CENTRAL HUDSON GAS & ELECTRIC CORP
Form 10-K
February 10, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number	Registrant, State of Incorporation Address and Telephone Number	IRS Employer Identification No.
0-30512	CH Energy Group, Inc. (Incorporated in New York) 284 South Avenue Poughkeepsie, New York 12601-4839 (845) 452-2000	14-1804460
1-3268	Central Hudson Gas & Electric Corporation (Incorporated in New York) 284 South Avenue Poughkeepsie, New York 12601-4839 (845) 452-2000	14-0555980

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
CH Energy Group, Inc. Common Stock, $0.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Central Hudson Gas & Electric Corporation Cumulative Preferred Stock

4.50% Series
4.75% Series

Indicate by check mark if CH Energy Group, Inc. ("CH Energy Group") is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No o

Indicate by check mark if Central Hudson Gas & Electric Corporation ("Central Hudson") is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

Indicate by check mark if CH Energy Group is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

Indicate by check mark if Central Hudson is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether CH Energy Group is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o	Smaller Reporting Company o

Indicate by check mark whether Central Hudson is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o	Accelerated Filer o
Non-Accelerated Filer x	Smaller Reporting Company o

Indicate by check mark whether CH Energy Group is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate by check mark whether Central Hudson is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

The aggregate market value of the voting and non-voting common equity of CH Energy Group held by non-affiliates as of February 1, 2010, was $636,437,752 based upon the price at which CH Energy Group's Common Stock was last traded on that date, as reported on the New York Stock Exchange listing of composite transactions.

The aggregate market value of the voting and non-voting common equity of CH Energy Group held by non-affiliates as of June 30, 2009, the last business day of CH Energy Group's most recently completed second fiscal quarter, was $737,381,745 computed by reference to the price at which CH Energy Group's Common Stock was last traded on that date, as reported on the New York Stock Exchange listing of composite transactions.

The aggregate market value of the voting and non-voting common equity of Central Hudson held by non-affiliates as of June 30, 2009 was zero.

The number of shares outstanding of CH Energy Group's Common Stock, as of February 1, 2010, was 15,804,265.

The number of shares outstanding of Central Hudson's Common Stock, as of February 1, 2010, was 16,862,087. All such shares are owned by CH Energy Group.

CENTRAL HUDSON MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (I)(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION (I)(2).

DOCUMENTS INCORPORATED BY REFERENCE

CH Energy Group's definitive Proxy Statement to be used in connection with its Annual Meeting of Shareholders to be held on April 27, 2010, is incorporated by reference in Part III hereof. Information required by Part III hereof with respect to Central Hudson has been omitted pursuant to General Instruction (I)(2)(c) of Form 10-K.

GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms used herein.

CH Energy Group Companies and Investments

CHEC	Central Hudson Enterprises Corporation (the parent company of Griffith (not regulated by the PSC) and wholly owned subsidiary of CH Energy Group)
Cornhusker Holdings	Cornhusker Energy Lexington Holdings, LLC (a CHEC investment)
JB Wind	JB Wind Holdings, LLC (a CH-Community Wind investee company)
Regulators	
NYS	New York State
PSC	NYS Public Service Commission
FERC	Federal Energy Regulatory Commission
DEC	NYS Department of Environmental Conservation
Terms Related to Business Operations Used by CH Energy Group	
1993 PSC Policy	PSC's 1993 Statement of Policy regarding pension and other post-employment benefits
2006 Rate Order	Order Establishing Rate Plan issued by the PSC to Central Hudson on July 24, 2006
2009 Rate Order	Order Establishing Rate Plan issued by the PSC to Central Hudson on June 22, 2009
Distributed Generation	An electrical generating facility located at a customer's point of delivery which may be connected in parallel operation to the utility system
kWh	Kilowatt-hour(s)
Mcf	Thousand Cubic Feet
MGP	Manufactured Gas Plant
MW / MWh	Megawatt(s) / Megawatt-hour(s)
OPEB	Other Post-Employment Benefits
RDMs	Revenue Decoupling Mechanisms
Retirement Plan	Central Hudson's Non-Contributory Defined Benefit Retirement Income Plan
ROE	Return on Equity
ROW	Right-of-Way
Settlement Agreement	Amended and Restated Settlement Agreement dated January 2, 1998, and thereafter amended, among Central Hudson, PSC Staff, and Certain Other Parties

Other

ASC	FASB Accounting Standards Codification
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EITF	FASB Emerging Issues Task Force
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
GAAP	Accounting Principles Generally Accepted in the United States of America
NYISO	New York Independent System Operator
NYSERDA	New York State Energy Research and Development Authority
Registrants	CH Energy Group and Central Hudson
SFAS	Statement of Financial Accounting Standards

TABLE OF CONTENTS

		PAGE
	PART I	
ITEM 1	BUSINESS	2
ITEM 1A	RISK FACTORS	14
ITEM 1B	UNRESOLVED STAFF COMMENTS	18
ITEM 2	PROPERTIES	18
ITEM 3	LEGAL PROCEEDINGS	20
ITEM 4	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	20
	PART II	
ITEM 5	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	20
ITEM 6	SELECTED FINANCIAL DATA OF CH ENERGY GROUP AND ITS SUBSIDIARIES	23
ITEM 7	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	25
ITEM 7A	QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK	103
ITEM 8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	105
ITEM 9	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	220
ITEM 9A	CONTROLS AND PROCEDURES	220
ITEM 9B	OTHER INFORMATION	220

Table of Contents

	PART III	
ITEM 10	DIRECTORS AND EXECUTIVE OFFICERS OF CH ENERGY GROUP	221
ITEM 11	EXECUTIVE COMPENSATION	221
ITEM 12	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	222
ITEM 13	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE	222
ITEM 14	PRINCIPAL ACCOUNTANT FEES AND SERVICES	223
	PART IV	
ITEM 15	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	224

Table of Contents

PART I

FILING FORMAT

This 10-K Annual Report for the fiscal year ended December 31, 2009, is a combined report being filed by two different Registrants: CH Energy Group and Central Hudson. Any references in this 10-K Annual Report to CH Energy Group include all subsidiaries of CH Energy Group, including Central Hudson, except where the context clearly indicates otherwise. Central Hudson makes no representation as to the information contained in this 10-K Annual Report in relation to CH Energy Group and its subsidiaries other than Central Hudson. When this 10-K Annual Report is incorporated by reference into any filing with the SEC made by Central Hudson, the portions of this 10-K Annual Report that relate to CH Energy Group and its subsidiaries, other than Central Hudson, are not incorporated by reference therein.

CH Energy Group's wholly owned subsidiaries are shown below. For additional information, see the subcaption "CHEC and Its Subsidiaries and Investments" in Item 1 - "Business" under the caption "Subsidiaries of CH Energy Group".

FORWARD-LOOKING STATEMENTS

Statements included in this Annual Report on Form 10-K and any documents incorporated by reference which are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Exchange Act. Forward-looking statements may be identified by words including "anticipates," "intends," "estimates," "believes," "projects," "expects," "plans," "assumes," "seeks," and similar expressions. Forward-looking statements including, without limitation, those relating to CH Energy Group's and Central Hudson's future business prospects, revenues, proceeds, working capital, liquidity, income, and margins, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to several important factors, including those identified from time-to-time in the forward-looking statements. Those factors include, but are not limited to: deviations from normal seasonal weather and storm activity; fuel prices; plant capacity factors; energy supply and demand; potential future acquisitions; legislative, regulatory, and competitive developments; interest rates; access to capital; market risks; corn and ethanol prices; electric and natural gas industry restructuring and cost recovery; the ability to obtain adequate and timely rate relief; changes in fuel supply or costs including future market prices for energy, capacity, and ancillary services; the success of strategies to satisfy electricity, natural gas, fuel oil, and propane requirements; the outcome of pending litigation and certain environmental matters, particularly the status of inactive hazardous waste disposal sites and waste site remediation requirements; and certain presently unknown or unforeseen factors, including, but not limited to, acts of terrorism. CH Energy Group and Central Hudson undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

Given these uncertainties, undue reliance should not be placed on the forward-looking statements.

Table of Contents

ITEM 1 - BUSINESS

CORPORATE STRUCTURE

CH Energy Group is the holding company parent corporation of two principal, wholly owned subsidiaries, Central Hudson and CHEC. Central Hudson is a regulated electric and natural gas subsidiary. CHEC, the parent company of CH Energy Group's unregulated businesses and investments, has five wholly owned subsidiaries, Griffith Energy Service, Inc. ("Griffith"), CH-Auburn Energy, LLC ("CH-Auburn"), CH-Greentree, LLC ("CH-Greentree'), CH-Lyonsdale, LLC ("CH-Lyonsdale"), and CH Shirley Wind, LLC ("CH Shirley"). CHEC also has ownership interests in certain subsidiaries that are less than 100%. For more information, see subcaption "CHEC and Its Subsidiaries and Investments" under caption "Subsidiaries of CH Energy Group".

For a discussion of CH Energy Group's and its subsidiaries' capital structure and financing program, see Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report under the subcaptions "Capital Structure" and "Financing Program" under the caption "Capital Resources and Liquidity." For a discussion of short-term borrowing, capitalization, and long-term debt, see Note 7 - "Short-Term Borrowing Arrangements," Note 8 - "Capitalization - Common and Preferred Stock," and Note 9 - "Capitalization - Long-Term Debt," respectively, to the financial statements contained in Item 8 - "Financial Statements and Supplementary Data" of this 10-K Annual Report (each Note being hereinafter called a "Note"). For information concerning revenues, certain expenses, earnings per share, and information regarding assets of Central Hudson's regulated electric and regulated natural gas segments and of Griffith, see Note 13 - "Segments and Related Information."

HOLDING COMPANY REGULATION

CH Energy Group is a "holding company" under Public Utility Holding Company Act of 2005 ("PUHCA 2005") because of its ownership interests in Central Hudson and CHEC. CH Energy Group, however, is exempt from regulation as a holding company under PUHCA 2005, because it derives substantially all of its public utility company revenues from business conducted within a single state, the State of New York. CH Energy Group will retain this exemption until such time as it derives more than 13% of its public utility revenues from businesses conducted outside of the State of New York. At the present time, CH Energy Group cannot predict whether and when its circumstances may change such that it no longer qualifies for exemption from PUHCA 2005 or whether regulation under PUHCA 2005 would have a material impact on its financial condition or results of operations.

Table of Contents

SUBSIDIARIES OF CH ENERGY GROUP

CENTRAL HUDSON

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

Central Hudson serves a territory extending about 85 miles along the Hudson River and about 25 to 40 miles east and west of the Hudson River. The southern end of the territory is about 25 miles north of New York City and the northern end is about 10 miles south of the City of Albany. The territory, comprising approximately 2,600 square miles, has a population estimated at 684,000. Electric service is available throughout the territory, and natural gas service is provided in and about the cities of Poughkeepsie, Beacon, Newburgh, and Kingston, New York, and in certain outlying and intervening territories. The number of Central Hudson employees at December 31, 2009, was 860.

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

Seasonality

Central Hudson's delivery revenues have historically varied seasonally in response to weather. Sales of electricity are usually highest during the summer months, primarily due to the use of air-conditioning and other cooling equipment. Sales of natural gas are highest during the winter months, primarily due to space heating usage. Central Hudson's rates are developed based on forecasts of monthly sales volumes, which reflect natural seasonality under normal weather conditions. Effective July 1, 2009, Central Hudson's delivery rate structure includes revenue decoupling mechanisms ("RDMs"), which provide the ability to record revenues equal to those forecasted in the development of current rates for most of Central Hudson's customers. As a result, fluctuations in actual sales volumes as compared to those under normal weather conditions, no longer have a significant impact on earnings. However, higher expenses incurred due to storm activity are not recoverable through the RDM and may impact the Company's earnings. Central Hudson has the ability to request regulatory recovery of significant incremental costs incurred if certain criteria are met as defined by the PSC and, as such, any impact on earnings for higher storm expenses should be limited to non-material amounts, as long as the other criteria for deferred accounting were met.

Table of Contents

Competition

Central Hudson is a regulated utility with a legal obligation to deliver electricity and natural gas within its PSC-approved franchise territory. Central Hudson has no direct competitors in its electricity distribution business; indirect competitors include distributed generation systems, including net metered systems. To date, the primary source of competition is solar power, which is currently capped for residential net metering at 12 MW. Central Hudson was authorized by the PSC to defer lost revenues attributable to photovoltaic net metering through June 30, 2009, under an order issued in Case 07-E-0437 on October 19, 2007. Beginning July 1, 2009, Central Hudson no longer has the authorization to defer lost revenues attributable to photovoltaic net metering since the RDM provides similar protection. Central Hudson's natural gas business competes with other fuels, especially fuel oil and propane.

The competitive marketplace continues to develop for electric and natural gas supply markets, and Central Hudson's electric and natural gas customers may purchase energy and related services from other providers. Central Hudson's rate making structure neutralizes any earnings impact of customers' decisions to purchase electricity and natural gas from other providers.

Regulation

Central Hudson is subject to regulation by the PSC regarding, among other things, services rendered (including the rates charged), major transmission facility siting, accounting treatment of certain items, and issuance of securities. For certain restrictions imposed by the Settlement Agreement, see Note 2 - "Regulatory Matters".

Certain activities of Central Hudson, including accounting and the acquisition and disposition of property, are subject to regulation by FERC under the Federal Power Act.

Central Hudson is not subject to the provisions of the Natural Gas Act. Central Hudson's hydroelectric facilities are not required to be licensed under the Federal Power Act but are regulated by the DEC.

Central Hudson is subject to regulation by the North American Electric Reliability Corporation regarding its ownership, operation and use of bulk power system.

Rates

General: The electric and natural gas rates charged by Central Hudson applicable to service supplied to retail customers within New York State are regulated by the PSC. Costs of service, both for electric and gas delivery service and for electric and gas supply costs, are recovered from customers through PSC approved tariffs, subject to a standard of prudency. Transmission rates and rates for electricity sold for resale in interstate commerce by Central Hudson are regulated by FERC.

Table of Contents

Central Hudson's retail electricity rate structure consists of various service classifications covering delivery service and full service (which includes electricity supply) for residential, commercial, and industrial customers. Retail rates for delivery and supply are shown separately on retail bills to allow customers to see the costs associated with their commodity supply, and thus facilitate retail competition. During 2009, the average price of electricity for full service customers was 14.20 cents per kWh as compared to an average of 14.88 cents per kWh in 2008. The PSC has authorized Central Hudson to recover the costs of the electric commodity from customers, without earning a profit on the commodity costs. The average delivery price in 2009 was 4.44 cents per kWh and 3.25 cents per kWh in 2008. The increase in delivery price was primarily due to a Purchased Power Adjustment ("PPA") and the implementation of new rates as part of the 2009 Rate Order. The PPA is a mechanism to refund to or recover from electric customers, the benefit or costs associated with the power purchase agreement with the owner of Central Hudson's former electric generators. The year over year increase related to the PPA was $0.34 per kWh and the Rate Order of $0.38 per kWh. Additional increase is associated with new and updated surcharges to cover additional assessments from New York State agencies. The average delivery price does not include any surcharge or credit resulting from the Electric RDM. The increase in the average delivery price was more than offset by the decrease in electric commodity costs.

Central Hudson's retail natural gas rate structure consists of various service classifications covering transport, retail access service, and full service (which includes natural gas supply) for residential, commercial, and industrial customers. During 2009, the average price of natural gas for full-service customers was $15.83 per Mcf as compared to an average of $16.78 per Mcf in 2008. The PSC has authorized Central Hudson to recover the costs of the gas commodity from customers, without earning a profit on the commodity costs. The average delivery price for natural gas in 2009 was $5.14 per Mcf and $4.60 per Mcf in 2008. The increase in delivery price was due to the implementation of new rates as part of the 2009 Rate Order. The average delivery price does not include any surcharge or credit resulting from the Gas RDM.

The 2009 Rate Order provides for implementation of both Electric and Gas RDMs. RDMs are intended to minimize the earnings impact resulting from reduced energy consumption as energy efficiency programs are implemented by breaking the link between energy sales and utility revenues and/or profits. Central Hudson's RDMs allow the Company to recognize electric delivery revenues and gas sales per customer at the levels approved in rates for most of Central Hudson's electric and gas customer classes.

For further information regarding the terms of the 2006 Rate Order and the 2009 Rate Order under which Central Hudson operated during the current reporting period, see Note 2 - "Regulatory Matters" under the captions "2006 Rate Order" and "2009 Rate Order".

Table of Contents

Rate Proceedings - Electric and Natural Gas: For information regarding Central Hudson's most recent electric and natural gas rate proceeding filed with the PSC in July 2009, see Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report under the caption "Regulatory Matters".

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

Capital Expenditures and Financing

For estimates of future capital expenditures for Central Hudson, see the subcaption "Anticipated Sources and Uses of Cash" in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report under the caption "Capital Resources and Liquidity."

Central Hudson's Certificate of Incorporation and its various debt instruments do not contain any limitations upon the issuance of authorized, but unissued, Preferred Stock or unsecured short-term debt.

Central Hudson has in place certain credit facilities with financial covenants that limit the amount of indebtedness Central Hudson may incur. Additionally, Central Hudson's ability to issue debt securities is limited by authority granted by the PSC. Central Hudson believes these limitations will not impair its ability to issue any or all of the debt described under the subcaption "Financing Program" in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report under the caption "Capital Resources and Liquidity."

Purchased Power and Generation Costs

For the year ended December 31, 2009, the sources and related costs of purchased electricity and electric generation for Central Hudson were as follows (In Thousands):

Sources of Energy	Aggregate Percentage of Energy Requirements	Costs in 2009
Purchased Electricity	97.6 %	$268,337
Hydroelectric and Other	2.4 %	47
	100.0 %	
Deferred Electricity Cost		(7,381)
Total		$261,003

Table of Contents

Research and Development

Central Hudson is engaged in the conduct and support of research and development ("R&D") activities, which are focused on the improvement of existing energy technologies and the development of new technologies, including renewable energy sources, for the delivery and use of energy. Central Hudson's R&D expenditures were $3.9 million in both 2009 and 2008 and $3.5 million in 2007. These expenditures were for internal research programs and for contributions to research administered by NYSERDA, the Electric Power Research Institute, and other industry organizations. Recovery of expenditures for R&D is provided for in Central Hudson's rates charged to customers for electric and natural gas delivery service. In addition, any differences between R&D expense and the rate allowances covering these costs are deferred, pursuant to PSC authorization, for future recovery from or return to customers.

Other Central Hudson Matters

Labor Relations: Central Hudson has an agreement with Local 320 of the International Brotherhood of Electrical Workers for its 538 unionized employees, representing construction and maintenance employees, customer service representatives, service workers, and clerical employees (excluding persons in managerial, professional, or supervisory positions). This agreement became effective on May 1, 2008, and remains effective through April 30, 2011. It provides for an average annual general wage increase of 4.0% and changes to fringe benefits.

CHEC AND ITS SUBSIDIARIES AND INVESTMENTS

CHEC, a New York corporation, is a wholly owned subsidiary of CH Energy Group. Through its subsidiaries and investments, CHEC is engaged in the business of marketing petroleum products and related services to retail and wholesale customers, and providing service and maintenance of energy conservation measures and generation systems for private businesses, institutions, and government entities. CHEC also participates in cogeneration, wind generation, biomass energy projects, landfill gas projects and alternate fuel and energy production projects in New Jersey, New Hampshire, New York, Wisconsin and Pennsylvania, and a corn-ethanol plant in Nebraska. For further discussion of certain energy-related projects within other subsidiaries and investments, see Note 5 - "Acquisitions, Divestitures and Investments."

CHEC's subsidiaries and investments are shown below.

Table of Contents

Griffith

Griffith is an energy services company engaged in fuel distribution, including heating oil, gasoline, diesel fuel, kerosene, and propane, and the installation and maintenance of heating, ventilating, and air conditioning equipment. During most of 2009, Griffith operated in Virginia, West Virginia, Maryland, Delaware, Pennsylvania, Rhode Island, Connecticut, Massachusetts, New York, New Jersey and Washington, D.C. On December 11, 2009, Griffith closed on the sale of operations within certain geographic locations, which included approximately 45,000 customers in Rhode Island, Connecticut, Massachusetts, New Jersey, Pennsylvania and New York. Since being acquired by CHEC in November 2000, Griffith acquired the assets of 44 regional fuel oil, propane, and related services companies. Of these acquisitions, 20 remain with Griffith following the 2009 divestiture. The number of Griffith employees at December 31, 2009 was 413.

Other Subsidiaries and Investments

CHEC's other subsidiaries and investments consist of the following:

Lyonsdale - 75% controlling interest in a 19-megawatt wood-fired biomass electric generating plant, which began operation in 1992. The energy and capacity of the plant is being sold at a fixed price to an investment grade rated counterparty pursuant to a contract that began May 1, 2006, and will end December 31, 2014. Beginning in 2009, CHEC, through a wholly-owned subsidiary began providing management oversight services to Lyonsdale.

CH-Greentree - 100% equity interest in a molecular gate used to remove nitrogen from landfill gas which is being leased to Greentree Landfill Gas Company, LLC ("Greentree") at Greentree's currently operating landfill gas processing plant at the Greentree landfill in western Pennsylvania. As of December 31, 2009, this molecular gate was commercially operational. The term of the lease is seven years.

CH-Auburn - 100% equity interest in a 3-megawatt electric generating plant that will utilize methane gas generated by the City of Auburn, NY landfill to produce and sell electricity to the City. The project began operation in January 2010.

Cornhusker Holdings - 12% equity interest plus approximately $10.2 million subordinated debt investment in the owner of Cornhusker Energy Lexington, LLC ("CEL"), a corn-ethanol plant that began operation in January 2006. CEL is expanding the plant's capacity and output by approximately 40%.

CH-Community Wind – 50% equity interest in a joint venture that owns 18% equity interest in a 24-megawatt wind project in Bear Creek, Pennsylvania and a 7.5-megawatt wind project in Atlantic City, New Jersey, which are both commercially operational.

Table of Contents

CH Shirley - 90% controlling interest in a 20-megawatt wind farm facility to be constructed in Wisconsin. The project carries a 20-year power purchase agreement contract at fixed electric prices with Wisconsin Public Service Corporation for the electric output of the wind farm's eight wind turbines. Construction is expected to be completed in the fourth quarter of 2010.

Other – CHEC has other interests in renewable energy projects and partnerships and an energy sector venture capital fund.

Seasonality

A substantial portion of CHEC's revenues vary seasonally, as Griffith's fuel deliveries are directly related to use for space heating and are highest during the winter months.

Competition

CHEC and Griffith participate in competitive industries that are subject to different risks than those found in the businesses of the regulated utility, Central Hudson. As a competitor in the unregulated fuel distribution business, Griffith faces competition from other fuel distribution companies and from companies supplying other fuels for heating, such as natural gas and propane. For a discussion of Griffith's operating revenues and operating income, see the caption "Results of Operations" in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report.

