 million in RY1, RY2, and RY3, respectively. The 2021 Rate Order also provides electric bill credits of (\$2.0) million in RY1, \$9.5 million in RY2, and \$21.5 million in RY3; and gas bill credits of \$0.8 million in RY1, \$3.2 million in RY2, and \$5.6 million in RY3.

The Company's electric and natural gas revenue requirements reflect a common equity ratio of 50% for RY1, 49% for RY2 and 48% for RY3, and a ROE of 9.0%. Earnings above 9.5% and up to 10.0% will be shared 50% / 50% between the shareholder and ratepayers. Earnings above 10.0% and up to 10.5% will be shared 25% / 75% between the shareholder and ratepayers. Earnings above 10.5% will be shared 10% / 90% between the shareholder and ratepayers.

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

The 2021 Rate Order:

- establishes the Company's future energy infrastructure investments, programs, and operations;
- stabilizes electric delivery rates in the first year with a slight decrease for residential customers;
- reflects modest increases in gas delivery rates producing bill impacts just under two percent each RY;
- includes increased electric bill discounts for income qualified households and expanded access into Central Hudson's Energy Affordability Program;
- reflects investments in clean energy efficiency ground and air-source electric heat pumps, electric vehicle charging, and system upgrades that support utilization of renewable sources;
- implements ten Earnings Adjustment Mechanisms, 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 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 PSC approved the Company's request under Section 69 of the Public Service Law, authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed \$250 million; and approval to issue and sell new long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed \$445.7 million, including \$412 million for traditional utility purposes and up to \$33.7 million to refinance its variable interest debt. Central Hudson filed a letter indicating its unconditional acceptance of the November 18, 2021, Order on December 6, 2021.

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 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.

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.

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, but did not result in a material adjustment to Central Hudson’s financial statements. Remediation of these billing issues has been a top priority across the Company. The amounts that were not billed have been recorded within the RDM or as unbilled revenue. A significant force of external resources was also retained by the Company to support stabilization of the 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 Public Service Law, 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 Public Service Law (“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 to 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 to enter 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 Senate Investigation regarding Commodity Prices and Billing System Transition

On April 13, 2022, Central Hudson and all New York utilities received notice from the New York State Senate that it is investigating the winter electric and gas commodity price increases and Central Hudson’s billing system issues. At this time, Central Hudson has responded to all requests for data. On December 31, 2022, the NY State Senate Committee on Investigations and Government Operations released its Final Investigative Report on Utility Pricing, Practices, and Failures and made recommendations based on their findings.

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. Central Hudson continues to have discussions with the AG’s Office regarding the billing system and customer complaints and cannot predict the outcome regarding 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 is expected to be filed with FERC on May 15, 2023 for collection over the period June 2023 through May 2024. This process will occur 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.

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. On February 21, 2023, Central Hudson filed its certification of eligible arrears amounts, estimating approximately \$22.7 million in total credits which will be collected via surcharge over a seven-year period.

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 PSC 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 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 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 (Order), 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.

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 RECs 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 Joint Utilities (“JU”) filed comments in support of certain elements of NYSERDA’s petition, while also providing additional recommendations including a VDER compensation factor which would be designed to account for RECs that will be produced throughout the year by utility customers with distributed generation.

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, and contemplates necessary policy adjustments. The NENY Report contains 42 specific questions that Staff put forth for stakeholder comments. The NENY Report 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 emphasize that NRAs would be counterproductive.

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 load serving entities to together procure 6,000 MW of solar energy by 2025, 3,000 MW of energy storage by 2030 and 9,000 MW of offshore wind energy by 2035. The CLCPA also requires New York State to cut GHG emissions 40% (from 1990 baseline levels) by 2030 and 85% by 2050 and 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 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 this year's 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.

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.

Electric Vehicle Supply Equipment (“EVSE”)

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 a plan for the Demand Charge Rebate, PPI program discontinuation, and downstate commercial managed charging programs on March 20, 2023, along with individual Implementation Plans. The JU will file a proposal for a demand management technology program by May 19, 2023, and EV Phase-In rates and upstate commercial managed charging programs by July 18, 2023. The PSC anticipates an Order on the Immediate Solutions in Q3 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 which are designed to encourage vehicle charging during off-peak times. Subsequently, DPS Staff convened a stakeholder session to examine this topic. 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 on March 8, 2023. The program will launch no later than July 14, 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, which recommended modifications to promote target achievement aligned with policy goals that will have a significant impact on the success of the program. Subsequently, on March 1, 2023, DPS Staff issued a Midpoint Review and Recommendations Whitepaper which proposed several program changes, including increased DCFC and decreased L2 targets, expanded Medium/Heavy Duty

Pilots, and modified eligibility criteria for Disadvantaged Communities. A technical conference was held March 22, 2023 and the JU are working on initial comments due by May 15, 2023.

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.

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, the COVID-19 pandemic, and the resolution of current and future environmental and economic issues. Additional information concerning risks and uncertainties may be found in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of CH Energy Group’s Annual Financial Reports. These reports are

available in the Financial Information section of the website of CH Energy Group, at www.CHEnergyGroup.com. CH Energy Group undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.