ENVIRONMENTAL QUALITY REGULATION

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

Central Hudson, Griffith, CH-Auburn and Lyonsdale each monitor their activities in order to determine their impact on the environment and to comply with applicable environmental laws and regulations.

The principal environmental areas relevant to these companies (air, water and industrial and hazardous wastes, other) are described below. Unless otherwise noted, all required permits and certifications have been obtained by the applicable company. Management believes that each company was in material compliance with these permits and certifications during 2009.

Table of Contents

AIR QUALITY

The Clean Air Act Amendments of 1990 address attainment and maintenance of national air quality standards, including control of particulate emissions from fossil-fueled electric generating plants and emissions that affect "acid rain" and ozone. The impacted facilities are listed below. See Note 12 - "Commitments and Contingencies" under the caption "Environmental Matters" regarding the investigation by the EPA into the compliance of a former major Central Hudson generating asset.

Central Hudson

The South Cairo and Coxsackie, NY electric generating facilities have Air State Facility permits regulating their combustion turbines' nitrogen oxide emissions.

Lyonsdale

The Lyonsdale electric generating plant has a Title V Permit regulating certain gas emissions including carbon monoxide and nitrogen oxide.

CH-Auburn

CH-Auburn has a Title V air permit regulating certain emissions including carbon monoxide and nitrogen oxide.

WATER QUALITY

The Clean Water Act addresses the discharge of pollutants into waterways and ground water.

State Pollution Discharge Elimination System Permits

The following locations have permits regulating pollutant discharges:

Central Hudson

- Eltings Corners, NY maintenance and warehouse facility
- Rifton, NY Training and Recreation Center
- Kingston, NY District Office

Griffith

- Bulk storage plants in Frederick, Westminster and Edgewater, MD
- The customer service office in Cheverly, MD

Table of Contents

Lyonsdale

- Lyonsdale electric generating plant

Other Permits and Certifications

Griffith and Lyonsdale have additional permits and certifications regulating their water usage and pollutant discharges.

Griffith has General Storm Water Discharge Permits issued by various states.

Lyonsdale has a Great Lakes Water Withdrawal Certificate allowing water withdrawal from the Moose River.

Other Requirements

Central Hudson is subject to drinking water monitoring and reporting requirements at the following facilities:

- Eltings Corners, NY maintenance and warehouse facility
- Rifton, NY Training and Recreation Center

INDUSTRIAL & HAZARDOUS SUBSTANCES AND WASTES

Central Hudson, Griffith, CH-Auburn and Lyonsdale are subject to federal, state and local laws and regulations relating to the use, handling, storage, treatment, transportation, and disposal of industrial, hazardous, and toxic wastes. Currently, there are no permit or certification requirements for Griffith, CH-Auburn or Lyonsdale. The Central Hudson permitted facilities and equipment are noted below. See Note 12 - "Commitments and Contingencies" under the caption "Environmental Matters" for additional discussion regarding, among other things, Central Hudson's former MGP facilities and Little Britain Road.

Central Hudson

- NYS Part 373 Permit for Hazardous Waste Storage Facility at Eltings Corners
- Waste Transporter Permits for certain vehicles
- Petroleum Bulk Storage Certificates for the South Cairo and Coxsackie combustion turbines and Catskill, Poughkeepsie, Fishkill, Newburgh, Kingston, Eltings Corners and Stanfordville facilities

OTHER PERMITS

Lyonsdale also has permits for the use of wood as fuel and the use of ash as fertilizer.

Table of Contents

ENVIRONMENTAL EXPENDITURES

2009 actual and 2010 estimated expenditures attributable in whole or in substantial part to environmental considerations are detailed in the table below:

Central Hudson	Griffith	CH-Auburn	Lyonsdale
2009 - $6.4 million	2009 - $0.1 million	2009 - not material	2009 - not material
2010 - $17.5 million	2010 - $0.4 million	2010 - not material	2010 - not material

Central Hudson, Griffith, CH-Auburn and Lyonsdale are also subject to regulation with respect to other environmental matters, such as noise levels, protection of vegetation and wildlife, and limitations on land use, and are in compliance with regulations in these areas.

Regarding environmental matters, except as described in Note 12 - "Commitments and Contingencies" under the caption "Environmental Matters," neither CH Energy Group, Central Hudson, Griffith, CH-Auburn, nor Lyonsdale are involved as defendants in any material litigation, administrative proceeding, or investigation and, to the best of their knowledge, no such matters are threatened against any of them.

AVAILABLE INFORMATION

CH Energy Group files annual, quarterly, and current reports, proxy statements, and other information with the SEC. Central Hudson files annual, quarterly, and current reports and other information with the SEC. The public may read and copy any of the documents each company files at the SEC's Public Reference Room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. SEC filings are also available to the public from the SEC's Internet website at www.sec.gov.

CH Energy Group makes available free of charge on or through its Internet website at www.CHEnergyGroup.com its proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. Central Hudson's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are also available on this site. CH Energy Group's governance guidelines, Code of Business Conduct and Ethics, and the charters of its Audit, Compensation, Governance and Nominating, and Strategy and Finance Committees are available on CH Energy Group's Internet website at www.CHEnergyGroup.com. The governance guidelines, the Code of Business Conduct and Ethics, and the charters may also be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

Table of Contents

EXECUTIVE OFFICERS OF CH ENERGY GROUP

All executive officers of CH Energy Group are elected or appointed annually by its Board of Directors. There are no family relationship among any of the executive officers of CH Energy Group. The names of the current executive officers of CH Energy Group, their positions held and business experience during the past five years, and ages (at December 31, 2009) are as follows:

		Current		Date Commenced	
Executive Officers	Age	and Prior Positions	CH Energy Group	Central Hudson	CHEC
Steven V. Lant	52	Chairman of the Board	Apr 2004	May 2004	May 2004
		Chief Executive Officer	Jul 2003	Jul 2003	Jul 2003
		President	Jul 2003		Jul 2003
		Director	Feb 2002	Dec 1999	Dec 1999
James P. Laurito(1)	53	Executive Vice President	Nov 2009	Nov 2009	
		Director		Nov 2009	Nov 2009
Joseph J. DeVirgilio, Jr.	58	Director		Mar 2005	Apr 2003
		Executive Vice President - Corporate Services and Administration	Jan 2005	Jan 2005	
		Executive Vice President			Jan 2003
Christopher M. Capone	47	Executive Vice President	Dec 2006		
		Director		Mar 2005	Mar 2007
		Chief Financial Officer	Sep 2003	Sep 2003	Sep 2003
		Treasurer	Apr 2003	Jun 2001	Apr 2003
John E. Gould(2)	65	Executive Vice President and General Counsel	Oct 2009		
		Secretary	Mar 2007	Jun 2007	Jun 2007
		Assistant Secretary	Nov 1999	Jan 2000	
Denise D. VanBuren	48	Secretary and Vice President - Corporate Communications	Dec 2009		
		Vice President - Public Affairs and Energy Efficiency	Aug 2007	Aug 2007	
		Vice President - Corporate Communications and Community Relations	Nov 2000	Nov 2000	
Charles A. Freni, Jr.	50	Senior Vice President - Customer Services		Jan 2005	
W. Randolph Groft	48	Executive Vice President			Jan 2003
		Director			Jan 2003
Kimberly J. Wright(3)	42	Vice President - Accounting and Controller	May 2008		

Controller	Oct 2006

(1) From 2003 to November 2009, served as the President and Chief Executive Officer of New York State Electric and Gas Corporation and of Rochester Gas and Electric Corporation; both companies are gas and electric utilities.
(2) Before October 2009, served as a partner of the law firm of Thompson Hine LLP.
(3) From January 2005 to October 2006, served as Director - Utility Group Budgets and Forecasts of Northeast Utilities Service Company, a gas and electric utility company.

Table of Contents

ITEM 1A - RISK FACTORS

CENTRAL HUDSON'S RATES LIMIT ITS ABILITY TO RECOVER ITS COSTS FROM ITS CUSTOMERS

Description and Sources of Risk

Central Hudson's retail rates are regulated by the PSC. Rates generally may not be changed during their respective terms. Therefore, rates cannot be modified for higher expenses than those assumed in the current rates, absent circumstances such as an increase in expenses that meet the PSC's threshold requirements for filing for approval of deferral accounting. Central Hudson is operating under a rate order plan approved by the PSC effective July 1, 2009. The following could unfavorably impact Central Hudson's financial results:

- Higher expenses than reflected in current rates. Higher expenses could result from, among other things, increases in state and local taxes, storm restoration expense, and/or other expense components such as labor, health care benefits and/or higher levels of uncollectible receivables from customers.
- Higher electric and natural gas capital project costs resulting from escalation of material and equipment prices, as well as potential delays in the siting and legislative and/or regulatory approval requirements associated with these projects.
- A determination by the PSC that the cost to place a project in service is above a level which is deemed prudent.
- Penalties imposed by the PSC for the failure to achieve performance metrics established in rate proceedings.

Potential Impacts

Central Hudson could have lower earnings and/or reduced cash flows if cost management and/or regulatory relief are not sufficient to alleviate the impact of higher costs.

Additional Information

See Note 2 - "Regulatory Matters" of this 10-K Annual Report.

Table of Contents

UNUSUAL TEMPERATURES IN GRIFFITH'S SERVICE TERRITORIES MAY ADVERSELY IMPACT EARNINGS

Description and Sources of Risk

Griffith serves the Mid-Atlantic region of the United States. This area experiences seasonal fluctuations in temperature. A considerable portion of Griffith's earnings is derived directly or indirectly from the weather-sensitive end uses of space heating and air conditioning. As a result, sales volumes fluctuate and vary from normal expected levels based on variations in weather from historically normal seasonal levels. Such variations could significantly reduce sales volumes.

Potential Impacts

Griffith could experience lower delivery volumes in periods of milder than normal weather, leading to lower earnings and reduced cash flows.

GRIFFITH'S ABILITY TO ATTRACT NEW CUSTOMERS, RETAIN EXISTING CUSTOMERS, MAINTAIN SALES VOLUMES, AND MAINTAIN MARGINS

Description and Sources of Risk

Lower sales can occur for various reasons, including the following:

- Changes in customers' usage patterns driven by customer responses to product prices,
- Economic conditions,
- Energy efficiency programs, and/or
- The loss of major customers, the loss of a large number of customers, or the addition of fewer new customers than expected.

Unfavorable activity in the domestic and/or foreign markets resulting in significant volatility in wholesale oil prices could negatively impact margins and/or cause current and/or prospective full service customers to decide to purchase fuel from discount distributors.

Potential Impacts

Any one or more of the following could result from these events:

- An adverse impact on Griffith's ability to attract new full-service residential customers and retain existing full-service residential customers, resulting in lower earnings and reduced cash flows.

Table of Contents

- Further sales volume reductions, and/or compressed margins resulting in lower earnings and reduced cash flows.
- Increased working capital requirements stemming from an increase in oil and/or propane prices.

These events could materially reduce profitability and cash flow

THE PROFITABILITY AND/OR CASH FLOW OF CHEC'S INVESTMENT IN ITS ETHANOL PROJECT MAY BE ADVERSELY IMPACTED BY COMMODITY PRICE CHANGES

Description and Sources of Risk

CHEC's Management believes that increases in wholesale corn prices and/or natural gas prices and/or decreases in ethanol prices and/or distillers grains are caused by a variety of factors, including, but not limited to the following:

- Actions by the federal government that reduce the demand for, or increase the supply of, ethanol. Such actions could include, but are not limited to, a reduction in the required level of ethanol blending or weak enforcement of existing requirements, decreases in tax credits to refiners and/or reductions in tariffs on imported ethanol.
- Imbalances in the supply of and demand for corn. This could be caused by, among other things (1) drought or other acts of nature, (2) increased construction of new ethanol production facilities, (3) governmental actions that discourage raising corn for use in ethanol production (such as providing tax credits for corn grown for human consumption) or (4) changes in agricultural markets, technology or regulations.
- Volatility in domestic and/or foreign markets.

Potential Impacts

Prolonged periods of high corn and/or natural gas prices and/or depressed ethanol and/or distillers' grain prices could result in reduced net margins and have a material adverse impact on the earnings of Cornhusker Holdings that could, in turn, lead to an impairment of CHEC's investment in the company.

Table of Contents

STORMS AND OTHER EVENTS BEYOND CENTRAL HUDSON'S AND GRIFFITH'S CONTROL MAY INTERFERE WITH THEIR OPERATIONS

Description and Sources of Risk

In order to conduct their businesses, (1) Central Hudson must have access to natural gas and electric supplies and be able to utilize its electric and natural gas infrastructure, and (2) Griffith needs access to petroleum supplies from storage facilities in its service territories. Central Hudson has designed its electric and natural gas and pipeline systems to serve customers under various contingencies in accordance with good utility practice.

However, any one or more of the following could impact either or both of the companies' ability to access supplies and/or utilize critical facilities:

- Storms, natural disasters, wars, terrorist acts, failure of major equipment and other catastrophic events occurring both within and outside Central Hudson's and Griffith's service territories.
- Unfavorable developments in the world oil markets could impact Griffith.
- Third-party facility owner or supplier financial distress.
- Unfavorable governmental actions or judicial orders.
- Bulk power system and gas transmission pipeline system capacity constraints could impact Central Hudson.

Potential Impacts

The companies could experience service disruptions leading to lower earnings and/or reduced cash flows if the situation is not resolved in a timely manner or the financial impacts of restoration are not alleviated through insurance policies, regulated rate recovery for Central Hudson or higher sales prices for Griffith.

CENTRAL HUDSON IS SUBJECT TO RISKS RELATING TO ASBESTOS LITIGATION AND MANUFACTURED GAS PLANT FACILITIES

Description and Sources of Risk

Litigation has been commenced by third parties against Central Hudson arising from the use of asbestos at certain of its previously owned electric generating stations, and Central Hudson is involved in a number of matters arising from contamination at former MGP sites.

Table of Contents

Potential Impacts

To the extent not covered by insurance or recovered through rates, court decisions and settlements resulting from this litigation could reduce earnings and cash flows.

Additional Information

See Note 12 - "Commitments and Contingencies" and in particular the subcaptions in Note 12 regarding "Asbestos Litigation" and "Former Manufactured Gas Plant Facilities" under the caption "Environmental Matters."

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

CH Energy Group has no significant properties other than those of Central Hudson and CHEC.

CENTRAL HUDSON

ELECTRIC

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

Type of Electric Generating Plant	Year Placed in Service/Rehabilitated	MW(1) Net Capability
Hydroelectric (3 stations)	1920-1986	23.0
Gas turbine (2 stations)	1969-1970	46.0
Total		69.0

(1) Reflects maximum one-hour net capability (winter rating as of December 31, 2009) of Central Hudson's electric generating plants and therefore does not include firm purchases or sales.

Central Hudson owns substations having an aggregate transformer capacity of 4.9 million kilovolt amperes. Central Hudson's electric transmission system consists of 629 pole miles of line. The electric distribution system consists of over 8,100 pole miles of overhead lines and over 1,400 trench miles of underground lines, as well as customer service lines and meters.

ELECTRIC LOAD AND CAPACITY

Central Hudson's maximum one-hour demand for electricity within its own territory for the year ended December 31, 2009, occurred on August 17, 2009, and amounted to 1,107 MW. In prior summer periods peak electric demand has reached 1,295 MW. Central Hudson's maximum one-hour demand for electricity within its own territory for that part of the 2009-2010 winter capability period through January 18, 2010, occurred on December 29, 2009, and amounted to 910 MW.

Table of Contents

Central Hudson owns minimal generating capacity and relies on purchased capacity and energy from third-party providers to meet the demands of its full service customers. For more information, see Note 12 - "Commitments and Contingencies."

NATURAL GAS

Central Hudson's natural gas system consists of 164 miles of transmission pipelines and 1,167 miles of distribution pipelines, as well as customer service lines and meters. For the year ended December 31, 2009, the total amount of natural gas purchased by Central Hudson from all sources was 12,657,392 Mcf. Central Hudson owns two propane-air mixing facilities for emergency and peak-shaving purposes, one located in Poughkeepsie, New York, and the other in Newburgh, New York. These facilities, in aggregate, are capable of supplying 8,000 Mcf per day with propane storage capability adequate to provide maximum facility output for up to six consecutive days.

The peak daily demand for natural gas of Central Hudson's customers for the year ended December 31, 2009, and for that part of the 2009-2010 heating season through January 18, 2010, occurred on January 16, 2009, and amounted to 112,826 Mcf. In prior years, winter period daily peak demand has reached 125,496 Mcf. Central Hudson's firm peak day natural gas capability in the 2009-2010 heating season was 152,058 Mcf, which excludes approximately 5,000 Mcf of transport customer deliveries.

OTHER CENTRAL HUDSON MATTERS

Central Hudson owns its 215,404 square foot corporate headquarters, which is located in Poughkeepsie, New York. Central Hudson's electric generating plants and important property units are generally held by it in fee simple, except for certain ROW and a portion of the property used in connection with hydroelectric plants consisting of flowage or other riparian rights. Certain of the Central Hudson properties are subject to ROW and easements that do not interfere with Central Hudson's operations. In the case of certain distribution lines, Central Hudson owns only a partial interest in the poles upon which its wires are installed and the remaining interest is owned by various telecommunications companies. In addition, certain electric and natural gas transmission facilities owned by others are used by Central Hudson under long-term contracts.

During the three-year period ended December 31, 2009, Central Hudson made gross property additions of $257.8 million and property retirements and adjustments of $41.5 million, resulting in a net increase (including construction work in progress) in gross utility plant of $216.2 million, or 18%.

Table of Contents

CHEC

As of December 31, 2009, CHEC owned a 100% interest in Griffith, CH-Auburn, CH-Greentree and CH Shirley as well as a 75% interest in Lyonsdale. As of December 31, 2009, Griffith owned or leased several office, warehouse, and bulk petroleum storage facilities. These facilities are located in Delaware, Maryland, Virginia, and West Virginia. The bulk petroleum storage facilities have capacities from 60,000 gallons up to 760,000 gallons. Griffith leases its corporate headquarters, which is located in Columbia, Maryland. CH-Auburn owns a 3-megawatt, landfill gas fired, electric generating plant in Auburn, New York, on land leased from the City of Auburn, which began operations in 2010. CH-Greentree owns and operates a molecular gate installed in 2009 on leased land at the Greentree Landfill in Pennsylvania. CH Shirley indirectly owns a 90% interest in Shirley Wind, LLC, which leases sites in Glenmore, Wisconsin for the location of its eight 2.5-megawatt wind turbines that are expected to be constructed in 2010. Lyonsdale owns a 19-megawatt, wood fired, biomass electric generating plant, which began operations in 1992. The plant is located in Lyonsdale, New York.

ITEM 3 - LEGAL PROCEEDINGS

For information about developments regarding certain legal proceedings, see Note 12 - “Commitments and Contingencies” of this 10-K Annual Report.

CENTRAL HUDSON:
Former Manufactured Gas Plant Facilities
Little Britain Road
Newburgh Consolidated Iron Works
Asbestos Litigation

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2009.

PART II

ITEM 5 - MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

For information regarding the market for CH Energy Group’s Common Stock and related stockholder matters, see Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this 10-K Annual Report under the captions “Capital Resources and Liquidity - Financing Program” and “Common Stock Dividends and Price Ranges” and Note 8 - “Capitalization - Common and Preferred Stock.”

Table of Contents

Under applicable statutes and their respective Certificates of Incorporation, CH Energy Group may pay dividends on its Common Stock and Central Hudson may pay dividends on its Common Stock and its Preferred Stock, in each case only out of surplus.

The line graph set forth below provides a comparison of CH Energy Group's cumulative total shareholder return on its Common Stock with the Standard and Poor's 500 Index ("S&P 500") and with the Edison Electric Institute Index (the "EEI Index"), which consists of the 58 U.S. shareholder-owned electric utilities. Total shareholder return is the sum of the dividends paid and the change in the market price of the stock.

INDEXED RETURNS

	Base Period			Years Ending		
Company / Index	Dec 2004	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009
CH Energy Group, Inc.	$100	$100.01	$120.30	$106.11	$129.37	$112.16
S&P 500 Index	$100	$104.91	$121.48	$128.16	$80.74	$102.11
EEI Index	$100	$116.05	$140.14	$163.34	$121.03	$133.99

Table of Contents

The following table provides a summary of shares repurchased by CH Energy Group for the three months ended December 31, 2009:

	Total Number of Shares Purchased(1)	Average Price Paid per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(3)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs(3)
Dec. 1-31, 2009	285	$41.98	-	2,000,000
Total	285	$41.98	-	2,000,000

(1) Shares surrendered to CH Energy Group in satisfaction of tax withholdings on the vesting of restricted shares.
(2) Closing price of a share of CH Energy Group's common stock on the date the stock was surrendered to the Company.
(3) On July 31, 2007, the Board of Directors authorized the repurchase of up to 2,000,000 shares or approximately 13% of CH Energy Group's outstanding common stock on that date, from time to time, over the five year period ending July 31, 2012.

Table of Contents

ITEM 6 - SELECTED FINANCIAL DATA OF CH ENERGY GROUP AND ITS SUBSIDIARIES

FIVE-YEAR SUMMARY OF CONSOLIDATED OPERATIONS AND SELECTED FINANCIAL DATA(1) (CH ENERGY GROUP)
(In Thousands, except per share data)

	2009	2008	2007	2006	2005
Operating Revenues					
Electric - Delivery	$270,285	$236,333	$228,270	$205,287	$183,948
Electric - Supply	265,885	371,828	388,569	298,621	337,046
Natural Gas - Delivery	66,916	59,897	55,326	49,629	49,317
Natural Gas - Supply	107,221	129,649	110,123	105,643	106,285
Competitive business subsidiaries	221,282	341,494	296,479	276,458	248,691
Total	931,589	1,139,201	1,078,767	935,638	925,287
Operating Income	80,399	70,952	75,659	76,552	78,698
Income from continuing operations	34,427	32,609	42,004	42,816	44,619
Income/(Loss) from discontinued operations, net of tax	9,851	3,545	1,481	268	(170)
Dividends declared on Preferred Stock of subsidiary	970	970	970	970	970
Net Income attributable to CH Energy Group	43,484	35,081	42,636	43,084	44,291
Dividends Declared on Common Stock	34,119	34,086	34,052	34,046	34,046
Change in Retained Earnings	9,365	995	8,584	9,038	10,245
Retained Earnings - beginning of year	216,634	215,639	207,055	198,017	187,772
Retained Earnings - end of year	$225,999	$216,634	$215,639	$207,055	$198,017
Common Share Data:					
Average shares outstanding - basic	15,775	15,768	15,762	15,762	15,762
Income from continuing operations - basic	$2.13	$2.00	$2.61	$2.71	$2.82
Income/(Loss) from discontinued operations - basic	$0.63	$0.22	$0.09	$0.02	$(0.01)
Net Income attributable to CH Energy Group - basic	$2.76	$2.22	$2.70	$2.73	$2.81
Average shares outstanding - diluted	15,881	15,805	15,779	15,779	15,767
Income from continuing operations - diluted	$2.12	$2.00	$2.61	$2.71	$2.82
Income/(Loss) from discontinued operations - diluted	$0.62	$0.22	$0.09	$0.02	$(0.01)
Net Income attributable to CH Energy Group - diluted	$2.74	$2.22	$2.70	$2.73	$2.81
Dividends declared per share	$2.16	$2.16	$2.16	$2.16	$2.16
Book value per share (at year-end)	$33.76	$33.17	$33.19	$32.54	$31.97
Total Assets (at year-end)	$1,697,883	$1,730,183	$1,494,748	$1,460,532	$1,384,280
Long-term Debt (at year-end)(2)	463,897	413,894	403,892	337,889	343,886
Cumulative Preferred Stock (at year-end)	21,027	21,027	21,027	21,027	21,027
Total CH Energy Group Common Shareholders' Equity (at year-end)	533,502	523,534	523,148	512,862	503,833

(1) This summary should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 8 - “Financial Statements and Supplementary Data” of this 10-K Annual Report.
(2) Net of current maturities of long-term debt.

For additional information related to the impact of acquisitions and dispositions on the above, this summary should be read in conjunction with Item 7 - “Management Discussion and Analysis of Financial Condition and Results of Operations” of this 10-K Annual Report and Note 5 - “Acquisitions, Divestitures and Investments” of Item 8 - “Financial Statements and Supplementary Data” of this 10-K Annual Report.

Table of Contents

FIVE-YEAR SUMMARY OF CONSOLIDATED OPERATIONS AND SELECTED FINANCIAL DATA(1)
(CENTRAL HUDSON)
(In Thousands)

	2009	2008	2007	2006	2005
Operating Revenues					
Electric - Delivery	$275,167	$242,334	$233,033	$208,284	$183,948
Electric - Supply	261,003	365,827	383,806	295,624	337,046
Natural Gas - Delivery	66,916	59,897	55,326	49,629	49,317
Natural Gas - Supply	107,221	129,649	110,123	105,643	106,285
Total	710,307	797,707	782,288	659,180	676,596
Operating Income	76,338	67,344	71,406	70,956	70,791
Net Income	32,776	27,238	33,436	34,871	35,635
Dividends Declared on Cumulative Preferred Stock	970	970	970	970	970
Income Available for Common Stock	31,806	26,268	32,466	33,901	34,665
Dividends Declared to Parent - CH Energy Group	-	-	8,500	8,500	17,000
Change in Retained Earnings	31,806	26,268	23,966	25,401	17,665
Retained Earnings - beginning of year	118,944	92,676	68,710	43,309	25,644
Retained Earnings - end of year	$150,750	$118,944	$92,676	$68,710	$43,309
Total Assets (at year -end)	$1,485,600	$1,492,196	$1,252,694	$1,215,823	$1,126,106
Long-term Debt (at year-end)(2)	413,897	413,894	403,892	337,889	343,886
Cumulative Preferred Stock (at year-end)	21,027	21,027	21,027	21,027	21,027
Total Equity (at year-end)	430,080	373,274	347,006	323,040	297,639

(1) This summary should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 8 - “Financial Statements and Supplementary Data” of this 10-K Annual Report.

(2) Net of current maturities of long-term debt.

Table of Contents

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand CH Energy Group and Central Hudson.

Please note that the Executive Summary (below) is provided as a supplement to, and should be read together with, the remainder of this Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements, including the Notes thereto, and the other information included in this 10-K Annual Report.

EXECUTIVE SUMMARY

BUSINESS OVERVIEW

CH Energy Group is a holding company with four business units:

Business Segments
(1) Central Hudson's regulated electric utility business;
(2) Central Hudson's regulated natural gas utility business;
(3) Griffith's fuel distribution business;

Other Businesses and Investments
(4) CHEC's investments in renewable energy supply, energy efficiency, an energy sector venture capital fund and the holding company's activities, which consist primarily of financing its subsidiaries and business development.

Table of Contents

A breakdown by business unit of CH Energy Group's operating revenues of $0.9 billion and $1.1 billion for the years ended December 31, 2009 and 2008, respectively, is illustrated below.

CH Energy Group Revenue by Business Unit

(1) A portion of the revenues above represent amounts collected from customers for the recovery of purchased electric and natural gas costs at Central Hudson and the cost of purchased petroleum products at Griffith and therefore have no material impact on net income. A breakout of these components is as follows:

Electric 2009: 28% cost recovery revenues + 29% other revenues = 57%
Electric 2008: 32% cost recovery revenues + 21% other revenues = 53%
Natural gas 2009: 12% cost recovery revenues + 7% other revenues = 19%
Natural gas 2008: 11% cost recovery revenues + 6% other revenues = 17%
Griffith 2009: 21% commodity + 2% other revenues = 23%
Griffith 2008: 27% commodity + 2% other revenues = 29%

Table of Contents

A breakdown by business unit of CH Energy Group's net income of $43.5 million and $35.1 million for the years ended December 31, 2009 and 2008, respectively, is illustrated below.

CH Energy Group Net Income by Business Unit

(1) Includes income from discontinued operations of $9,851 and $3,545, respectively.

Table of Contents

A breakdown by segment of CH Energy Group's total assets of $1.7 billion as of both December 31, 2009 and 2008 is illustrated below.

CH Energy Group Assets at December 31, 2009 and 2008, by Business Unit

As the graphs above indicate, as of December 31, 2009 and 2008, 88% and 86% of CH Energy Group's assets were employed in the electric and natural gas businesses, which are subject to regulation by the Public Service Commission ("PSC") (as discussed in more detail below). The remaining 12% and 14% of its assets at December 31, 2009 and 2008 were employed in non-regulated businesses. For the year ended December 31, 2009, CH Energy Group derived 73% of its net income from the regulated electric and natural gas business and 27% of its net income from the non-regulated businesses.

Table of Contents

Strategic Overview

CH Energy Group's objective is to deliver value to its shareholders through current income, in the form of quarterly dividend payments, and through share price appreciation that is expected to result from earnings growth over the long term. CH Energy Group seeks to employ its resources in a manner that supports steady growth. CH Energy Group seeks to invest in projects that have risk and volatility profiles over the long-term that are similar to Central Hudson. CH Energy Group seeks to achieve this result through careful risk management and by regularly considering a range of strategies that include: acquisitions, operating efficiency improvements, capital structure, allocation of capital to each business unit, entry into new lines of business, and divesting all or portions of existing lines of business. The particular strategy CH Energy Group employs from this range of options is periodically reviewed by management. Factors that Management considers in its decision-making include changes in the internal and external environment as well as the expected significance of each strategy to CH Energy Group's ability to achieve its objective.

In pursuit of its objectives, during 2009 CH Energy Group continued investing in the regulated electric and natural gas businesses of Central Hudson, divested selected fuel oil delivery assets of Griffith, and invested in its renewable energy portfolio. In 2010, CH Energy Group intends to continue to invest in Central Hudson's infrastructure, review opportunities for Griffith to expand its service offerings, reduce costs and make selected tuck-in acquisitions, explore additional wind and landfill gas projects, explore divestiture of non-core assets, and evaluate new growth opportunities in all of its business units.

Central Hudson continued to invest in replacing aging infrastructure, upgrading the electric grid to enhance service for its customers, and making capital investments to reduce operational expenses. While load growth was minimal in 2009, total infrastructure investments were still substantially higher than annual depreciation, which resulted in a net increase to Central Hudson's rate base. Central Hudson is permitted by its regulators to recover its cost of capital on invested rate base. Infrastructure investments are expected to continue to exceed annual depreciation for the foreseeable future increasing rate base, and providing the basis for earnings growth over the long term.

At Griffith, the suspension of acquisitions that began in 2008 as a result of unprecedented energy price volatility was continued throughout 2009. During this time, Management conducted a review to determine the appropriate scale of Griffith within CH Energy Group and to determine the best strategy for Griffith to deliver long-term value to CH Energy Group's shareholders. Following completion of this review, on December 11, 2009, Griffith sold approximately 43% of its assets, consisting of its operations in Rhode Island, New York, New Jersey, Connecticut, Massachusetts and Pennsylvania, where customers tended to have higher annual usage but exhibited higher sensitivity to price. Management believes this divestiture will reduce Griffith's exposure to wholesale oil prices and resulting volatility that Griffith's operations have on CH Energy Group's consolidated earnings and cash flow. The remaining Griffith business in the Mid-Atlantic region offers service to its core customers who tend to favor full-service and change suppliers less frequently. Management also announced its intent to resume its prior acquisition strategy to expand through selected "tuck-in" acquisitions in the Mid-Atlantic region. This growth strategy focuses on acquiring and retaining full-service customers in geographic areas that overlap Griffith's existing operations.

Table of Contents

In 2009, CHEC continued to invest in renewable energy projects, with a focus on projects that are expected to exhibit risk and volatility profiles over the long term that are similar to those of Central Hudson. During 2009, CHEC invested $2.6 million of its total investment of $5.5 million in the construction of the CH-Auburn landfill gas project, which became operational in January 2010. In the second quarter, CHEC invested $5.5 million in the CH-Greentree landfill gas project that was substantially complete in the second quarter, and in the fourth quarter, CHEC announced its commitment to invest approximately $50 million in the CH Shirley Wind project, which is expected to be in service at the end of 2010. These investments are discussed in more detail under Other Businesses and Investments.

Going forward, Management will continue reviewing its businesses with the goal of increasing shareholder value. Specifically, Central Hudson will continue investing in its infrastructure; Griffith plans to explore potential new service offerings to existing customers, and CHEC plans to pursue additional investments with risk and volatility profiles that are similar to those of Central Hudson. Additionally, CH Energy Group may evaluate opportunities for additional business acquisitions or divestitures. Based on current market conditions, the Company does not intend to invest in new ethanol projects.

To partially finance the growth in its unregulated businesses, CH Energy Group privately placed $50 million of senior unsecured notes in 2009, its first non-utility long-term debt. This debt is expected to be serviced by non-utility operations and investments. With the continued growth of Central Hudson and with the development of new opportunities at CHEC, CH Energy Group will periodically consider whether it is appropriate to issue additional shares of common equity as part of the Company's financing program.

Table of Contents

CENTRAL HUDSON

Business Overview and Source of Earnings

Central Hudson delivers electricity and natural gas to approximately 300,000 electric customers and 74,000 natural gas customers in a defined service territory in the Mid-Hudson Valley region of New York State.

The rates Central Hudson charges its customers are set by the PSC. These rates are designed to recover the cost of providing safe and reliable service to Central Hudson's customers and to provide a fair and reasonable return on the capital invested by shareholders.

Central Hudson's earnings are derived primarily from the revenue it generates from delivering energy to its customers. Central Hudson also procures supplies of electricity and natural gas for customers who have not chosen to utilize an independent third party supplier. The PSC has authorized Central Hudson to recover the costs of the electric and gas commodities from customers, without earning a profit on the commodity costs.

Strategic Overview

Central Hudson's mandate to provide service to its franchise territory creates a need for Central Hudson to balance the objectives and concerns of a diverse set of stakeholders, including customers, regulators, and shareholders. By carefully managing costs, maintaining acceptable levels of reliability and customer service, and developing productive working relationships with regulators, Central Hudson can deliver the greatest value to shareholders. Central Hudson's Management seeks to increase shareholder value by obtaining current recovery of Central Hudson's costs of providing service to its customers, earning a fair return on its investments in infrastructure to meet increasing customer needs for energy and the quality of service, and obtaining an allowed Return on Equity ("ROE") that provides a fair and reasonable return for shareholders. Because each of these strategies requires regulatory approval, Central Hudson will continue to build on its relationships with its regulators. The Company is advocating for the opportunity to invest in renewable energy projects that would be included in its rate base. It is also considering how to promote other investment opportunities that may include Smart Grid, smart meters, transmission upgrades, and infrastructure to further enhance reliability.

Cost Management and Process Improvement

Recognizing the importance of service, reliability and affordable rates to its customers, Central Hudson has a strong history of putting innovation to work to improve its operations and reduce costs. This focus has been particularly strong as the economy has struggled during 2008 and 2009. Across the company, Central Hudson employees found innovative ways to save time and money while improving reliability and customer service. Some examples of these efforts include:

Table of Contents

- Using meters that can be read from a distance, increasing meter readers' productivity
- Installing monitoring equipment that provides employees the ability to identify and address operating problems before they can cause an interruption in service to customers
- Using recycled materials - which are less expensive and more environmentally friendly than the more common alternative of sand or crushed stone - to refill trenches after completing underground work
- Using GPS technology to optimize the efficiency of scheduling field employees
- Using scanning technology to more efficiently track and reduce inventories
- Implementation of a web-based tool for customers to identify outages and monitor restoration efforts following a loss of power from storms
- Using technology that allows a greater number of software programs to run on the same hardware
- Increasing the use of electronic bills and payment options
- Challenging vendors to reduce costs

These examples are representative of Central Hudson's goal of continuously improving its operations for the benefit of customers and shareholders alike.

Delivery Rate Increase

Central Hudson filed a rate increase request with the PSC in July 2008. A final, amended Order Adopting Recommended Decision with Modifications was issued by the PSC on June 26, 2009, for rates that went into effect July 1, 2009. The Order includes an annual $39.6 million and $13.8 million increase in electric and gas delivery rates, respectively, a 10.0% allowed ROE and a common equity ratio of 47%. The impact of the electric rate increase was moderated for customers for the July 1, 2009 to June 30, 2010 rate year with a $20 million electric bill credit from net regulatory electric liability balances which have been set aside for this purpose. Additionally, the Order approved electric and gas Revenue Decoupling Mechanisms ("RDMs") which are primarily intended to eliminate the disincentive to promote energy efficiency associated with the volumetric rate structures and will also serve to prevent the significant revenue shortfall such as that which occurred during the 2006-2008 period. As discussed in more detail under PSC Proceedings, Central Hudson filed a Petition for Rehearing on the PSC's disallowance of certain costs. Although the outcome of this petition cannot be predicted, it is not expected to have a material impact on Central Hudson's earnings or cash flows. A particular challenge to Central Hudson's ability to earn its authorized ROE is the levels of uncollectible expense compared to amounts recovered through the rate mechanism for this item. The uncollectible expense incurred by the Company for 2009 was 50% higher than 2008. A significant portion of this expense is due to bad debt write-offs above those included in rates. Management believes this increase in uncollectibles is due to unfavorable economic conditions, particularly the high unemployment rate. Central Hudson's Management is working to control its costs in a manner that will minimize the impact that the cost disallowances, the PSC imposed austerity adjustment and undercollection for uncollectible accounts have on Central Hudson's ability to earn its 10.0% authorized ROE. In response to the challenging economy the country has been in since 2008, the PSC issued a notice of austerity directing each New York utility to identify costs that may be reduced without impairing the ability to provide safe and adequate services. These issues are expected to continue to have a direct impact on Central Hudson's earnings, the magnitude of which Management cannot predict. For the rate year ended June 30, 2009, the Company's bad debt write-offs exceeded the amount recovered through rates by $3.3 million. The Company has received approval from the PSC to defer $0.5 million of this amount for future recovery. A petition requesting authority to recover the remaining $2.8 million was filed with the PSC on October 30, 2009. Management cannot predict the outcome of this petition. If the PSC approves the petition, upon future recovery, Central Hudson's cash flows would increase. If the PSC does not approve the petition in full, Central Hudson's expenses would increase by the amount of the petition denied by the PSC.

Table of Contents

While revenues from the electric and gas delivery rate increase approved by the PSC in June 2009 provided the Company with rate relief from the conditions of the recently expired three-year rate plan, these revenues are projected to be insufficient for the Company to recover the ongoing costs of providing electric and gas delivery service beyond June 30, 2010, despite the Company's efforts to offset these rate pressures through internal productivity gains and cost efficiencies. The Company faces a number of cost increases broadly categorized as regulatory mandates and externally imposed costs, low and slowing customer growth and declining use per customer, increased operating expenses and employee costs, ongoing need for electric and gas infrastructure improvements, rising property taxes, increasing uncollectibles and increased cost of debt. As a result of these cost increases, on July 31, 2009, Central Hudson filed an electric and natural gas rate case with the PSC seeking to increase, effective July 1, 2010, the electric and natural gas delivery rates which have been in effect since July 1, 2009. The filing proposed one-year increases of $15.2 million and $3.9 million of electric and natural gas delivery rates, respectively.

The filing also seeks to recover projected expenditures associated with MGP remediation, stray voltage testing of Central Hudson owned and municipally owned electric facilities, tree trimming of distribution lines and enhanced electric transmission ROW management practices. This filing has resulted in the Joint Proposal of Settlement, described below.

On February 3, 2010, Central Hudson, PSC Staff, and Multiple Intervenors served on all parties to the case a negotiated three year settlement Joint Proposal ("2010 Joint Proposal") to be considered by the PSC. The PSC may accept, reject, or modify the 2010 Joint Proposal. Under the terms of the 2010 Joint Proposal, an increase to electric delivery revenues of $30.2 million over a three-year term is to be phased in with annual electric delivery rate increases of approximately $11.8 million as of July 1, 2010; $9.3 million as of July 1, 2011; and $9.1 million as of July 1, 2012. A natural gas delivery revenue increase of $9.7 million is to be phased-in over three years with natural gas delivery rate increases of $5.7 million as of July 1, 2010, $2.4 million as of July 1, 2011 and $1.6 million as of July 1, 2012. The impact on the customers of the electric rate increase will be moderated by continuing the credit to customers' bills that began with the 2009 Rate Order. These credits totalled $20 million in the current rate year and will be reduced to $12 million and $4 million in rate years 1 and 2 of the 2010 Joint Proposal, respectively, after which the credit will end.

Table of Contents

The 2010 Joint Proposal recommends delivery rates based on a return on equity of 10.0%, with earnings up to 10.5% retained by Central Hudson, earnings in excess of 10.5% up to 11.0% shared equally between customers and Central Hudson, and earnings in excess of 11.0% up to 11.5% shared 80/20 between customers and Central Hudson. Earnings in excess of 11.5% will be shared 90/10 between customers and Central Hudson. Rates would be based on a capital structure that includes a 48% common equity ratio, an increase from the current 47%.

Management cannot predict the outcome of the proceeding. Other provisions in the 2010 Joint Proposal are discussed in greater detail in the New Electric and Natural Gas Rate Filing Request discussion within the Other Regulatory Matters Section.

All of the provisions of the 2010 Joint Proposal are subject to final PSC approval, which could occur at the earliest at its May 13, 2010, session.

Rate Base Growth

Management continually pursues opportunities to invest in Central Hudson's infrastructure when doing so will provide both appropriate benefits to customers and a reasonable return to shareholders. Management anticipates considerable change in energy policy at both the federal and state levels over the next several years. Attempts by government to stimulate the economy by funding or incenting infrastructure investment, as well as efforts to increase energy efficiency and the proportion of electric generation from renewable sources, are potential sources of opportunity for Central Hudson.

Central Hudson continues to be actively engaged in the New York State energy planning process with the goal of achieving political and regulatory support for improving the state's energy delivery infrastructure. One of Central Hudson's actions in this regard is active participation along with other New York State transmission owners in planning the enhancement of the State's bulk transmission system. This initiative, named State Transmission Assessment and Reliability Study ("STARS"), will examine the bulk transmission system to identify infrastructure replacement needs and accommodate the addition of renewable generation sources. A recent condition assessment conducted by the transmission system owners concluded that the current system needs to be modernized and expanded, which will require significant investments for many years.

Table of Contents

Central Hudson is also seeking to increase utility involvement in energy efficiency and renewable electricity production. Specifically, Central Hudson is seeking authorization for regulated utilities to own electric generation facilities powered by renewable resources. Such investments would increase the rate base upon which shareholders earn a return. As discussed in more detail under "Regulatory Matters," Central Hudson is actively involved in the state's efforts to increase energy efficiency, and the PSC has recently authorized Central Hudson to implement six of its programs proposed in the energy efficiency proceeding discussed under "Regulatory Matters." These programs provide the opportunity to earn $1.8 million in pre-tax incentives over the next three years, but also subject Central Hudson to possible penalties of approximately the same amount for non-performance.

These opportunities for 2010 represent an important avenue for Central Hudson to expand its scale and scope.

Access to Capital

The capital-intensive nature of Central Hudson's business and its obligation to serve all customers in its franchise area require continuous access to capital on reasonable terms. Central Hudson has historically maintained a strong capital structure and excellent liquidity. Over the past year, Central Hudson has increased its equity ratio by 4.7%, from 43.7% at December 31, 2008 to 48.4% at December 31, 2009. Despite challenging financial markets, the Company maintained access to $125 million of committed credit and various uncommitted credit lines and issued long-term debt in the public markets at competitive rates. Access to capital is expected to remain a vital component of Central Hudson's strategy in 2010 and beyond.

GRIFFITH

Business Overview and Source of Earnings

During the majority of 2009, Griffith provided petroleum products and services to approximately 103,000 customers in a market area comprised primarily of parts of Connecticut, Delaware, Washington, D.C., Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Virginia, and West Virginia. As a result of its recent sale of operations in certain geographic locations, Griffith now provides its products and services to approximately 57,000 customers in Delaware, Washington, D.C., Maryland, Pennsylvania, Virginia and West Virginia. Griffith's revenues, cash flows, and earnings are derived from the sale and delivery of heating oil, gasoline, diesel fuel, kerosene, and propane and from the installation and maintenance of heating, ventilating, and air conditioning equipment.

Table of Contents

Below is a breakdown of Griffith's gross profit from continuing operations of $53.6 million and $55.5 million by petroleum product and by service and installations for the years ended December 31, 2009 and 2008, respectively.

Griffith Gross Profit by Product & Service Line

Gross profits from discontinued operations of $35.1 million and $38.9 million by product and service lines for the years ended December 31, 2009 and 2008, excluded from the chart above are as follows:

Heating Oil: $19.2 million, or 55% for 2009 and $22.5 million, or 58% for 2008
Motor Fuels: $3.2 million, or 9% for 2009 and $3.4 million, or 9% for 2008
Other Fuels: $1.3 million, or 4% for 2009 and $1.2 million, or 3% for 2008
Service & Installations: $10.9 million, or 31% for 2009 and $11.2 million, or 29% for 2008
Other: $0.5 million, or 1% for 2009 and $0.6 million, or 1% for 2008

Strategic Overview

Griffith's Management seeks to position the company as a full-service provider in the Mid-Atlantic region, offering automatic fuel delivery and integrated equipment installation and servicing to residential and commercial customers who use heating oil and motor fuels. Customers have reacted positively to this premium service offering, which has resulted in expanding margins. Management strives to further improve profitability by continuously enhancing operational efficiencies. The sale of Griffith's Connecticut, Rhode Island and Pennsylvania assets, where average use per customer was higher, but customers were generally more price-sensitive, reduces CH Energy Group's overall exposure to petroleum price volatility and allows Griffith to focus on growing the profitability, and potentially its market share in the Mid-Atlantic region.

Earnings and Cash Flow

2009 Results: Griffith's 2009 results support CH Energy Group's objectives of increasing shareholder value through higher earnings. Griffith contributed $0.76 per share to CH Energy Group's earnings, an increase of $0.50 per share from 2008. The increase includes $0.40 per share from the gain on the divestiture and $0.10 per share, or 38% from 2008's $0.26 per share, from operations. After taking into account higher tax obligations at the holding company as a result of the gain, the divestiture contributed a net $0.34 per share to CH Energy Group's earnings. In addition to contributing $0.34 per share to CH Energy Group's 2009 earnings, the divestiture also resulted in the accelerated recovery of approximately $10 million of goodwill. That recovery of goodwill reduces the book value of the remaining portion of Griffith's businesses. The $0.10 per share increase from the operations of the business is particularly significant because it includes a $0.14 per share increase in earnings related to the portion of the business that Griffith retained. Operating results improved due to Griffith's continued reductions of operating expenses as a result of cost control measures initiated in 2008 and are indicative of the value Griffith's Management expects to be able to deliver to shareholders. These positive variances were partially offset by the unfavorable impact of reduced volumes as residential and commercial customers continued to use less fuel in response to the weakened economy.

Table of Contents

In 2008 and 2009, the number of Griffith's fixed and capped customers fell. The margin per gallon for these customers is typically below the margins earned in full service variable price customers. To achieve this migration of customers, Griffith restructured its pricing programs to encourage customers to select variable pricing instead of price protected contracts. This provided Griffith with more flexibility to adjust to changes in market prices, reducing its total hedging costs. With the divestiture, the percentage of fixed and capped customers as a percentage of total customers dropped from approximately 10% to less than 2%.

Looking Forward: Management believes that Griffith's focus on its Mid-Atlantic operations, its strong brand name, effective cost management practices and reputation for high quality and dependable service position it well for future contributions to CH Energy Group's earnings and cash flows.

Management plans to operate the business to produce long-term value including resuming tuck-in acquisitions in the Mid-Atlantic region and exploring various other growth opportunities such as offering new services to existing customers and non-traditional customers.

OTHER BUSINESSES AND INVESTMENTS

Business Overview and Source of Earnings

In addition to Griffith, CHEC derives earnings through investments in renewable energy supply, energy efficiency and an energy sector venture capital fund. This business unit also includes the holding company's activities, which consist primarily of financing its subsidiaries and business development.

Strategic Overview

CHEC's investment objectives are to increase earnings and cash flow with a heightened focus on investments with stable and predictable income streams and cash flows. The renewable energy markets provide opportunities that fit well with these objectives. CHEC's investments in wind energy projects and landfill gas projects are indicative of the type of investment CH Energy Group intends to pursue in the future. However, there are inherent risks associated with the construction and operation of these types of projects including the ability to efficiently develop and operate the assets, the successful and timely completion of the projects, counterparties to contracts not performing and competition from other and new sources of generation. While none of these risks have surfaced, Management considers these risks when assessing these types of investments for the future. The Shirley Wind project also has the risk of actual wind speeds being less than expected. In addition, CHEC's investment in Cornhusker could face a risk that the expansion of plant capacity could be delayed. At the current time, CHEC does not expect to make further investments in ethanol projects, because of the uncertainty and volatility associated with the commodities in these industries. A summary of CHEC's current investments is provided below.

Table of Contents

Managing and Growing Our Investments

During 2009, CHEC's investments contributed $0.03 to CH Energy Group's earnings per share and provided cash flow of $6.3 million before any dividend payments made to CH Energy Group.

Biomass: During 2009, CHEC's Lyonsdale biomass investment earned $0.9 million, $0.4 million less than the prior year primarily because of an extended outage to make certain repairs to the plant.

Wind: During 2009, CHEC's CH-Community Wind investment in two wind projects - one in Pennsylvania and one in New Jersey – earned $0.2 million, the same as the prior year. During 2009, CH Shirley, a wholly owned subsidiary of CHEC, agreed to invest approximately $50 million for a 90% controlling interest in a 20-megawatt wind farm facility in Wisconsin. The project carries a 20-year power purchase agreement at pre-determined electric prices with Wisconsin Public Service Corporation for the electric output of the wind farm's eight wind turbines. This project is expected to contribute attractive, reasonably stable and predictable earnings and cash flows. Construction is expected to be completed in the fourth quarter of 2010.

Ethanol: CHEC's ethanol projects were challenged by continued low margins leading to a write off of a $1.2 million development loan to Buckeye Biopower. Cornhusker results were similar to the prior year, although margins improved during the fourth quarter.

CHEC made a $1.2 million loan to Buckeye Biopower, LLC ("Buckeye") in June 2007 for development of a corn-ethanol plant. Low margins for corn-to-ethanol plants and credit market conditions have made the arrangement of construction financing difficult. As a result, Management established a reserve for the full outstanding loan balance in the first quarter of 2009. Due to management's assessment of the developer's ability to pay the outstanding balance, the full balance was written-off against the reserve in the fourth quarter of 2009.

Table of Contents

The Energy Independence and Security Act of 2007 increases requirements for blending ethanol with gasoline from 10.5 billion gallons in 2009 to 12 billion gallons in 2010.

Cornhusker Energy Lexington, LLC ("CEL") has a requirement as part of its senior note agreement for completing the expansion of plant capacity and output from 40 million gallons per year to 57.5 million gallons per year by December 31, 2009. Construction of the expansion of the plant's capacity was substantially complete by that date. The output testing achieved the capacity required for a 24-hour period, but it was unable to be sustained for the full 72-hour timeframe required. Management believes additional equipment upgrades and adjustments would be necessary to achieve this requirement. CEL has requested a waiver from this requirement from the senior note holder. As of February 10, 2010, the senior note holder has had the ability to accelerate all amounts due under the senior note and has not done so. Management cannot predict the outcome of these negotiations or the senior note holder's actions regarding its rights under the senior note agreement, however, based on current capacity and market conditions, CEL expects to generate cash from operations to fund capital expenditures and continue to make required debt and principal payments. As such, Management believes it is not probable that the senior note holder will accelerate amounts due under the note. CEL is current on all payments of principal and interest due under the senior note agreement and in compliance with all other terms of the senior note agreement. Management believes CHEC's investment in Cornhusker Holdings is not impaired as of December 31, 2009 based on Management’s intent and ability to hold the investments until fully recovered, as well as an analysis of forecasted cash flows, which indicates all amounts are recoverable. Management will continue to monitor the results of CEL. If any of the assumptions within the forecasted cash flow were to change significantly, Management would perform a reassessment of the recoverability of its investment at that time.

Despite the recent improvement in margins, the ethanol industry remains volatile, and CHEC is not planning to invest in additional ethanol projects under such conditions.

Landfill Gas: Management successfully renegotiated the Energy Services agreement for the Auburn landfill gas project on March 31, 2009 and the project will utilize methane gas generated by the City of Auburn landfill to produce and sell electricity to the City. The plant began operation in January 2010.

CHEC’s wholly owned subsidiary, CH-Greentree, entered into an agreement in April 2009 to develop, construct and own a molecular gate system to be leased to Greentree Landfill Gas Company, LLC (“Greentree”) and installed and operated at Greentree’s currently operating landfill gas processing plant at the Greentree landfill facility in western Pennsylvania. The molecular gate is being used to remove nitrogen from landfill gas produced by the Greentree facility thereby increasing its energy content and allowing Greentree to sell more of its gas output. The term of the lease is seven years and construction was substantially complete on June 30, 2009. This investment is expected to provide stable, predictable earnings and cash flow as the quarterly lease payments are fixed for the next seven years.

2009 IN REVIEW

Annual earnings for CH Energy Group totaled $2.76 per share in 2009, an increase of $0.54 per share from the $2.22 per share posted in 2008.

The 2009 earnings reflect an excellent recovery from 2008, a very difficult year for CH Energy Group’s earnings. Central Hudson’s new rate plan approved by the PSC, which took effect July 1, 2009, corrected a misalignment of costs and revenues for the regulated business. Additionally, in the fourth quarter of 2009, Griffith completed a successful partial divestiture, which contributed $0.34 per share to corporate earnings.

Table of Contents

The challenging economic conditions that began in 2008 continued to impact Central Hudson's customers' ability to pay their bills in 2009 and resulted in higher write-offs and reserves for uncollectible accounts. Management believes the economy has also impacted increased customer conservation resulting in a decline in sales volumes for Griffith's fuel distribution business. Management has continued to implement operational efficiencies and cost reductions in an effort to reduce expenses and increase productivity.

Central Hudson

Central Hudson's contribution to earnings per share was $2.02 per share, an increase of $0.35 per share over the $1.67 per share posted in 2008. The improvement is due primarily to improved cost recovery through delivery rates, which accounted for $0.88 per share of the increase ($0.22 per share of which was from the new RDMs that went into effect on July 1, 2009). These delivery rates are designed to cover higher operational expenses, including depreciation, tree-trimming, property and other taxes and higher interest expense and carrying charges. The increases in these costs over 2008 totaled $0.35 per share, or nearly 40% of the increased revenue. Higher write-offs and increased reserves for uncollectible accounts ($0.18) per share represented an extraordinary expense and, as such and in accordance with regulatory practice, Central Hudson has deferred the incremental expense over the amount recovered through rates totaling $0.13 per share and requested authorization for recovery from the PSC. The absence of major storms and the resulting lower expense of restoring service to electric customers contributed $0.09 per share to year-over-year performance.

Griffith

Griffith contributed $0.76 per share in 2009 as compared to $0.26 per share in 2008. This increase was primarily attributable to the sale of operations in certain geographic locations, which accounted for $0.40 per share of Griffith's increase in earnings. Customer conservation continued to have a negative impact on sales ($0.21) per share, but was offset by the favorable impacts of weather of $0.11 per share, higher margins of $0.02 per share, and lower uncollectible accounts of $0.04 per share. Continued operational cost reductions implemented by Management totaling $0.11 per share was the primary driver of the year-over-year increase excluding the sale.

Other Businesses and Investments

CH Energy Group (the holding company) and CHEC's partnerships and other investments resulted in a loss of ($0.02) per share in 2009, a decrease of ($0.31) per share from 2008 for several reasons. Interest expense on the debt issued at the holding company in 2009 to finance CH Energy Group's unregulated businesses reduced earnings by ($0.07) per share. Income taxes on the gain from the Griffith sale lowered earnings by ($0.06) per share. The write-off of the Buckeye investment lowered 2009 earnings by ($0.05) per share. The operations of Lyonsdale decreased ($0.03) per share from the prior year as a result of an extended plant outage incurred in 2009.

Table of Contents

REGULATORY MATTERS

ELECTRIC AND NATURAL GAS RATE INCREASE
(Cases 08-E-0887 and 08-G-0888 - Proceeding on Motion of the PSC as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Electric and Gas Service)

Background: On July 31, 2008, Central Hudson filed an electric and natural gas rate case with the PSC to increase, effective July 1, 2009, electric and natural gas delivery rates which have been in effect since July 1, 2008, the final year of a three-year rate plan that took effect on July 1, 2006.

Final Order: On June 22, 2009, the PSC issued its Order Adopting Recommended Decision with Modifications which was subsequently modified with an Errata Notice issued on June 26, 2009 ("2009 Rate Order"). Components of the 2009 Rate Order include:

- Electric and gas delivery increases effective July 1, 2009, of $39.6 million and $13.8 million, respectively. The electric rate increase will be moderated by a $20.0 million customer bill credit from an excess depreciation reserve.
- Common equity ratio of 47% of permanent capital.
- Base return on equity ("ROE") of 10.0%.
- RDMs for both electric and gas delivery service. While the primary purpose of the RDMs is to remove a disincentive for the Company to promote energy efficiency to its customers, they should also serve to prevent a significant revenue shortfall such as that which occurred during the three year period of the rate plan which ended on June 30, 2009.
- An austerity expense savings imputation of $3.0 million ($2.4 million electric and $0.6 million gas, respectively). The 2009 Rate Order required the Company to supplement its June 15 austerity filing to identify specific capital and expense reductions that will be used to implement its austerity program (which is further discussed below in Case 09-M-0435).
- Continued funding for the full recovery of the Company's current pension and OPEB costs and continued deferral authorization for pensions, OPEBs, research and development costs, stray voltage testing, MGP site remediation expenditures and electric and gas supply cost recovery and deferral treatment for variable rate debt.
- New deferral authorizations for: fixed debt costs; the costs to bring electric lines into compliance with current height above ground requirements; and the recently enacted New York State Temporary Assessment.
- Continuation, with minor modifications, of the Company's Electric Reliability, Gas Safety and Customer Service performance mechanisms.

Table of Contents

- Recovery through offset against a deferred liability account (non-cash) of the $3.3 million in incremental storm restoration costs incurred from the December 2008 ice storm (which is further discussed below).

Central Hudson made its rates and tariffs compliance filing on June 30, 2009 to become effective July 1, 2009. In addition, and as required by the 2009 Rate Order, the Company filed a supplement to its austerity plan on July 7, 2009, which identified the specific capital and expense reductions that would be used to meet the austerity imputation reflected in the 2009 Rate Order. Central Hudson also made two additional compliance filings on September 21, 2009, with an implementation plan for the expansion of a Mandatory Hourly Pricing program to a specific class of customers, and a proposed suite of Economic Development programs. The Company also made a compliance filing on January 20, 2010, with respect to a voltage specific electric loss factor study.

The PSC has not yet adopted the rates and tariffs on a permanent basis or acted on any of these matters and no prediction can be made regarding the outcome at this time.

PETITION FOR REHEARING
(Cases 08-E-0887 and 08-G-0888 - Proceeding on Motion of the PSC as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Electric and Gas Service)

Background: On July 22, 2009, Central Hudson filed a Petition for Rehearing on certain portions of the 2009 Rate Order. In addition to a technical correction and request for clarification on the application of carrying charges, the petition sought rehearing on the following:

- The accounting treatment and level of expense associated with the cost of removal for gas main replacements.
- The disallowance of 50% of Central Hudson’s Directors and Officers insurance.
- Inadequate recovery of non-MGP environmental expenses.
- Inconsistency of the carrying charge rate for RDMs relative to other comparable deferred items.

Central Hudson pointed out that the impact of the above items results in Central Hudson not having a reasonable opportunity to earn the allowed ROE approved in the 2009 Rate Order.

Potential Impacts: The PSC has not yet acted on this Petition and no prediction can be made regarding the outcome to this proceeding at this time, however Management does not expect this to have a material impact on earnings or cash flows.

Table of Contents

NEW ELECTRIC AND NATURAL GAS RATE FILING REQUEST

Background: On July 31, 2009, Central Hudson filed an electric and natural gas rate case with the PSC seeking to increase, effective July 1, 2010 electric and natural gas delivery rates, which have been in effect since July 1, 2009.

A summary of the most significant components of the filing include:

- A proposed one-year increase of $15.2 million and $3.9 million of electric and natural gas delivery rates, respectively.
- Common equity ratio of 48% and a base return on equity ("ROE") of 10.0%. The 10.0% ROE reflects the result of the PSC's decision on the Company's allowed ROE in the 2009 Rate Order. Central Hudson reserved its rights to file an update to increase or reduce the requested rate of return should economic conditions change. The current Rate Order permits a common equity ratio of 47% with an allowed base ROE of 10.0%.

The filing was made in order to align electric and natural gas delivery rates with the projected costs of providing electric and gas service to our customers. Factors contributing to the need for an increase in rates include the following:

- Ongoing need for electric and natural gas system infrastructure improvements
- Regulatory mandates
- Higher operating costs
- Rising property taxes
- Rising uncollectibles

The filing also seeks to recover projected expenditures associated with the following:

- MGP site remediation
- Stray voltage testing of Central Hudson owned and municipally owned electric facilities
- Distribution line tree trimming
- Enhanced electric transmission right of way management practices

PSC Staff and Intervenor testimonies were filed on November 19, 2009 and Rebuttal testimonies were filed on December 23, 2009. Under the settlement track adopted in the proceeding, settlement discussions initiated in November 2009 and continued through January 2010.

On February 3, 2010, a Settlement Joint Proposal, with the Company, PSC Staff and Multiple Intervenors as signatories, establishing rates for three years beginning July 1, 2010 ("RY1"), 2011 ("RY2") and 2012 ("RY3") was filed with the PSC. The major components of the Joint Proposal include:

Table of Contents

- Electric delivery increases of $30.2 million over the three year term with annual delivery rate increases of $11.8 million, $9.3 million and $9.1 million effective July 1, 2010, 2011 and 2012, respectively. A natural gas delivery rate increase of $9.7 million is to be phased in over three years with annual delivery increases of $5.7 million, $2.4 million and $1.6 million effective July 1, 2010, 2011 and 2012, respectively. The electric rate increase will be moderated by the continuation of the electric Bill Credit mechanisms from Case 08-E-0887 reduced from $20 million in the current rate year, to $12 million and $4 million in RY1 and RY2, respectively, after which the credit mechanism ceases.
- A common equity ratio of 48% of permanent capital and a base return on common equity of 10% earnings up to 10.5% retained by Central Hudson. Earnings in excess of 10.5% up to 11.0% will be shared equally between customers and Central Hudson, and earnings in excess of 11.0% up to 11.5% will be shared 80/20 between customers and Central Hudson. Earnings in excess of 11.5% will be shared 90/10 between customers and Central Hudson.
- Continuation of the existing RDMs, with minor modifications, that are currently in place for both gas and electric service.
- Electric, gas and common capital expenditures with deferral on any shortfalls in capital expenditures spending as measured against the electric and gas net plant targets as reflected in rates.
- Continuation of the existing gas and electric supply cost recovery mechanisms, and continued deferral authorization for pensions, OPEBs, research and development costs, asbestos litigation, MGP site remediation expenditures, the low income Enhanced Powerful Opportunities ("EPOP") program, stray voltage mitigation costs, General and Temporary State Assessment, and transmission sag program.
- Continued deferral authorization for variable rate debt costs for the entire term, with deferral on new fixed rate debt issuances in RY2 and RY3.
- A new, shared property tax deferral, with differences shared 90/10 between customers/Company, with the Company's exposure (or gain) capped at 10 basis points of common equity annually.
- New deferral authority for management audit costs (with a $200,000 annual rate allowance) and costs related to the implementation of International Financial Reporting Standards ("IFRS") in RY2 and RY3, however, IFRS costs are subject to a deferral cap of $375,000.
- New deferral authority for any legislative, governmental, and PSC or other regulatory actions (subject to a 2% of net income materiality threshold).
- Updated allowance factors for electric and gas uncollectible expense, with new factors and rate allowance based on the Company's most recent history through November 30, 2009, but without deferral authority for actual net bad debt write offs in excess of the rate allowance.

Table of Contents

- Full funding support for continued transmission ROW maintenance and distribution tree trimming funding of $36 million over the term of the agreement, with a commitment to complete the first complete cycle of the four year Modified Enhanced Trimming Program by December 31, 2011, with deferral on any spending shortfalls.
- A productivity adjustment of 1.5% of labor and related expenses for each of the three rate years, with no other specified austerity reductions.
- Continuation of existing performance mechanisms for electric reliability, gas safety, and customer service performance mechanisms with penalties for non-achievement.
- Increased funding for expansion of the Company's low-income program, expanded to serve an incremental 110 customers each year of the rate plan, with increased bill credits in each of the three rate years.
- Additional terms of the Joint Proposal include a storm restoration allowance set at $5 million annually, Directors and Officers insurance expense recovery increased from 50% to 70% and an Economic Development rate allowance established in RY3 at $300,000.

Statements in Support or Opposition to the Joint Proposal are due on February 12, 2010 and settlement hearings, if needed, to address contested issues are scheduled for February 25, 2010. A PSC Order regarding the Joint Proposal and establishing a new three year rate plan is not expected until the second quarter of 2010.

NEW YORK STATE TEMPORARY ASSESSMENT
(Case 09-M-0311 - Implementation of Chapter 59 of the Laws of 2009 Establishing a Temporary Annual Assessment Pursuant to Public Service Law §18-a(6)

Background: On April 7, 2009, NYS enacted the NYS Budget of 2009-2010, which in part requires the PSC to collect a Temporary State Energy and Utility Service Conservation Assessment ("Temporary State Assessment") from April 4, 2009 to March 31, 2014. On June 19, 2009, an Order was issued in the above proceeding authorizing recovery by utilities of the revenues required for payments of the Temporary State Assessment, including carrying charges, subject to reconciliation over five years, July 1, 2009 through June 30, 2014. The Temporary State Assessment imposes a charge of 2% of gross intrastate operating revenues, less the amounts assessed for the PSC General Assessment to be collected from customers in a separately stated surcharge on customer bills effective July 1, 2009. The Company submitted its compliance filing in this proceeding on June 29, 2009.

DEVELOPMENT OF UTILITY AUSTERITY PROGRAMS
(Case 09-M-0435 - Proceeding on the Motion of the PSC Regarding the Development of Utility Austerity Programs)

Background: On May 15, 2009, the PSC issued a Notice directing each utility to closely examine its capital expenditures, operation and maintenance expenses and any other expense area over which it has discretion, to identify costs that may be reduced without impairing the ability to provide safe and adequate service. The Notice also directed each utility to report to the PSC by June 15, 2009 concerning actions taken by the utility since September 2008 to respond to the need for austerity, the utility's plans for austerity in the future, the appropriate allocation of the austerity cost savings between customers and shareholders, and the mechanisms proposed to deliver the customer portion of the savings to customers as promptly as possible.

Table of Contents

Notable Activity:

2009

- June 15, 2009 - Central Hudson filed its response, describing the financial austerity conditions it had been operating under throughout the term of the 2006 Rate Order, and identifying capital costs it may avoid or defer to the next year and expense reductions that could be taken as further austerity measures without impairing our ability to provide safe and adequate service.
- June 22, 2009 - The PSC incorporated $3 million in austerity reductions into Central Hudson's rates that were approved in the 2009 Rate Order for rates beginning July 1, 2009.
- July 7, 2009 - Central Hudson filed its required Supplemental Austerity filing for PSC approval as a compliance filing in Cases 08-E-0887 and 08-G-0888. The filing identified electric, gas and common capital reductions that equate to $980,000 of the $2.4 million electric and $360,000 of the $600,000 gas Economic Austerity Imputations established in the 2009 Rate Order. To address the balance of the austerity imputation, Central Hudson proposed a total of $1.48 million of gas and electric expense reductions to several expense items including research and development activities; certain maintenance expenditures; and informational and institutional advertising. Central Hudson also proposed executive salary freezes during 2010 and funding the allowance for the approved transmission enhanced infrastructure maintenance program through charges to its remaining electric excess depreciation reserve. None of the measures proposed by the Company are expected to materially affect the Company's ability to provide safe and adequate service in the rate year.
- December 22, 2009 - The PSC issued an Order Approving Ratepayer Credits in this proceeding, approving an austerity filing and specifying bill credits for a utility other than Central Hudson. The Order directed utilities to proceed to comply with any existing obligations and commitments, and to further address austerity in any new rate filings, and further directed utilities, until the current economic downturn reverses, to employ as many cost-cutting measures as possible, including but not limited to, training of employees in only safety or legally mandated areas, freezing managerial salaries, foregoing managerial bonuses, and limiting travel. The Order did not address Central Hudson's austerity plan or supplemental austerity plan compliance filing, or direct any further action for Central Hudson.

Table of Contents

Potential Impacts: The incorporation of the $3 million austerity reduction into the 2009 Rate Order could result in Central Hudson earning less than the 10.0% ROE allowed in the 2009 Rate Order.

OTHER PSC PROCEEDINGS AND ADMINISTRATION INITIATIVES

CH Energy Group and Central Hudson continue to monitor a number of generic and specific regulatory proceedings. Neither CH Energy Group nor Central Hudson can predict the final outcome of New York State's energy policies, or the following PSC proceedings.

ENERGY EFFICIENCY PORTFOLIO STANDARD AND STATE ENERGY PLANNING
(Case 07-M-0548 - Proceeding on Motion of the PSC Regarding an Energy Efficiency Portfolio Standard and Governor Paterson's Executive Order issued April 9, 2008)

Background: Governor Paterson affirmed his support for the previous administration's goal of substantially reducing electricity usage. In support of this goal, the PSC is investigating various approaches to reduce customers' demand for energy and to provide utility incentives for meeting specified energy savings targets.

Notable Activity:

2008

- State Energy Plan

Ø Governor Paterson issued an Executive Order establishing a State Energy Planning Board and authorizing the creation and implementation of a State Energy Plan ("SEP").
Ø Central Hudson submitted its own comments on the draft scope of the State Energy Plan and joined those submitted by the Energy Association of New York State Member Companies' comments. Central Hudson also provided briefing papers to the SEP working group on pressing issues facing Central Hudson for consideration in developing the SEP.

- PSC

Ø Central Hudson has filed comments with the PSC supporting the opportunity to establish energy efficiency businesses, with corresponding opportunities to contribute to the state energy goal of reducing electricity consumption by 15% by 2015 and provide meaningful earnings for investors from energy efficiency services.
Ø The PSC established energy efficiency targets to be achieved by individual utilities through 2011 that included three utility administered fast track programs and five fast track programs to be administered by the New York State Energy Research and Development Authority ("NYSERDA"). Central Hudson has filed its plans to implement its programs with the PSC.

Table of Contents

- Effective October 1, 2008, the PSC ordered the creation of a gas System Benefit Charge and increased electric System Benefit Charges to invest in funding these energy efficiency programs.

2009

- On January 7, 2009, Governor Paterson outlined various strategies and policy goals in his State of the State address, including one of the most aggressive clean energy goals in the country, with a goal for New York to meet 45% of its electricity needs by 2015 ("45 x 15") through improved energy efficiency and clean renewable energy production. This would be accomplished by expanding the Renewable Portfolio Standard from 25% by 2013 to 30% by 2015 and decreasing electric usage by 15% by 2015.
- A SEP Interim Report was issued for comment on March 31, 2009. Central Hudson filed comments on May 15, 2009 in support of policies and efforts with potential to promote economic development and job creation, foster private investment, increase the tax base, enhance energy reliability, lower customer bills and protect public health, safety and the environment. The 2009 Draft SEP was issued on August 10, and the Final 2009 State Energy Plan was issued on December 15, 2009. The plan adopts the following policy objectives: to assure that New York has reliable energy and transportation systems, to support energy and transportation systems that enable the State to significantly reduce greenhouse emissions, to address affordability concerns caused by rising energy bills and improve the State's economic competitiveness. The SEP is designed to also reduce health and environmental risks associated with the production and use of energy across all sectors and to improve the State's energy independence and fuel diversity by developing in-state energy supply resources. The strategies to achieve these policy objectives include producing, delivering and using energy more efficiently, supporting development of in-state energy supplies, investing in the energy and transportation infrastructure, stimulating innovation in a clean energy economy and engaging others in achieving the State's policy objectives.
- The PSC continues to work on additional issues of the energy efficiency program design with participation by interested parties in various working groups that include utility performance incentives, on-bill financing, demand response and peak reduction and impacts on low-income and rental customers.
- Central Hudson received approval through the Energy Efficiency Portfolio Standard ("EEPS") proceedings in January 2009 to implement electric energy efficiency programs including a Residential Electric HVAC Electric program and a Small Commercial Business program. These two programs have been operational since May 2009.

Table of Contents

- Central Hudson received approval through the EEPS proceedings in April 2009 to implement a gas energy efficiency program for Residential Natural Gas HVAC equipment. This program has been operational since July 2009.
- Central Hudson received approval through the EEPS proceedings in October 2009 to implement a mid-size business efficiency program for commercial customers. Central Hudson received approval through the EEPS proceedings in December 2009 to implement an appliance recycling program for residential customers and an expanded Residential Electric HVAC equipment program. These programs will be operational in 2010.

Potential Impacts: This PSC proceeding could result in opportunities for increased earnings from incentives associated with achieving energy efficiency targets or could result in negative rate adjustments if the 70% performance criterion is not met. No prediction can be made regarding the final outcome of this matter, however, any earnings variations are not likely to be material.

REQUESTS FOR DEFERRAL OF INCREMENTAL COSTS
(Case 09-M-0009 - Petition of Central Hudson Gas & Electric Corporation for Authority to Defer Incremental Costs Related to the December 11, 2008 Ice Storm)

Background and Impact: In December 2008, Central Hudson filed a petition with the PSC seeking approval to defer certain incremental and material storm restoration expenses resulting from a severe ice storm in December 2008 that disrupted service to approximately 72,000 of Central Hudson's customers. The initial petition sought PSC authorization to defer $3.1 million of incremental expenses at December 31, 2008. An updated schedule showing total costs incurred at $3.3 million was provided to the PSC as of March 31, 2009. The PSC authorized the deferral request and agreed that the incremental storm costs would be included on the electric offset list for the rate year in Central Hudson's rate increase proceeding which was discussed earlier in this section.

(Case 09-M-0140 - Petition of Central Hudson Gas & Electric Corporation for Authority to Defer Bad Debt Net Write-Off Expense for the Year Ended December 31, 2008)

Background and Impact: In February 2009, Central Hudson filed a petition with the PSC seeking approval to defer $1.3 million of incremental electric and $0.5 million of gas net bad debt write-off expense incurred during the twelve months ended December 31, 2008 over the amounts provided for in rates during that period. In an Order issued August 24, 2009, the PSC granted authority to defer the gas incremental bad debt write-off expense of $0.5 million, but denied the Company's deferral request for the electric incremental expense on the basis that it did not meet the PSC's materiality standard for deferral.

Table of Contents

(Case 09-G-0139 - Petition of Central Hudson Gas & Electric Corporation for Authority to Defer Gas Leak Repairs Expense for the Year Ended December 31, 2008)

Background and Impact: In February 2009, Central Hudson filed a petition with the PSC seeking approval to defer $0.5 million of incremental gas non-labor expense related to leak repairs incurred during the twelve months ended December 31, 2008 over the amounts provided for in rates during that period. In an Order issued August 20, 2009, the PSC denied the Company's request concluding that the request did not meet the PSC's requirement that an item must be extraordinary in nature, in order to qualify for deferral accounting treatment.

(Case 09-M-0788 - Petition of Central Hudson Gas & Electric Corporation for Authority to Defer Gas Debt Net Write-Off Expense for the Twelve Months Ended June 30, 2009)

Background: In October 2009, Central Hudson filed a petition with the PSC seeking approval to defer $2.4 million of incremental electric and $0.4 million of incremental gas net bad debt write-off expense incurred during the twelve months ended June 30, 2009 (Rate Year 3 of the 2005 Rate Plan) over the amounts provided for in our rates during that time period and over the gas deferral amount provided in Case 09-M-0140.

Potential Impacts: The $2.8 million of incremental gas and electric uncollectible expenses impacted Central Hudson's cash flows in 2008 and 2009. Central Hudson has recorded a deferral of these incremental uncollectible expenses because it believes it has made a strong demonstration in support of its request for authorization to defer the incremental costs, consistent with criteria cited in recent PSC decisions with positive outcomes regarding the ice storm and the gas portion of the 2008 net bad debt deferral petition. However, Management cannot predict the outcome of this filing. If the PSC approves the petition, upon future recovery, Central Hudson's cash flows would increase. If the PSC does not approve the petition in full, Central Hudson's expenses would increase by the amount of the petition denied by the PSC.

ADVANCED METERING INFRASTRUCTURE
(Case 09-M-0074 - Proceeding on Matter of Advanced Metering Infrastructure)

Background: On February 13, 2009, the PSC issued an Order establishing minimum functional requirements for Advanced Metering Infrastructure ("AMI") in New York State and creating a process for the development of a generic approach to the benefit/cost analysis of AMI. The February 13, 2009 Order directed Central Hudson to file an AMI pilot program within 60 days. The filing requirements set forth by the PSC in the Order were designed to put utilities on track to potentially receive federal financial assistance that may become available under the American Recovery and Reinvestment Act of 2009's ("ARRA") Department of Energy ("DOE") administered program for Electricity Delivery and Energy Reliability ("EDER"). The DOE may provide grants to successful applicants under the EDER program in an amount equal to not more than 50% of the costs of qualifying investments.

Table of Contents

Notable Activity:

2009

- On April 14, 2009, Central Hudson filed its AMI and Smart Grid Proposal with the PSC.
- On April 14, 2009, the PSC issued its "Proposed Framework for the Benefit-Cost Analysis of Advanced Metering Infrastructure". A Notice Seeking Comment on the proposal was also issued directing parties to file comments on the generic benefit-cost framework by June 15, 2009.
- The Company filed comments on June 15, 2009.
- In an AMI / ARRA Order issued July 27, 2009, the PSC approved the Company's project proposals, which allows the Company to demonstrate on application to the DOE, a ratepayer commitment, through cost recovery via a surcharge, for the portion of eligible project costs not covered by the DOE grant. This PSC funding approval was necessary for the Company to proceed with its DOE filing.
- On August 4, 2009, Central Hudson submitted its grant application with the DOE.
- On October 27, 2009, the DOE notified Central Hudson that the Company's application submitted in response to the Smart Grid Investment Grant funding opportunity was not selected for award.
- Central Hudson is currently reviewing and reconsidering its AMI / Smart Grid position. No prediction can be made regarding future steps at this time.

THE ARRA PROJECT FUNDING
(Case 09-E-0310 - In the Matter of American Recovery and Reinvestment Act of 2009 - Utility Filings for New York Economic Stimulus)

Background: ARRA includes a DOE administered program for EDER. The sum of $4.5 billion is appropriated by ARRA for the EDER program to be dispersed by DOE through a competitive grant process. Additional funds may also be available through programs such as Transportation Electrification.

Notable Activity:

2009

- On April 2, 2009, the PSC sent a letter to the state's regulated utilities requesting a submittal of project lists from the utilities that are being considered for application for ARRA funding.
- The ARRA funding in some cases only covers a portion of the project costs and therefore will require other funding sources which may include ratepayer funds for which PSC approval is required.

Table of Contents

- Regulated utilities, New York Power Authority, Long Island Power Authority, and NYISO, along with other parties collaborated on portions of project filings.
- Central Hudson submitted its current project list to the PSC on April 17, 2009 and filed its updated stimulus plans with the PSC on July 2, 2009. Included in this filing were Central Hudson's Smart Grid project, and two collaborative projects including the Statewide Capacitor Installation and the Statewide Phasor Monitoring Unit ("PMU") Project. On May 29, 2009, Central Hudson applied for ARRA funding under the "Clean Cities FY09 Petroleum Reduction Technologies Projects for the Transportation Sector" funding opportunity in collaboration with the New York and Lower Hudson Valley Clean Communities and NYSERDA.

- Smart Grid / AMI

Ø In an AMI / ARRA Order issued July 27, 2009, the PSC approved Central Hudson's project proposals, which allows Central Hudson to demonstrate on application to the DOE, a ratepayer commitment, through cost recovery via a surcharge, for the portion of eligible project costs not covered by the DOE grant. This PSC funding approval was necessary for Central Hudson to proceed with its DOE filing.

Ø On August 4, 2009, Central Hudson submitted its grant application with the DOE.

Ø On October 27, 2009, the DOE notified Central Hudson that its application submitted in response to the Smart Grid Investment Grant funding opportunity was not selected for award.

Ø Central Hudson is currently reviewing and reconsidering its AMI / Smart Grid position. No prediction can be made regarding future steps at this time.

- Statewide Collaborative Projects

Ø On August 6, 2009, the NYISO submitted its grant application for the collaborative projects.

Ø On October 27, 2009, the DOE notified the NYISO that the Statewide Capacitor Installation Project and the Statewide PMU Project have been approved and awarded the NYISO $37.4 million of the total $75.7 million for the projects. Central Hudson's portion of this project is $1.6 million of the total $3.1 million for the Capacitor Installation Project and $0.1 million of the total $0.2 million for the Statewide PMU Project.

Ø Central Hudson is currently working with the NYISO and the other New York State utilities on a Sub-Award Agreement for these projects.

Table of Contents

- Ø The EEI has requested the DOE to seek clarification from the IRS and the Treasury Department on the issue of the taxability of DOE grants under the ARRA.
  - Ø Central Hudson has a tariff filing due on March 1, 2010 to define the mechanism for recovery from customers for the portion of the projects not provided through the DOE grant.

- Plug-In Hybrid Technologies

- Ø On August 26, 2009, Central Hudson was notified that its grant request to fund the incremental cost of Plug-In Hybrid and Hybrid technology for eight heavy duty line trucks, and associated charging infrastructure improvements was successful, and received $0.7 million to implement the technologies in 2010 and 2011.
- Ø The development of Plug-In Hybrid and Hybrid systems in regard to this grant has the potential to reduce fleet diesel fuel consumption by approximately 10,000 gallons annually and associated emissions. No prediction can be made regarding the final outcome of this matter; however, any overall earnings impacts are not likely to be material.

CENTRAL HUDSON GAS & ELECTRIC FINANCING PETITION
(Case 09-M-0308 - Petition of Central Hudson Gas & Electric Corporation for Authority to enter into multi-year committed credit agreements and issue and sell long-term debt)

Background: On March 26, 2009, Central Hudson filed a petition with the PSC seeking approval to (a) enter into multi-year committed credit agreements to provide committed funding to meet expected liquidity needs, in amounts not to exceed $175 million in the aggregate and maturities not to exceed five years, and (b) approval to issue and sell long-term debt, commencing immediately upon issuance of an order regarding the petition, and from time to time through December 31, 2012, in an amount not to exceed $250 million in the aggregate.

Notable Activity:

2009

- Central Hudson filed its petition on March 26, 2009.
- An order approving the above requests was received on September 22, 2009.

Impacts: Central Hudson’s ability to seek a higher level of committed credit could enable greater liquidity to support forecasted construction expenditures, seasonality of the business, volatile energy markets, adverse borrowing environments, and other unforeseen events. The approval to issue and sell $250 million of long-term debt will support Central Hudson’s ability to finance its construction expenditures, refund maturing long-term debt, and potentially refinance $116 million of multi-modal long-term NYSERDA bonds, which are currently in an auction rate interest mode.

Table of Contents

MANAGEMENT AUDIT
(Case 09-M-07674 - Comprehensive Management Audit of Central Hudson Gas & Electric Business)

Background: In August 2009, the PSC authorized the issuance of a Request for Proposal ("RFP") for an independent third-party consultant to conduct a comprehensive management audit of Central Hudson's construction planning processes and operational efficiencies of its electric and gas businesses. The PSC is required to audit New York utilities every five years. Audit work is expected to get underway in the first quarter of 2010. A final report of the consultant's findings and recommendations is not expected until the second quarter of 2011. No prediction can be made regarding the outcome of the matter at this time.

NON-UTILITY LAND SALES

For further information regarding non-utility land sales, see Note 2 - "Regulatory Matters."

ELECTRIC RELIABILITY PERFORMANCE

For further information regarding Central Hudson's electric reliability performance, see Note 2 - "Regulatory Matters."

Table of Contents

CAPITAL RESOURCES AND LIQUIDITY

CH ENERGY GROUP - CASH FLOW SUMMARY

Changes in CH Energy Group's cash and cash equivalents resulting from operating, investing, and financing activities are summarized in the following chart (In Millions):

	Year Ended December 31,		
	2009	2008	2007
Net Cash Provided By/(Used In):			
Operating Activities	$126.4	$110.3	$34.1
Investing Activities	(55.7)	(88.7)	(73.7)
Financing Activities	(17.1)	(13.1)	26.8
Net change for the period	53.6	8.5	(12.8)
Balance at beginning of period	19.8	11.3	24.1
Balance at end of period	$73.4	$19.8	$11.3

CH Energy Group's cash and cash equivalents increased by $53.6 million and $8.5 million for the years ended December 31, 2009 and 2008 and decreased by $12.8 million for the year ended December 31, 2007. For each of these periods, CH Energy Group's working capital needs were provided by cash from operations and supplemented seasonally with short-term financing as needed. Capital expenditures, investments and dividends in each year, as well as acquisitions in 2008 and 2007, were partially funded with cash from operations in excess of expenses and working capital needs. The remainder of the funding for investing activities was provided by long-term debt issued by Central Hudson and CH Energy Group and supplemented in 2008 and 2007 with proceeds from the sale of short-term investments. In December 2009, Griffith sold operations in certain geographic locations. Net of adjustments, primarily for working capital, CH Energy Group received $74.4 million. CH Energy Group plans to use the majority of the after-tax proceeds to fund the development of a 20-megawatt wind farm facility in Wisconsin ("Shirley Wind project").

Net cash provided by operations was $126.4 million, $110.3 million and $34.1 million for the years ended December 31, 2009, 2008 and 2007, respectively. Cash provided by sales exceeded the period's expenses and working capital needs in each year, particularly in 2009 and 2008 when lower energy prices resulted in a significant return of working capital. In the third quarter of 2009, Central Hudson paid $17.7 million to the PSC for a new tax surcharge instituted in April 2009; however, only $7.2 million of this surcharge had been collected from customers through December 31, 2009. The required payment of the full year assessment in the third quarter of 2009 increased Central Hudson's working capital needs in the current period, requiring financing. In March 2010, Central Hudson will begin making bi-annual installments of approximately $8.9 million for this surcharge and will collect the amounts from customers in subsequent months. Central Hudson also paid $1.1 million to the PSC for the bi-annual general assessment, of which $0.7 million had been collected through December 31, 2009. Cash from operations was also significantly impacted by an overpayment of federal income taxes in 2009, as well as the receipt of a refund in 2007 for a prior year's overpayment. Central Hudson's MGP site remediation costs in excess of amounts recovered through rates and other regulatory mechanisms totaling $2.3 million, $2.8 million and $5.1 million in the years ended December 31, 2009, 2008 and 2007, respectively, also impacted cash from operations.

Table of Contents

Net cash used in investing activities was $55.7 million, $88.7 million and $73.7 million in the years ended December 31, 2009, 2008 and 2007, respectively. Cash was used primarily to fund investments in Central Hudson's electric and natural gas systems. In June 2009, Central Hudson closed on the purchase of certain real-estate in Kingston, NY resulting in an increase of approximately $13 million to plant additions. Other increases in capital expenditures at Central Hudson in each year relate primarily to maintenance and proactive repairs to transmission and distribution infrastructure to improve reliability. Additionally in December 2009, CH Energy Group received $74.4 million in proceeds from the sale of select operations of Griffith and invested approximately $12.3 million in the Shirley Wind project. In 2008 and 2007, cash was also used for acquisitions made by Griffith and was partially offset by net proceeds from short-term investments held by the holding company.

Net cash (used in) provided by financing activities was ($17.1) million, ($13.1) million and $26.8 million in the years ended December 31, 2009, 2008 and 2007, respectively. Financing activities have consistently included annual dividends of $34.1 million. Central Hudson's and Griffith's cash flows benefited from lower energy prices in 2009. Cash from operations in excess of expenses and working capital needs was used to repay short-term borrowings in 2009 and redeem Central Hudson's long-term debt of $20.0 million at maturity in January 2009. Central Hudson issued $24 million of 30-year notes in September 2009, the proceeds of which were used primarily for the repayment of short-term debt incurred as interim financing for capital expenditures. In addition, CH Energy Group sold $50 million of 5-year notes in the second quarter of 2009 to provide long-term debt financing for CHEC. In 2008, the use of cash overdraft due to increased interest rates at Central Hudson and the proceeds of short-term debt at Griffith were used to supplement working capital needs and to pay dividends in that year. In 2007, net proceeds from the issuance of long-term debt was used primarily to finance capital expenditures and net borrowings of $29.5 million in short-term debt were used primarily to supplement the company's working capital needs and to pay dividends in that year.

Table of Contents

CENTRAL HUDSON - CASH FLOW SUMMARY

Changes in Central Hudson's cash and cash equivalents resulting from operating, investing, and financing activities are summarized in the following chart (In Millions):

	Year Ended December 31, 2009		
	2009	2008	2007
Net Cash Provided By/(Used In):			
Operating Activities	$107.5	$68.1	$32.8
Investing Activities	(107.3)	(80.2)	(83.3)
Financing Activities	2.1	11.0	52.4
Net change for the period	2.3	(1.1)	1.9
Balance at beginning of period	2.5	3.6	1.7
Balance at end of period	$4.8	$2.5	$3.6

Central Hudson's cash and cash equivalents increased by $2.3 million for the year ended December 31, 2009, decreased by $1.1 million for the year ended December 31, 2008 and increased by $1.9 million for the year ended December 31, 2007. For each of these periods, Central Hudson's working capital needs were provided by cash from operations and supplemented seasonally with short-term financing as needed. Cash from operations in excess of expenses and working capital needs provided partial funding for capital expenditures in each year. The remainder of the funding for capital expenditures was provided by the issuance of long-term debt in each year and supplemented with an equity investment from CH Energy Group in 2009.

Net cash provided by operations was $107.5 million, $68.1 million and $32.8 million for the years ended December 31, 2009, 2008 and 2007, respectively. Cash provided by sales exceeded the period's expenses and working capital needs in each year, particularly in 2009 when lower energy prices resulted in a significant return of working capital. In the third quarter of 2009, Central Hudson paid $17.7 million to the PSC for a new tax surcharge instituted in April 2009; however, only $7.2 million of this surcharge had been collected from customers through December 31, 2009. The required payment of the full year assessment in the third quarter of 2009 increased Central Hudson's working capital needs in the current period, requiring financing. In March 2010, Central Hudson will begin making bi-annual installments of approximately $8.9 million for this surcharge and will collect the amounts from customers in subsequent months. Central Hudson also paid $1.1 million to the PSC for the bi-annual general assessment, of which $0.7 million had been collected through December 31, 2009. Cash from operations was also significantly impacted by an overpayment of federal income taxes in 2009, as well as the receipt of a refund in 2007 for a prior year's overpayment. Central Hudson's MGP site remediation costs in excess of amounts recovered through rates and other regulatory mechanisms totaling $2.3 million, $2.8 million and $5.1 million in the years ended December 31, 2009, 2008 and 2007, respectively, also impacted cash from operations.

Net cash used in investing activities of $107.3 million, $80.2 million and $83.3 million in the years ended December 31, 2009, 2008 and 2007, respectively, was primarily for investments in its electric and natural gas systems. In June 2009, Central Hudson closed on the purchase of certain real-estate in Kingston, NY resulting in an increase of approximately $13 million to plant additions. Other increases in capital expenditures at Central Hudson in each year relate primarily to maintenance and proactive repairs to transmission and distribution infrastructure to improve reliability.

Table of Contents

Net cash provided by financing activities was $2.1 million, $11.0 million and $52.4 million in the years ended December 31, 2009, 2008 and 2007, respectively. During 2009 and 2008, Central Hudson retained its net income to invest in its transmission and distribution systems. In 2007, Central Hudson paid dividends to CH Energy Group of $8.5 million. Central Hudson's cash flow benefited from lower energy prices at the end of 2008 and throughout 2009. Cash from operations in excess of expenses and working capital needs were used to repay short-term borrowings in 2009 and 2008 and redeem its long-term debt of $20.0 million at maturity in January 2009. Additionally, an investment of $25.0 million from CH Energy Group in 2009 and the net proceeds from the issuance of long-term debt in each year supplemented the funding of capital expenditures.

CAPITALIZATION - ISSUANCE OF TREASURY STOCK

Effective January 26, 2009, CH Energy Group granted 2,930 restricted shares to certain officers and key employees of Griffith. Effective October 1, 2009, CH Energy Group granted 14,375 restricted shares to a new CH Energy Group executive officer. These restricted shares granted were issued from CH Energy Group's treasury stock.

On May 1, 2009, performance shares earned as of December 31, 2008 for the award cycle with a grant date of April 25, 2006 were issued to participants. Those recipients electing not to defer this compensation under the CH Energy Group Directors and Executives Deferred Compensation Plan received shares issued from CH Energy Group's treasury stock. A total of 4,560 shares were issued from CH Energy Group's treasury stock on May 1, 2009. Additionally, due to the retirement of one of Central Hudson's executive officers on January 1, 2009, a pro-rated number of shares under the January 25, 2007 and January 24, 2008 grants were paid to this individual on July 2, 2009. An additional 294 shares were issued from CH Energy Group's treasury stock on this date in satisfaction of these awards.

For further information regarding the above equity compensation, see Note 11 - "Equity Based Compensation" of this 10-K Annual Report. The Company intends to continue to utilize shares issued from CH Energy Group's treasury stock for the payout of future performance awards.

Table of Contents

CAPITAL STRUCTURE

CH Energy Group's consolidated capital structure reflects the external debt and preferred stock of Central Hudson and privately placed external debt at CH Energy Group. CHEC's long-term debt is comprised entirely of intercompany loans from CH Energy Group that are eliminated upon consolidation.

During the first half of the year, Central Hudson operated under the 2006 Rate Order. Central Hudson's rates were based on a capital structure that reflected 45% common equity, but a common equity ratio up to 47% could have been used for the purpose of determining earnings sharing. Central Hudson has been gradually increasing its equity ratio to bolster its credit quality with the expectation that it would earn a return on the incremental equity through future delivery rates. Effective July 1, 2009, Central Hudson operated under the 2009 Rate Order. Central Hudson's rates are based on a capital structure that reflects 47% common equity. These ratios are calculated according to a PSC methodology, which excludes short-term debt.

In April 2009, CH Energy Group invested $25 million in Central Hudson, which was recorded as additional paid-in capital. Central Hudson paid no common stock dividends in 2009 and is targeting an equity ratio of approximately 48%, excluding short-term debt.

Central Hudson's current senior unsecured debt rating/outlook is 'A'/stable by both Standard & Poor's Rating Services ("Standard & Poor's") and Fitch Ratings and 'A3'/negative by Moody's Investors Service ("Moody's").[1] On September 9, 2009, Moody's downgraded Central Hudson's senior unsecured debt and issuer ratings to 'A3' from 'A2', with a continued negative outlook, to reflect their view of the current weakness in our credit metrics and the ongoing need for rate relief to support planned capital expenditures. Moody's analysis focused on four key rating factors that they identified as being important determinants in assigning ratings; (1) regulatory framework, (2) ability to recover costs and earn returns, (3) diversification, and (4) financial strength, liquidity and key financial metrics. The downgrade is not expected to have a material impact on Central Hudson's financial performance.

---

1 These 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.

Table of Contents

Year-end capital structures for CH Energy Group and its subsidiaries are set forth below as of December 31:

CH Energy Group

	2009		2008		2007	
Long-term debt(1)	46.8	%	42.8	%	40.8	%
Short-term debt	-		3.5		4.3	
Preferred stock	2.0		2.1		2.1	
Common equity	51.2		51.6		52.8	
	100.0	%	100.0	%	100.0	%

Central Hudson

	2009		2008		2007	
Long-term debt	49.2	%	50.8	%	49.6	%
Short-term debt(2)	-		3.0		5.2	
Preferred stock	2.4		2.5		2.6	
Common equity	48.4		43.7		42.6	
	100.0	%	100.0	%	100.0	%

CHEC

	2009		2008		2007	
Long-term debt(1)	32.1	%	26.8	%	48.9	%
Short-term debt	-		6.4		-	
Preferred stock	-		-		-	
Common equity	67.9		66.8		51.1	
	100.0	%	100.0	%	100.0	%

(1) Based on stand-alone financial statements and including intercompany balances which are eliminated upon consolidation.

(2) Excluded from the common equity ratio under the PSC's methodology for Central Hudson delivery rates

Table of Contents

CONTRACTUAL OBLIGATIONS

A review of capital resources and liquidity should also consider other contractual obligations and commitments, which are further disclosed in Note 12 - "Commitments and Contingencies."

The following is a summary of the contractual obligations for CH Energy Group and its affiliates as of December 31, 2009 (In Thousands):

Projected Payments Due By Period

	Less than 1 year	Years Ending 2011-2012	Years Ending 2013-2014	2015 and After	Total
Long-Term Debt(1)	$24,000	$37,948	$72,726	$353,276	$487,950
Interest Payments - Long-Term Debt(1)	22,737	42,042	35,303	206,358	306,440
Operating Leases	2,450	4,904	4,565	8,992	20,911
Construction/Maintenance & Other Projects(2)	79,307	29,849	7,663	3,784	120,603
Purchased Electric Contracts(3)	109,732	40,355	7,998	3,613	161,698
Purchased Natural Gas Contracts(3)	55,369	53,410	22,624	49,599	181,002
Purchased Fixed Liquid Petroleum Contracts(4)	3,959	-	-	-	3,959
Total Contractual Obligations(5)	$297,554	$208,508	$150,879	$625,622	$1,282,563

(1) Includes fixed rate obligations and variable interest rate bonds with estimated variable interest payments based on the actual interest paid in 2009.

(2) Including Specific, Term, and Service Contracts, briefly defined as follows: Specific Contracts consist of work orders for construction; Term Contracts consist of maintenance contracts; Service Contracts include consulting, educational, and professional service contracts.

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

(4) Estimated based on pricing on December 31, 2009.

(5) The estimated present value of CH Energy Group's total contractual obligations is $856 million, assuming a discount rate of 5.5%.

Table of Contents

The following is a summary of the contractual obligations for Central Hudson as of December 31, 2009 (In Thousands):

Projected Payments Due By Period

	Less than 1 year	Years Ending 2011-2012	Years Ending 2013-2014	2015 and After	Total
Long-Term Debt(1)	$24,000	$36,000	$44,000	$333,950	$437,950
Interest Payments - Long-Term Debt(1)	19,395	35,454	29,867	197,926	282,642
Operating Leases	1,546	3,013	2,907	2,888	10,354
Construction/Maintenance & Other Projects(2)	52,022	29,773	7,587	3,784	93,166
Purchased Electric Contracts(3)	109,732	40,355	7,998	3,613	161,698
Purchased Natural Gas Contracts(3)	55,369	53,410	22,624	49,599	181,002
Total Contractual Obligations(4)	$262,064	$198,005	$114,983	$591,760	$1,166,812

(1) Includes fixed rate obligations and variable interest rate bonds with estimated variable interest payments based on the actual interest paid in 2009.
(2) Including Specific, Term, and Service Contracts, as defined in footnote (2) of the preceding chart.
(3) Purchased electric and purchased natural gas costs for Central Hudson are fully recovered via their respective regulatory cost adjustment mechanisms.
(4) The estimated present value of Central Hudson's total contractual obligations is $763 million, assuming a discount rate of 5.5%.

Central Hudson has an obligation to meet its contractual benefit payment obligations. Decisions about how to fund the Retirement Plan to meet these obligations are made annually and are primarily affected by the discount rate used to determine benefit obligations, current asset values and the projection of Retirement Plan assets. Based on the funding requirements of the Pension Protection Act, Central Hudson plans to make contributions that maintain the target funded percentage at 80% or higher. On January 22, 2010, Central Hudson contributed $30 million to its Retirement Plan. Central Hudson's contributions for 2010 are expected to total approximately $30-$55 million, resulting in a funded status that meets Central Hudson's objective. The 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.

Employer contributions in 2009 to fund OPEBs were $3.5 million. Obligations for future funding depend on a number of factors, including the discount rate, expected return, and medical claims assumptions used. If these factors remain stable, OPEB contributions over the next few years are expected to range from $5-$7 million annually.

During 2009, the financial markets experienced less volatility than the level experienced in 2008 and the value of the Retirement Plan and OPEB assets increased by $52.9 million and $14.5 million, respectively. These increases reduced the underfunded status of these plans. However, the decrease in discount rates from 2008 increased the present value of the plans' liabilities. The net effect on the funded status of the plans from the financial markets and the discount rates was a decrease in the unfunded status of the plans. If future market conditions do not improve sufficiently to completely offset the volatility of 2008, additional contributions will likely become necessary under the terms of the Pension Protection Act of 2006. Management expects that such contributions will be recovered through the rate making process over time. Central Hudson has investment policies for these plans which include asset allocation ranges designed to achieve a reasonable return over the long-term, recognizing the impact of market volatility. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets as deemed appropriate in accordance with the Investment Policy. Management cannot currently predict what impact future financial market volatility may have on the funded status of the plan or future funding decisions.

Table of Contents

Management is reviewing changes to the Plan's investment strategy to reduce the year-to-year volatility of the funded status and the level of contributions. Options being considered include extending the duration of the Plan's investments as well as changes to the target asset allocation to more closely align with the Plan's long-term obligations.

Under the policy of the PSC regarding pension and OPEB costs, Central Hudson recovers these costs through customer rates with differences between actual cost and rate allowances deferred for future recovery from or return to customers. Based on the current policy, Central Hudson expects to fully recover its net periodic pension and OPEB costs over time.

ANTICIPATED SOURCES AND USES OF CASH

CH Energy Group's cash flow is primarily generated by the operations of its direct subsidiaries, Central Hudson and CHEC. Generally, the subsidiaries do not accumulate cash but rather provide cash to CH Energy Group in the form of dividends and, in the case of CHEC, repayments on its intercompany loan.

Central Hudson's planned capital expenditures for construction and removal during 2010 are expected to total approximately $85 million. For 2011, planned capital expenditures are expected to range from $90 million to $100 million. Capital expenditures are expected to be funded with cash from operations and a combination of short-term and long-term borrowings. Central Hudson may alter its plan for capital expenditures as its business needs require.

Based on the PSC decision in June 2009 and the proposed terms of its July 2009 rate case filing, Central Hudson intends to retain a significant portion of its 2010 earnings to partially fund growth in its long-lived assets while issuing approximately $45 million of its Series G medium-term notes to fund the remainder of such growth, fund maturing long-term debt, and manage its capital structure. Central Hudson plans to maintain an equity ratio of approximately 48% in 2010, excluding short-term balances. Central Hudson expects to utilize short-term debt to fund seasonal and temporary variations in working capital requirements. If wholesale energy prices increase, Central Hudson would expect a corresponding increase in its current level of working capital.

Table of Contents

On December 11, 2009, CH Energy Group announced the sale of operations of Griffith in certain geographic locations. Net of adjustments, primarily for working capital, Griffith received approximately $74 million in proceeds. CH Energy Group expects to pay taxes on the gain on the sale of approximately $12-$13 million and plans to use the majority of the remaining proceeds to fund the development of a 20-megawatt wind farm facility in Wisconsin. In December 2009, CHEC invested approximately $12 million in the Shirley Wind project, and expects to invest an additional $35 million during 2010 to complete development and bring its total investment to $47 million. CHEC also intends to invest $0.5 million to complete development of a landfill gas energy facility in Auburn, NY during the first quarter of 2010. Additionally, capital expenditures at Griffith are expected to be approximately $2.0 million during 2010, excluding acquisitions and investments arising from CHEC's business development activities. For 2011, capital expenditures at Griffith, excluding acquisitions and investments arising from its business development activities, are expected to range from $2.0 million to $2.5 million.

CH Energy Group believes cash generated from operations and funds obtained from its financing program will be sufficient in 2010 and the foreseeable future to meet working capital needs, pay dividends on its Common Stock, and fund investments and acquisitions to fulfill its public service obligations and growth objectives. CH Energy Group's primary source of funds is the cash it generates from the operations of Central Hudson and CHEC, which can be affected by volatility in energy markets that affects their working capital needs and profitability. CH Energy Group's secondary sources of funds are its cash reserves and its credit facility. CH Energy Group's ability to use its credit facility is contingent upon maintaining certain financial covenants. CH Energy Group does not anticipate that those covenants will restrict its access to funds in 2010 or the foreseeable future.

FINANCING PROGRAM

CH Energy Group believes that it is well positioned with a strong balance sheet and strong liquidity. CH Energy Group entered 2010 with no short-term debt liabilities and significant available capacity under CH Energy Group's and Central Hudson's committed credit facilities. Central Hudson's strong investment-grade credit ratings help facilitate access to long-term debt; however, despite improving conditions in financial markets, Management can make no assurance regarding the availability of financing or its terms and costs. With the exception of treasury shares to be issued for several restricted share grants and performance share awards earned, no significant equity issuance is currently planned for 2010. As discussed earlier, CH Energy Group is actively seeking growth opportunities aligned to its strategy for Central Hudson and CHEC, and it continues to evaluate alternatives for raising capital should those opportunities warrant investment of capital in excess of internal resources.

Table of Contents

CH Energy Group maintains a $150 million revolving credit agreement with several commercial banks to provide committed liquidity beyond its cash balance. That agreement was amended in 2008 to expand CH Energy Group's committed credit from $75 million to $150 million for a period of five years from the effective date. At December 31, 2009, CH Energy Group had no outstanding borrowings under its credit agreement.

In the second quarter of 2009, CH Energy Group privately placed $50 million of senior unsecured notes. The notes bear interest at the rate of 6.58% per annum and mature on April 17, 2014. CH Energy Group used a portion of the proceeds from the sale of the notes to repay short-term debt and retained the remainder for general corporate purposes. On December 15, 2009, following the sale of operations of Griffith in certain geographic locations, CH Energy Group entered into a supplemental note purchase agreement for the sale of $23.5 million of new notes and redeemed $23.5 million of the notes placed during the second quarter of 2009. The newly issued notes bear interest at a rate of 6.80% per annum and mature on December 15, 2025. Interest is payable semi-annually and, commencing June 15, 2011, with semi-annual payments of principal. The mortgage style amortization of principal results in the final payment of principal and interest upon maturity. CH Energy Group intends to use approximately $23.5 million of the proceeds from the December sale of notes to fund a portion of its investment in the Shirley Wind project.

Effective January 2, 2007 and pursuant to PSC authorization, Central Hudson amended its $75 million committed credit agreement with several commercial banks, increasing the committed credit to $125 million and extending the term of the agreement to January 2, 2012. In addition to this credit agreement, Central Hudson maintains several uncommitted lines of credit with various banks. These arrangements give Central Hudson competitive options to minimize the cost of its short-term borrowings. At December 31, 2009, Central Hudson had no outstanding balance under its uncommitted lines of credit and no outstanding balance under its committed credit agreement.

The lenders under both the CH Energy Group ($150 million) and Central Hudson ($125 million) credit agreements include JPMorgan Chase Bank, N.A., Bank of America, N.A., HSBC Bank USA, N.A. and KeyBank National Association. The availability of these facilities is contingent upon the ability of the lenders to fulfill their commitments. If one or more banks are deemed at risk of being unable to meet their commitments, CH Energy Group and Central Hudson may seek alternative sources of committed credit to supplement the current agreements. However, alternate sources may not be readily available. CH Energy Group and Central Hudson plan for such a situation by reserving portions of the total commitment for unforeseen events.

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

Table of Contents

The PSC issued an Order in September 2006, authorizing Central Hudson to issue medium-term notes of up to $140 million over the three-year period ending December 31, 2009. With this authorization, Central Hudson established its Series F notes and issued $120 million during that period. A summary of Series F issuances follows:

Date	Amount of Issuance	Term, Rate	Proceeds Used for:
March 23, 2007	$33,000,000	30-year, 5.80%	Redemption at maturity of $33,000,000 5-year, 5.87% Series D Notes
September 14, 2007	$33,000,000	10-year, 6.028%	Financing ongoing investments in electric and natural gas systems
November 18, 2008	$30,000,000	5-year, 6.854%	Financing ongoing investments in electric and natural gas systems
September 30, 2009	$24,000,000	30-year, 5.80%	Financing ongoing investments in electric and natural gas systems

On September 22, 2009, the PSC authorized Central Hudson to increase its multi-year committed credit to $175 million and to issue up to $250 million of long-term debt through December 31, 2012. The Order authorizes Central Hudson to issue and sell $250 million of long-term debt to finance its construction expenditures, refund maturing long-term debt, and potentially refinance its 1999 NYSERDA Bonds, Series B, C and D. A new shelf registration statement was filed by Central Hudson with the SEC covering the offer and sale of up to $250 million of long-term debt pursuant to the authority granted by the PSC. An amended registration statement was filed on December 23, 2009 and the registration of the Series G notes became effective on January 6, 2010. No immediate action is planned to increase Central Hudson's committed credit; however, options to do so will be evaluated in the future.

Central Hudson has five debt series, totaling $166 million, which were issued in prior years in conjunction with the sale of tax-exempt pollution control revenue bonds by New York State Energy Research and Development Authority ("NYSERDA"). These NYSERDA bonds are insured by Ambac Assurance Corporation ("Ambac") and the ratings on these bonds reflect the higher of the credit rating of Ambac or Central Hudson. The current underlying rating and outlook on these bonds and Central Hudson's other senior unsecured debt is 'A'/stable by Standard & Poor's and Fitch Ratings and 'A3'/negative by Moody's.[2]

Central Hudson's 1998 NYSERDA Series A Bonds, totaling $16.7 million, were re-marketed on December 1, 2008. Under the terms of the applicable indenture, Central Hudson converted the bonds to a fixed rate of 6.5%, which will continue until their maturity in December 2028. Prior to the December 1, 2008 re-marketing, the bonds bore interest at a five-year term rate of 3.0%.

---

2 These 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.

Table of Contents

Central Hudson's 1999 NYSERDA Series A Bonds, totaling $33.4 million, have an interest rate that is fixed to maturity in 2027 at 5.45%.

Central Hudson's 1999 NYSERDA Bonds, Series B, C, and D, totaling $115.9 million, are multi-modal bonds that are currently in auction rate mode. Beginning in 1999 when the bonds were issued, the bonds' interest rate has been reset every 35 days in a Dutch auction. Auctions in the market for municipal auction rate securities have experienced widespread failures since early 2008. Generally, an auction failure occurs because there is an insufficient level of demand to purchase the bonds and the bondholders who want to sell must hold the bonds for the next interest rate period. Since February 2008, all auctions for Central Hudson's three series of auction rate bonds have failed. As a consequence, the interest rate paid to the bondholders has been set to the then prevailing maximum rate defined in the trust indenture. Central Hudson's maximum rate results in interest rates that are generally higher than the expected results from the auction process. For the foreseeable future, Central Hudson expects the interest rate to be set at the maximum rate, determined on the date of each auction, to be 175% of the yield on an index of tax-exempt short-term debt, or its approximate equivalent. Since the first auction failure in February 2008, the applicable rate for Central Hudson's bonds has ranged from 0.40% to 9.01% and in 2009 averaged 0.80%. In its Orders, the PSC has authorized deferral accounting treatment for the interest costs from Central Hudson's three series of variable rate 1999 NYSERDA Bonds. As a result, variations in interest rates on these bonds are deferred for future recovery from or refund to customers and Central Hudson does not expect the auction failures to have any adverse impact on earnings. To mitigate the potential impact of unexpected increases in short-term interest rates, Central Hudson purchases interest rate caps based on an index for short-term tax-exempt debt. Effective April 1, 2009, Central Hudson entered into a one-year rate cap with Key Bank National Association to protect against unexpected short-term interest rate increases. The cap is based on the monthly weighted average of an index of tax-exempt variable rate debt, multiplied by 175% to align with the maximum rate formula of the three series of variable rate 1999 NYSERDA Bonds. Central Hudson would receive a payout if the bonds reset at rates above 4.375%. During 2009 and 2008, the average for any quarter did not exceed the cap rate and therefore no payments were received in each of these years.

Central Hudson is currently evaluating what actions, if any, it may take in the future in connection with its 1999 NYSERDA Bonds, Series B, C and D. Potential actions may include converting the debt from auction rate to another interest rate mode or refinancing with taxable bonds.

Griffith's financing is provided by CH Energy Group.

Table of Contents

Effective July 31, 2007, CH Energy Group's Board of Directors extended and amended the Common Stock Repurchase Program of the Company (the "Repurchase Program"), which was originally authorized in 2002. As amended, the Repurchase Program authorizes the repurchase of up to 2,000,000 shares (excluding shares repurchased before July 31, 2007) or approximately 13% of the CH Energy Group's outstanding Common Stock, from time to time, through July 31, 2012. No shares were purchased under the Repurchase Program in 2007, 2008, or 2009. CH Energy Group intends to set repurchase targets, if any, based on circumstances from time to time.

For more information on CH Energy Group's and Central Hudson's financing program, see Note 7 - "Short-Term Borrowing Arrangements," Note 8 - "Capitalization - Common and Preferred Stock," and Note 9 - "Capitalization - Long-Term Debt."

PARENTAL GUARANTEES

For information on parental guarantees issued by CH Energy Group and CHEC, see Note 1 - "Summary of Significant Accounting Policies" under the caption "Parental Guarantees."

PRODUCT WARRANTIES

For information on product warranties issued by Griffith, see Note 1 - "Summary of Significant Accounting Policies" under the caption "Product Warranties."

ENVIRONMENTAL MATTERS

For information on environmental matters related to CH Energy Group, Central Hudson, CHEC, and Griffith, see subcaption "Environmental Matters" in Note 12 - "Commitments and Contingencies" under the caption "Contingencies."

RELATED PARTIES

For information on related parties to CH Energy Group and Central Hudson, see Note 1 - "Summary of Significant Accounting Policies" under the caption "Related Party Transactions."

Table of Contents

EARNINGS PER SHARE

The following discussion and analyses include explanations of significant changes in revenues and expenses between the year ended December 31, 2009, and 2008, and the year ended December 31, 2008, and 2007 for Central Hudson's regulated electric and natural gas businesses, Griffith, and the Other Businesses and Investments.

The discussions and tables below present the change in earnings of CH Energy Group's business units in terms of earnings for each share of CH Energy Group's Common Stock. Management believes this presentation is useful because these business units are each wholly owned by CH Energy Group. This information is considered a non-GAAP financial measure and not an alternative to earnings per share determined on a consolidated basis, which is the most directly comparable GAAP measure. A reconciliation of each business unit's earnings per share to CH Energy Group's earnings per share, determined on a consolidated basis, is included in the table below.

EARNINGS

Earnings per share (basic and diluted) of CH Energy Group's Common Stock are computed on the basis of the average number of common shares outstanding (basic and diluted) during the subject year. The number of average shares outstanding of CH Energy Group Common Stock, the earnings per share, and the rate of return earned on average common equity, which is net income as a percentage of a monthly average of common equity, are as follows (Shares In Thousands):

	2009	2008	2007
Average shares outstanding:			
Basic	15,775	15,768	15,762
Diluted	15,881	15,805	15,779
Earnings per share from continuing operations:			
Basic	$2.13	$2.00	$2.61
Diluted	$2.12	$2.00	$2.61
Earnings per share from discontinued operations:			
Basic	$0.63	$0.22	$0.09
Diluted	$0.62	$0.22	$0.09
Earnings per share:			
Basic	$2.76	$2.22	$2.70
Diluted	$2.74	$2.22	$2.70
Return earned on common equity	8.6 %	6.6 %	8.1 %

Table of Contents

2009 as compared to 2008

CH ENERGY GROUP CONSOLIDATED

Earnings per Share (Basic)

	Year Ended December 31, 2009	2008	Change
Central Hudson - Electric	$1.60	$1.33	$0.27
Central Hudson - Natural Gas	0.42	0.34	0.08
Griffith	0.76	0.26	0.50
Other Businesses and Investments	(0.02)	0.29	(0.31)
	$2.76	$2.22	$0.54

Earnings for CH Energy Group totaled $2.76 per share in 2009, versus $2.22 per share in 2008, an increase of $0.54 per share. The 2009 earnings reflect a recovery from somewhat depressed levels in 2008. Central Hudson's new rate plan approved by the PSC, which took effect July 1, 2009, corrected a misalignment of costs and revenues. Additionally, Griffith completed a successful partial divestiture in the fourth quarter of 2009 and implemented continued operational efficiencies and cost reductions in its continuing operations.

Details by business unit were as follows:

Table of Contents

CENTRAL HUDSON

Earnings per Share (Basic)

	Year Ended December 31, 2009	2008	Change
Electric	$1.60	$1.33	$0.27
Natural Gas	0.42	0.34	0.08
	$2.02	$1.67	$0.35

Earnings from Central Hudson's electric and natural gas operations increased $0.35 per share in 2009 compared to 2008 due to the following:

Regulatory mechanisms and other events:	
Uncollectible deferral - approved	$0.02
Uncollectible deferral - pending approval	0.11
Cable attachment rents in 2008	(0.03)
Rate increases	0.66
Revenue decoupling mechanisms	0.22
Weather normalized sales	(0.17)
Weather impact on sales (including hedging)	(0.04)
Higher uncollectible accounts	(0.18)
Higher depreciation	(0.15)
Higher property and other taxes	(0.07)
Higher interest expense and carrying charges	(0.07)
Higher tree trimming and other distribution maintenance	(0.06)
Lower storm restoration expense	0.09
Other	0.02
	$0.35

Central Hudson's contribution to earnings per share was $2.02 per share, an increase of $0.35 per share over the $1.67 per share posted in 2008. The improvement is due primarily to improved cost recovery though delivery rates, though higher uncollectible accounts, depreciation, property taxes and other expenses offset much of the increased revenue. The absence of major storms and the resulting expense of restoring service to electric customers contributed $0.09 per share to year-over-year performance.

Table of Contents

GRIFFITH

Earnings per Share (Basic)

	Year Ended December 31, 2009	2008	Change
	$0.76	$0.26	$0.50

Griffith's earnings increased $0.50 per share in 2009 compared to 2008 due to the following:

Other events:	
Gain on the sale of Northeast operations(1)	$0.40
Discontinued operations	(0.04)
Margin on petroleum sales and services	0.02
Weather normalized sales (including conservation)	(0.21)
Weather impact on sales (including hedging)	0.11
Operating expenses	0.11
Lower uncollectible accounts	0.04
Other	0.07
	$0.50

(1) See additional taxes owed by the holding company within Other Businesses & Investments.

Griffith contributed $0.76 to earnings per share in 2009 as compared to $0.26 per share in 2008. This increase was primarily attributable to the sale of operations in certain geographic locations. Customer conservation continued to have a negative impact on sales, but was offset by the favorable impacts of weather and continued operational cost reductions implemented by Management.

Table of Contents

OTHER BUSINESSES AND INVESTMENTS

Earnings per Share (Basic)

	Year Ended December 31, 2009	2008	Change
	$(0.02)	$0.29	$(0.31)

The variation in earnings per share from CH Energy Group (the holding company) and CHEC's partnership and other investment interests in 2009 compared to 2008 is due to the following:

Other events:	
Holding Company's income taxes on Griffith sale	$(0.06)
Buckeye investment	(0.05)
Lyonsdale investment	(0.03)
Holding company interest expense	(0.07)
Higher other taxes	(0.02)
Higher costs associated with pursuing future investments	(0.03)
Other operating assets and investments	(0.03)
Other	(0.02)
	$(0.31)

CH Energy Group (the holding company) and CHEC's partnerships and other investments resulted in a loss of ($0.02) per share in 2009, a decrease of ($0.31) per share from 2008. Interest expense on the debt issued at the holding company in 2009 to finance CH Energy Group's unregulated businesses reduced earnings by ($0.07) per share. Income taxes on the gain from the Griffith sale lowered earnings by ($0.06) per share. Additionally, the write-off of the Buckeye investment lowered 2009 earnings by ($0.05) per share.

Table of Contents

2008 as compared to 2007

CH ENERGY GROUP CONSOLIDATED

Earnings per Share (Basic)

	Year Ended December 31,		
	2008	2007	Change
Central Hudson - Electric	$1.33	$1.66	$(0.33)
Central Hudson - Natural Gas	0.34	0.40	(0.06)
Griffith	0.26	0.20	0.06
Other Businesses and Investments	0.29	0.44	(0.15)
	$2.22	$2.70	$(0.48)

Table of Contents

Details by business unit were as follows:

CENTRAL HUDSON

Earnings per Share (Basic)

	Year Ended December 31,		
	2008	2007	Change
Electric	$1.33	$1.66	$(0.33)
Natural Gas	0.34	0.40	(0.06)
Total	$1.67	$2.06	$(0.39)

Earnings from Central Hudson's electric and natural gas operations decreased $0.39 per share in 2008 compared to 2007, due to the following:

Regulatory mechanisms and other events:	
Shared earnings recorded in 2007	$0.04
Gain on non-utility property sales in 2007	(0.02)
Cable attachment rents in 2008	0.03
Rate increases	0.16
Higher storm restoration expense	(0.13)
Higher tree trimming	(0.08)
Higher depreciation	(0.09)
Higher interest expense and carrying charges	(0.08)
Higher property and other taxes	(0.06)
Higher uncollectible accounts	(0.17)
Weather normalized sales (including conservation)	(0.01)
Other	0.02
	$(0.39)

Central Hudson's contribution to annual earnings per share was $1.67, which was $0.39 lower than that of 2007. As a result of the shortfall in sales, the delivery rate increases that were approved in 2006 and took effect in 2008 did not generate sufficient revenue to meet the higher operating costs that those rates had been designed to cover. In particular, those expenditures included higher tree trimming (reducing earnings per share by $0.08) and depreciation ($0.09). In addition, Central Hudson experienced significantly higher costs associated with customers being unable to pay their bills as a result of the weak economy ($0.17), as well as higher costs associated with restoring electric service following storms ($0.13).

Table of Contents

GRIFFITH

Earnings per Share (Basic)

	Year Ended December 31, 2008	2007	Change
	$0.26	$0.20	$0.06

Griffith's earnings increased $0.06 per share in 2008 compared to 2007, due to the following:

Other events:	
Discontinued operations	$0.11
Margin on petroleum sales and services	0.20
Weather normalized sales (including conservation)	(0.20)
Higher uncollectible accounts	(0.11)
Operating expenses	(0.03)
Weather impact on sales (including hedging)	0.08
Other	0.01
	$0.06

Griffith contributed $0.26 to earnings per share in 2008, up from $0.20 in 2007, due largely to higher margins. Favorable margins in the latter part of the year offset margin compression that had reduced profits during the first three quarters of 2008. High oil prices and the weakening economy led to price-induced conservation (reducing earnings per share by $0.20), as well as significantly higher costs from uncollectible accounts ($0.11).

Table of Contents

OTHER BUSINESSES AND INVESTMENTS

Earnings per Share (Basic)

	Year Ended December 31, 2008	2007	Change
	$0.29	$0.44	$(0.15)

The variation in earnings per share from CH Energy Group (the holding company) and CHEC's partnership and other investment interests in 2008 compared to 2007 is due to the following:

Cornhusker Holdings	$(0.06)
Lyonsdale	0.03
Lower interest and investment income	(0.09)
Other	(0.03)
	$(0.15)

CH Energy Group (the holding company) and CHEC's partnerships and other investments contributed $0.29 toward corporate earnings per share in 2008, down $0.15 from 2007 results largely due to lower interest and investment income. The earnings from CHEC's ethanol investment were lower due to reduced margins, however, the ethanol plant investment, two wind energy installations and an upstate New York biomass plant continued to add positively to earnings as part of a diversified portfolio of investments within the energy industry.

Table of Contents

RESULTS OF OPERATIONS

CENTRAL HUDSON

The following discussions and analyses include explanations of significant changes in revenues and expenses between the years ended December 31, 2009 and 2008 for Central Hudson's regulated electric and natural gas businesses.

Income Statement Variances
(Dollars In Thousands)

	Year Ended December 31, 2009 Over/(Under) same period in 2008	
	Amount	Percent
Operating Revenues	$(87,400)	(11.0)%
Operating Expenses:		
Purchased electricity, fuel and natural gas	(127,252)	(25.7)%
Depreciation and amortization	2,282	7.7%
Other operating expenses	28,576	13.9%
Total Operating Expenses	(96,394)	(13.2)%
Operating Income	8,994	13.4%
Other Income, net	(2,128)	(46.3)%
Interest Charges	(541)	(2.1)%
Income before income taxes	7,407	15.9%
Income Taxes	1,869	9.7%
Net income	$5,538	20.3%

Income Statement Variances
(Dollars in Thousands)

	Year Ended December 31, 2008 Over/(Under) same period in 2007	
	Amount	Percent
Operating Revenues	$15,419	2.0%
Operating Expenses:		
Purchased electricity, fuel and natural gas	1,547	0.3%
Depreciation and Amortization	1,413	5.0%
Other operating expenses	16,521	8.8%
Total operating expenses	19,481	2.7%
Operating Income	(4,062)	(5.7)%
Other income, net	(670)	(12.7)%
Interest Charges	2,519	11.0%

Income before income taxes	(7,251)	(13.5)%
Income Taxes	(1,053)	(5.2)%
Net (loss)/income	$(6,198)	(18.5)%

- 78 -

Table of Contents

The following discusses variations and the primary drivers of the changes in operating revenues, operating expenses, volumes delivered, other income, interest charges, and income taxes for Central Hudson's regulated electric and natural gas businesses.

Delivery Volumes

Delivery volumes for Central Hudson vary in response to weather conditions and customer behavior. Electric deliveries peak in the summer and deliveries of natural gas used for heating purposes peak in the winter. Delivery volumes also vary as customers respond to the price of the particular energy product and changes in local economic conditions.

The following chart reflects the change in the level of electric and natural gas deliveries for Central Hudson in 2009, compared to 2008, and in 2008, compared to 2007. Deliveries of electricity and natural gas to residential and commercial customers have historically contributed the most to Central Hudson's earnings. Effective July 1, 2009, Central Hudson's delivery rate structure includes a revenue decoupling mechanism which provides the ability to record revenues equal to those forecasted in the development of current rates for most of Central Hudson's customers. As a result, fluctuations in actual delivery volumes no longer have a significant impact on Central Hudson's earnings. Industrial sales and interruptible sales have a negligible impact on earnings.

Table of Contents

Actual Deliveries

	Year Ended December 31, 2009 Increase/(Decrease) from same period in 2008		Year Ended December 31, 2008 Increase/(Decrease) from same period in 2007	
	Electric	Natural Gas	Electric	Natural Gas
Residential	(3)%	(1)%	(2)%	0%
Commercial	(4)%	1%	(2)%	(1)%
Industrial and other(1)	(10)%	(16)%	(7)%	(1)%
Total Deliveries	(5)%	(3)%	(3)%	(1)%

(1) Includes interruptible natural gas deliveries.

Weather Normalized Deliveries

	Year Ended December 31, 2009 Increase/(Decrease) from same period in 2008		Year Ended December 31, 2008 Increase/(Decrease) from same period in 2007	
	Electric	Natural Gas	Electric	Natural Gas
Residential	(2)%	(1)%	0%	(3)%
Commercial	(3)%	0%	(2)%	(2)%
Industrial and other (2)	(10)%	(16)%	(7)%	(5)%
Total Deliveries	(4)%	(3)%	(2)%	(3)%

(2) Excludes interruptible natural gas deliveries.

Note: Central Hudson uses an internal analysis based on historical weather data to remove the estimated impacts of weather on delivery volumes.

Electric and natural gas deliveries to residential and commercial customers during 2009 and 2008 were negatively impacted by declines in use per customer compared to the previous year.

For electric deliveries, the cooler summer weather experienced in both 2009 compared to 2008 and 2008 compared to 2007, further contributed to the decline in sales. Natural gas deliveries to residential and commercial customers in 2009 were favorably impacted by a slight increase in heating degree days, but were not enough to offset the lower use per customer. Residential and commercial natural gas heating degree days increased 5% in 2008 as compared to 2007 and had an even larger favorable impact on sales in that year. However, the colder weather did not result in higher net delivery volumes for residential and commercial natural gas customers due to the effects of customer conservation.

Table of Contents

Revenues

Central Hudson's revenues consist of two major categories: those which offset specific expenses in the current period (matching revenues), and those that impact earnings. Matching revenues recover Central Hudson's actual costs for particular expenses. 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.

Change in Central Hudson Revenues
(In Thousands)

	Year Ended December 31, 2009 Increase/(Decrease) from same period in 2008		
	Electric	Natural Gas	Total
Revenues with Matching Expense Offsets:(1)			
Energy cost adjustment	$(104,345)	$(19,496)	$(123,841)
Sales to others for resale	(479)	(3,890)	(4,369)
Other revenues with matching offsets	20,791	3,055	23,846
Subtotal	(84,033)	(20,331)	(104,364)
Revenues Impacting Earnings:			
Customer sales	7,761	3,374	11,135
RDM and other regulatory mechanisms	4,711	224	4,935
Finance charges	8	183	191
Weather-hedging contracts	57	113	170
Other revenues	(495)	1,028	533
Subtotal	12,042	4,922	16,964
Total Decrease in Revenues	$(71,991)	$(15,409)	$(87,400)

(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 and natural gas costs. Other related costs are pensions, OPEB, and the cost of special programs authorized by the PSC, which are funded with certain available credits. Changes in revenues from electric sales to other utilities also do not affect earnings since any related profits or losses are returned or charged, respectively, to customers. For natural gas sales to other entities for resale, 85% of such profits are returned to customers.

Electric and natural gas revenues decreased in the year ended December 31, 2009, as compared to the same period in 2008 primarily due to lower energy cost adjustment revenues. For electric, this resulted from both lower wholesale prices and lower delivery volumes. For natural gas, this was primarily driven by lower net gas costs. Lower revenues from gas sales to others for resale also contributed to the decrease in natural gas revenues.

These decreases in both electric and natural gas revenue were partially offset by an increase in other revenues with matching expense offsets resulting from an increase in rates related to increased pension costs, New York State ("NYS") energy efficiency programs and a new tax surcharge implemented by the PSC. The reasons for the increase in revenues with matching expense offsets are discussed in more detail under operating expenses.

Table of Contents

The revenues impacting earnings increased primarily due to an increase in electric and natural gas delivery rates on customer sales and the RDMs, both of which became effective July 1, 2009.

Change in Central Hudson Revenues
(In Thousands)

	Year Ended December 31, 2008 Increase/(Decrease) from same period in 2007		
	Electric	Natural Gas	Total
Revenues with Matching Offsets:(1)			
Energy cost adjustment	$(15,903)	$7,594	$(8,309)
Sales to others for resale	(2,076)	12,298	10,222
Pension, OPEB and other revenues	3,763	3,260	7,023
Subtotal	(14,216)	23,152	8,936
Revenues Impacting Earnings:			
Customer sales	619	921	1,540
Other regulatory mechanisms	2,481	673	3,154
Pole attachments and other rents	1,022	-	1,022
Finance charges	764	210	974
Other revenues	652	(859)	(207)
Subtotal	5,538	945	6,483
Total (Decrease)/Increase in Revenues	$(8,678)	$24,097	$15,419

(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 and natural gas costs. Other related costs are pensions, OPEB, and the cost of special programs authorized by the PSC, which are funded with certain available credits. Changes in revenues from electric sales to other utilities also do not affect earnings since any related profits or losses are returned or charged, respectively, to customers. For natural gas sales to other entities for resale, 85% of such profits are returned to customers.

Electric revenues decreased in the year ended December 31, 2008, as compared to the same period in 2007 primarily due to lower energy cost adjustment revenues driven by lower delivery volumes, partially offset by higher wholesale electricity costs. The increase in revenues from other regulatory mechanisms was driven primarily by the absence of shared earnings in 2008.

Natural gas revenues increased for the year ended December 31, 2008, as compared to the same period in 2007, due to higher energy cost adjustment revenues as a result of higher wholesale costs through the third quarter of 2008, partially offset by lower delivery volumes. The increase for the year was also due to higher revenues from gas sales to others for resale.

Table of Contents

Incentive Arrangements

Under certain earnings incentive provisions approved by the PSC, Central Hudson shares with its customers certain revenues and/or cost savings exceeding predetermined levels or is penalized in some cases for shortfalls from certain performance standards.

Earnings sharing arrangements are currently effective for interruptible natural gas deliveries and natural gas capacity release transactions. Performance standards apply to electric service reliability, certain aspects of customer service, natural gas safety, customer satisfaction, and certain aspects of retail market participant satisfaction.

The net results of these and previous earnings sharing arrangements had the effect of increasing pre-tax earnings by $0.1 million in 2009, $0.7 million in 2008, and $0.5 million in 2007.

In addition to the above-noted items, for the period from July 1, 2006 through June 30, 2009, Central Hudson was required to share with customers earnings over a base ROE of 10.6% on the equity portion of Central Hudson's rate base, which was determined in accordance with the criteria set forth in the 2006 Rate Order. Central Hudson did not record shared earnings in 2009 or 2008. In 2007, Central Hudson recorded $1.1 million as a regulatory liability for the customer portion of these pre-tax shared earnings.

See Note 2 - "Regulatory Matters" of this 10-K Annual Report under the caption "2006 Rate Order" for a description of earnings sharing formulas approved by the PSC for Central Hudson.

Table of Contents

Operating Expenses

The most significant elements of Central Hudson's operating expenses are purchased electricity and purchased natural gas; however, changes in these costs do not affect earnings since they are offset by changes in related revenues recovered through Central Hudson's energy cost adjustment mechanisms. Additionally, there are other costs that are matched to revenues largely from customer billings, notably the cost of NYS energy efficiency programs, PSC tax surcharge, pensions and OPEBs.

Total utility operating expenses decreased 13% in 2009 compared to 2008 and increased 3% in 2008 compared to 2007. The following summarizes the change in operating expenses:

Change in Central Hudson Operating Expenses
(In Thousands)

	Year Ended December 31, 2009 Increase / (Decrease) from same period in 2008	Year Ended December 31, 2008 Increase / (Decrease) from same period in 2007
Expenses Currently Matched to Revenues:(1)		
Purchased electricity	$ (104,824)	$ (17,979)
Purchased natural gas	(23,386)	19,892
Pension	7,763	(320)
OPEB	(1,528)	(253)
NYS energy programs	8,568	3,118
MGP site remediations	539	825
PSC tax surcharge	7,115	-
Residual gas deferred balances	242	2,791
Other matched expenses	1,080	718
Subtotal	(104,431)	8,792
Other Expense Variations:		
Tree trimming	849	2,131
Uncollectible expense	4,268	3,042
Uncollectible deferrals	(3,327)	-
Purchased natural gas incentive arrangements	958	(366)
Storm restoration expenses(2)	(2,467)	3,270
Property taxes	1,518	1,044
Depreciation	2,283	1,413
Interest and carrying charges	1,102	1,259
Other expenses	2,853	(1,104)
Subtotal	8,037	10,689
Total (Decrease)/Increase in Operating Expenses	$ (96,394)	$ 19,481

(1) Includes expenses that, in accordance with the 2006 Rate Order and the 2009 Rate Order, are adjusted in the current period to equal the revenues earned for the applicable expenses.

(2) Does not include $3.1 million in incremental costs related to the December 2008 ice storm deferred for future recovery from customers. See further discussion below.

Table of Contents

In addition to the required adjustment to match revenues collected from customers, the variation in purchased electric and natural gas expense in 2009 reflects the effects of lower wholesale prices for electricity and natural gas, as well as lower volumes delivered to electric customers. Purchased electricity costs decreased in 2008 compared to 2007 primarily due to lower volumes delivered (resulting from the switch of industrial customers from full service to delivery service, as well as weather and customer conservation), partially offset by higher wholesale prices. Purchased natural gas costs increased in 2008 as compared to 2007 primarily due to higher wholesale prices, which were only partially offset by lower delivery volumes resulting from customer conservation.

The increase in the PSC tax surcharge is due to a new tax surcharge instituted by the PSC in April 2009. Effective July 1, 2009, the surcharge is being collected from customers and is expected to total approximately $18 million per year. The increase in pensions in both 2009 and 2008 is due to an increase in the level of expenses recorded with a corresponding increase in revenues resulting from the increase in delivery rates authorized in the 2009 and 2006 Rate Orders. The increase in NYS energy program expenses relates to the costs of energy efficiency programs under the Energy Efficiency Portfolio Standard which began in October 2008, as well as, higher spending levels associated with other energy programs as authorized by the 2006 and 2009 Rate Orders.

Uncollectible expense increased in both 2009 and 2008, which management believes is a result of the unfavorable economic conditions, particularly the rise in unemployment rates. The higher wholesale prices in 2008 also had an impact on customers' ability to pay their bills. Additionally, in 2009 Central Hudson has deferred approximately $3.3 million of uncollectible expense and requested PSC authorization for future recovery from customers. The PSC has approved approximately $0.5 million of this deferral related to gas uncollectible expenses incurred for the calendar year ended December 31, 2008. The petition requesting authorization for deferral of the remaining $2.8 million relates to the twelve months ended June 30, 2009 for electric and the six months ended June 30, 2009 for gas and is still pending. However, Management cannot predict the outcome of this filing. If the PSC does not approve the petition in full, Central Hudson's expenses would increase by the amount of the petition denied by the PSC.

Storm restoration costs can fluctuate from year to year based on changes in the number and severity of storms each year. Storm restoration costs decreased in 2009 as compared to 2008, but had increased in 2008 compared to 2007. The increase in 2008 does not include $3.1 million in incremental costs related to an ice storm in December 2008 which interrupted service to approximately 72,000 customers. Central Hudson received authorization from the PSC to recover these incremental restoration costs through the 2009 Rate Order. The increases in depreciation in 2009 and 2008 are the result of continued investments in Central Hudson's electric and natural gas infrastructures. The increases in tree trimming each year reflect Central Hudson's continuing efforts to improve system reliability. Management believes these efforts contributed to improved system reliability during storms. These costs are covered by higher revenues resulting from the 2006 and 2009 Rate Orders.

Table of Contents

Other Income

Other income and deductions for Central Hudson for the year ended December 31, 2009, decreased $2.1 million, compared to the same period in 2008, primarily due to a decrease in regulatory carrying charges due from customers related to pension costs and regulatory adjustments resulting from changes in interest costs on Central Hudson's variable rate long-term debt. The latter adjustment offsets the decrease in interest on the variable rate debt, as discussed under the caption "Interest Charges." The impact of these decreases on earnings was reduced by higher earnings on deferred compensation plan assets.

Other income and deductions for Central Hudson for the year ended December 31, 2008, decreased $0.7 million compared to the same period in 2007, primarily due to losses on Central Hudson's deferred compensation plan assets and a reduction in regulatory carrying charges on balances due from customers.

Interest Charges

Central Hudson's interest charges decreased $0.5 million for the year ended December 31, 2009, compared to the same period in 2008. Increases resulting from higher outstanding debt balances and increased carrying charges due customers were offset primarily by a decrease in interest rates on variable rate notes and short-term borrowings. Issuances of $30 million in medium-term notes in November 2008 and $24 million in October 2009, offset by the redemption of $20 million in January 2009, resulted in a net increase in average outstanding debt during the year. The increase in carrying charges due customers was primarily related to an increase in the underlying reserve balance for other post-retirement benefits and carrying charges beginning July 1, 2009 on the net regulatory electric liability set aside for future customer benefit. Lower working capital requirements as a result of decreasing energy prices allowed Central Hudson to decrease short-term borrowings.

Central Hudson's interest charges increased by $2.5 million for the year ended December 31, 2008, compared to the same period in 2007 largely due to an increase in long-term debt resulting primarily from the issuance of medium-term notes in September 2007 and also from the issuance of medium-term notes in November 2008. The proceeds from both issuances were used to finance ongoing investments in Central Hudson's electric and natural gas systems.

Table of Contents

The following table sets forth pertinent data on Central Hudson's outstanding debt (Dollars in Thousands):

	2009	2008	2007
Long-Term Debt:			
Debt retired	$20,000	$-	$33,000
Debt issued	$24,000	$30,000	$66,000
Outstanding at year end:			
Amount (including current portion)	$437,897	$433,894	$403,892
Weighted average interest rate	4.78 %	5.43 %	5.49 %
Short-Term Debt:			
Average daily amount outstanding	$21,962	$32,304	$32,501
Weighted average interest rate	0.98 %	3.00 %	5.37 %
Overall weighted average interest rate	4.39 %	5.26 %	5.48 %

See Note 7 - "Short-Term Borrowing Arrangements" and Note 9 - "Capitalization - Long-Term Debt" for additional information on short-term and long-term debt of CH Energy Group and/or Central Hudson.

Income Taxes

Income taxes for Central Hudson increased $1.9 million for the year ended December 31, 2009 when compared to the same period in 2008 primarily due to an increase in pre-tax book income.

Income taxes for Central Hudson decreased $1.1 million in 2008 when compared to 2007 due to a decrease in pre-tax book earnings which was partially offset by the unfavorable impacts of flow-through items related to depreciation, reserves (primarily uncollectible customer receivables) and the Medicare Act of 2003 and a reduction in tax-exempt income.

CH ENERGY GROUP

In addition to the impacts of Central Hudson discussed above, CH Energy Group's sales volumes, revenues and operating expenses, income taxes and other income were impacted by Griffith and the other businesses described below. The results of Griffith and the other businesses described below exclude inter-company interest income and expense which are eliminated in consolidation.

Table of Contents

Income Statement Variances
(Dollars In Thousands)

	Year Ended December 31, 2009 Over/(Under) same period in 2008	
	Amount	Percent
Operating Revenues	$(207,612)	(18.2)%
Operating Expenses:		
Purchased electricity, fuel, natural gas and petroleum	(245,496)	(31.9)%
Depreciation and amortization	2,445	6.9%
Other operating expenses	25,992	9.9%
Total Operating Expenses	(217,059)	(20.3)%
Operating Income	9,447	13.2%
Other Income, net	(5,047)	(95.9)%
Interest Charges	1,504	6.2%
Income before income taxes, non-controlling interest and preferred dividends of subsidiaries	2,896	5.5%
Income Taxes	1,078	5.5%
Net income from continuing operations	1,818	5.5%
Net income from discontinued operations, net of tax	6,306	183.5%
Net loss attributable to non-controlling interest	(279)	(26.0)%
Net income attributable to CH Energy Group	$8,403	24.0%

Income Statement Variances
(Dollars in Thousands)

	Year Ended December 31, 2008 Over/(Under) same period in 2007	
	Amount	Percent
Operating Revenues	$60,434	5.6%
Operating Expenses:		
Purchased electricity, fuel, natural gas and petroleum	42,121	5.8%
Depreciation and Amortization	1,356	4.0%
Other operating expenses	21,664	9.0%
Total Operating Expenses	65,141	6.5%
Operating Income	(4,707)	(6.2)%
Other Income, net	(3,759)	(41.7)%
Interest Charges	2,575	11.9%
Income before income taxes, non-controlling interest and preferred dividends of subsidiaries	(11,041)	(17.5)%
Income Taxes	(1,646)	(7.9)%
Net loss from continuing operations	(9,395)	(22.4)%
Net income from discontinued operations, net of tax	2,064	139.4%
Net income attributable to non-controlling interest	224	26.4%
Net income attributable to CH Energy Group	$(7,555)	(17.6)%

Table of Contents

GRIFFITH

Sales Volumes

Delivery and sales volumes for Griffith vary in response to weather conditions and customer behavior. Deliveries of petroleum products used for heating purposes peak in the winter. Sales also vary as customers respond to the price of the particular energy product and changes in local economic conditions.

Changes in sales volumes of petroleum products, including the impact of acquisitions, are set forth below.

Actual Deliveries

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	% Change from same period in 2008	2009 Volumes as % of Total Volume	% Change from same period in 2007	2008 Volumes as % of Total Volume
Heating Oil				
Retained company volume	- %	29 %	(9)%	25 %
Divested volume	(7)%	24 %	11 %	25 %
Total Heating Oil	(7)%	53 %	2 %	50 %
Motor Fuels				
Retained company volume	(15)%	34 %	(9)%	38 %
Divested volume	(5)%	9 %	7 %	10 %
Total Motor Fuels	(20)%	43 %	(2)%	48 %
Propane and Other				
Retained company volume	50 %	2 %	(3)%	1 %
Divested volume	14 %	2 %	12 %	1 %
Total Propane and Other	64 %	4 %	9 %	2 %
Total				
Retained company volume	(6)%	65 %	(9)%	64 %
Divested volume	(6)%	35 %	9 %	36 %
Total	(12)%	100 %	- %	100 %

Note 1: For the purposes of this chart, acquisitions made in 2008 and 2009 are included in either Retained company volume or Divested volume depending upon whether the acquisition was retained or divested.

Note 2: For the purposes of this chart, acquisitions made in 2007 and 2008 are included in either Retained company volume or Divested volume depending upon whether the acquisition was retained or divested.

Table of Contents

Weather Normalized Deliveries

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	% Change from same period in 2008	2009 Volumes as % of Total Volume	% Change from same period in 2007	2008 Volumes as % of Total Volume
Heating Oil				
Retained company volume	(4)%	28%	(8)%	25%
Divested volume	(9)%	24%	12%	25%
Total Heating Oil	(13)%	52%	4%	50%
				.
Motor Fuels				
Retained company volume	(15)%	35%	(9)%	38%
Divested volume	(5)%	9%	7%	10%
Total Motor Fuels	(20)%	44%	(2)%	48%
Propane and Other				
Retained company volume	46%	2%	(3)%	1%
Divested volume	10%	2%	13%	1%
Total Propane and Other	56%	4%	10%	2%
Total				
Retained company volume	(8)%	65%	(8)%	64%
Divested volume	(7)%	35%	10%	36%
Total	(15)%	100%	2%	100%

Note 1: Due to a warming trend in actual weather over the past 30 years, Griffith has developed a trend normal weather value. This trend analysis has resulted in approximately 670 and 150 less heating degree-days as compared to a standard 30-year average for Griffith's customers in the Northeast and Mid-Atlantic regions, respectively. The above chart of weather normalized deliveries was determined using Griffith's trend normal weather value.

Note 2: For the purposes of this chart, acquisitions made in 2008 and 2009 are included in either Retained company volume or Divested volume depending upon whether the acquisition was retained or divested.

Note 3: For the purposes of this chart, acquisitions made in 2007 and 2008 are included in either Retained company volume or Divested volume depending upon whether the acquisition was retained or divested.

Sales of petroleum products decreased 12% in the year ended December 31, 2009 compared to the same period in 2008. The decrease was due primarily to reduced consumption by residential and motor fuel customers in response to the weakened economy, and to a lesser extent, the divestiture in December. The decrease in customer usage was partially offset by increased heating oil volume related to weather that was 7.2% colder in heating degree-days in 2009 as compared to 2008. Degree-day variation is adjusted for the delay between the time the actual weather occurs, and the time of product delivery.

Sales of petroleum products increased 1% in the year ended December 31, 2008 compared to the same period in 2007. The increase was due primarily to acquisitions made in 2008 and 2007, partially offset by reduced consumption caused by price-related conservation. Additionally, there was a 2% decrease in heating degree-days in 2008 as compared to 2007. Degree-day variation is adjusted for the delay between the time the actual weather occurs, and the time of product delivery.

Table of Contents

Revenues

Change in Griffith Revenues
(In Thousands)

	Year Ended December 31, 2009 Increase / (Decrease) from same period in 2008	Year Ended December 31, 2008 Increase / (Decrease) from same period in 2007
Heating Oil		
Retained company	$(33,162)	$9,848
Divested Revenue	(44,569)	43,134
Total Heating Oil	$(77,731)	$52,982
Motor Fuels		
Retained company	$(85,439)	$31,032
Divested Revenue	(24,408)	24,719
Total Motor Fuels	$(109,847)	$55,751
Other		
Retained company	$(343)	$527
Divested Revenue	(1,270)	992
Total Propane	$(1,613)	$1,519
Service Revenues		
Retained company	$427	$(697)
Divested Revenue	(653)	6,557
Total Service Revenues	$(226)	$5,860
Other		
Weather-hedging contracts	$(247)	$938
Retained - Other	(211)	796
Other - Divestiture	(75)	256
Total Other	$(533)	$1,990
Total Revenues	$(189,950)	$118,102

Note 1: For the purposes of this chart, acquisitions made in 2008 and 2009 are included in either Retained company revenue or Divested revenue depending upon whether the acquisition was retained or divested.

Note 2: For the purposes of this chart, acquisitions made in 2007 and 2008 are included in either Retained company revenue or Divested revenue depending upon whether the acquisition was retained or divested.

Revenues, net of the effect of weather hedging contracts decreased in the year ended December 31, 2009 compared to 2008, due primarily to a decrease in the selling price, reduced volumes and the divestiture in mid-December.

Revenues, net of the effect of weather hedging contracts, increased in the year ended 2008 compared to 2007, due largely to an increase in the selling price and revenues from petroleum products resulting from the acquisitions made in 2008 and 2007.

Table of Contents

Operating Expenses

For the year ended December 31, 2009, operating expenses, net of divested operations, decreased $121.0 million, or 37%, from $326.6 million in 2008 to $205.6 million in 2009. The cost of petroleum products decreased $117.1 million, or 44%, due to lower wholesale market prices and a decrease in sales volume.

Other operating expenses decreased $4.6 million for the year ended December 31, 2009 due primarily to lower costs associated with lower oil prices, effective cost reduction initiatives, and the divestiture of its Connecticut, Pennsylvania, and Rhode Island assets.

For the year ended December 31, 2008, operating expenses, net of divested operations, increased $43.9 million, or 16%, from $282.7 million in 2007 to $326.6 million in 2008. The cost of petroleum products increased $39.3 million, or 17% due to higher wholesale market prices and an increase in sales volume due to the impact of acquisitions.

Other operating expenses increased $4.6 million for the year ended December 31, 2008 due primarily to an increase in expenses associated with the increased sales volumes, additional operating and overhead expenses associated with acquisitions made during 2008 and 2007, and an increase in the allowance for doubtful accounts.

OTHER BUSINESSES AND INVESTMENTS

Revenues and Operating Expenses

The operating results of Lyonsdale, CH-Greentree and CH Shirley are consolidated in the Consolidated Financial Statements of CH Energy Group. Results for the year ended December 31, 2009 compared to the same period in 2008 reflect a decrease in operating revenues of $1.2 million and essentially no change in operating expenses with a net decrease in CH Energy Group's net income of $0.5 million. This is primarily attributable to the outage for equipment repairs at Lyonsdale in the second quarter of 2009. CH-Greentree became operational in the third quarter of 2009.

Lyonsdale's operating results in 2008 reflect an increase in operating revenue of $2.6 million and increased total operating expenses of $1.6 million with a net increase in CH Energy Group's net income of $0.5 million. The increased capacity factor at Lyonsdale and higher sales of Renewable Energy Credits in 2008 as compared to 2007 were partially offset by higher fuel costs.

Table of Contents

Other Income and Interest Charges

Other income and deductions and interest charges for the balance of CH Energy Group, primarily the holding company and CHEC's investments in partnerships and other investments (other than Griffith), decreased $5.3 million for the year ended December 31, 2009, when compared to the same period in 2008. The decrease is due to an increase in interest expense related to the private placement of debt at the holding company in the second quarter of 2009 and lower earnings at the partnerships. This decrease also includes the write-off of $1.2 million for the full amount of an outstanding loan to Buckeye.

Other income and deductions for the balance of CH Energy Group, primarily the holding company and CHEC's investments in partnerships and other investments (other than Griffith), decreased $2.9 million for the year ended December 31, 2008, when compared to the same period in 2007. Nearly half of this decrease is attributable to lower interest and investment income resulting from the redeployment of capital from short-term investments to CH Energy Group's subsidiaries. Lower earnings of CHEC's Cornhusker Holdings investment, as a result of lower margins, also impacted these results.

CH ENERGY GROUP - INCOME TAXES

Income taxes on income from continuing operations for CH Energy Group increased $1.1 million for the year ended December 31, 2009, when compared to the same period in 2008 due to an increase in pre-tax book income and higher taxes incurred at the holding company resulting primarily from the gain on the sale of Griffith's operations in certain geographic locations. Income taxes on income from discontinued operations increased $4.5 million due to an increase in pre-tax book income related to the discontinued operations as well as higher taxes incurred by Griffith as a result of the gain on the Griffith sale.

Income taxes on income from continuing operations for CH Energy Group decreased $1.6 million in 2008 when compared to 2007 due to lower taxes at Central Hudson and decreased pre-tax book earnings at CHEC. These favorable variations were partially offset by the unfavorable impact of a reduction in tax-exempt income at the holding company. Income taxes on income from discontinued operations for CH Energy Group increased $1.6 million due to an increase in pre-tax book income related to the divested operations of Griffith.

Table of Contents

COMMON STOCK DIVIDENDS AND PRICE RANGES

CH Energy Group and its principal predecessors (including Central Hudson) have paid dividends on their respective Common Stock in each year commencing in 1903, and the Common Stock has been listed on the New York Stock Exchange since 1945. The closing price as of December 31, 2009 and 2008 was $42.52 and $51.39, respectively. The price ranges and the dividends paid for each quarterly period during the last two fiscal years are as follows:

	2009			2008		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$52.66	$37.68	$0.54	$45.38	$34.53	$0.54
2nd Quarter	48.16	40.60	0.54	40.73	34.25	0.54
3rd Quarter	51.32	43.67	0.54	48.92	34.00	0.54
4th Quarter	45.57	39.54	0.54	52.36	33.39	0.54

In 2009, CH Energy Group maintained its quarterly dividend rate at $0.54 per share. In making future dividend decisions, CH Energy Group will evaluate all circumstances at the time of making such decisions, including business, financial, and regulatory considerations.

The Settlement Agreement contains certain dividend payment restrictions on Central Hudson, including limitations on the amount of dividends payable if Central Hudson's senior debt ratings are downgraded by more than one major rating agency due to performance or concerns about the financial condition of CH Energy Group or any CH Energy Group subsidiary other than Central Hudson. These limitations would result in the average annual income available for dividends on a two-year rolling average basis being reduced to: (i) 75%, if the downgrade were to a rating below "BBB+," (ii) 50%, if the senior debt were placed on "Credit Watch" (or the equivalent) with a rating below "BBB," or (iii) no dividends payable if the downgrade were to a rating below "BBB-." These limitations survived the June 30, 2001, expiration of the Settlement Agreement. Central Hudson is currently rated "A" or the equivalent for the purposes of these limitations and therefore the limitations noted above do not apply.

The number of registered holders of Common Stock of CH Energy Group as of December 31, 2009 was 14,926.

All of the outstanding Common Stock of Central Hudson and all of the outstanding Common Stock of CHEC is held by CH Energy Group.

OTHER MATTERS

PENSION PROTECTION ACT

On August 17, 2006, President Bush signed the Pension Protection Act into law. The Pension Protection Act introduces new funding requirements for single and multi-employer defined benefit pension plans, addresses plan design for cash balance and other hybrid plans, and addresses contributions to defined contribution plans, deduction limits for contributions to retirement plans, and investment advice provided to plan participants. The new defined benefit funding rules are effective for plan years beginning after December 31, 2007. Certain transition rules apply for 2008 through 2010. For additional discussion regarding the Pension Protection Act, please see the "Retirement Plan" discussion that follows.

Table of Contents

CHANGES IN ACCOUNTING STANDARDS

See Note 3 - "New Accounting Guidance" for a discussion of the status of new accounting guidance issued.

RETIREMENT PLAN

As described more fully in Note 10 - "Post-Employment Benefits," Central Hudson has a non-contributory Retirement Income Plan ("Retirement Plan") covering substantially all of its employees hired on or before January 1, 2008. The Retirement Plan is a defined benefit plan, which provides pension benefits based on an employee's compensation and years of service. In 2007, Central Hudson amended the Retirement Plan to eliminate these benefits for managerial, professional, and supervisory employees hired on or after January 1, 2008. The Retirement Plan for unionized employees was similarly amended for employees hired on or after May 1, 2008.

The significant assumptions and estimates used to account for the Retirement Plan are the discount rate, the expected long-term rate of return on Retirement Plan assets, the rate of compensation increase, and the method of amortizing gains and losses.

The discount rate was determined as of December 31, 2009 based on the rate at which obligations could be effectively settled. The rate is based on the Citigroup Pension Discount Curve. Central Hudson selects the rate after consultation with its actuarial consultant. Central Hudson's discount rate was 5.7% and 6.2% as of the most recent valuation dates, December 31, 2009 and December 31, 2008, respectively.

In determining the expected long-term rate of return on Retirement Plan assets, Central Hudson considered the current level of expected returns on risk-free investments (primarily United States government bonds), the historical level of risk premiums associated with other asset classes, and the expectations of future returns over a 20-year time horizon on each asset class. The expected return for each asset class was then weighted based on the Retirement Plan's target asset allocation. Central Hudson also considered expectations of value-added by active management, net of investment expenses.

The rate of compensation increase was based on historical and current compensation practices of Central Hudson giving consideration to any anticipated changes in this practice.

Table of Contents

Actuarial gains and losses, which include investment returns and demographic experience which are different than anticipated based on the actuarial assumptions, are amortized in accordance with procedures set forth by the PSC which require the full gain or loss arising each year to be amortized uniformly over ten years. The net losses are currently $152.1 million, including losses for the years 2000 through 2009. Therefore, the future annual amortization of these losses will increase pension expense, determined in accordance with current accounting guidance related to pensions (FASB Accounting Standards Codification ("ASC") 715-20), from its current level unless there are offsetting future gains or other offsetting components of pension expense.

Based on current levels of Retirement Plan assets and obligations, a change of 0.25% in the long-term rate of return assumption would change pension expense by approximately $0.6 million and a change of 0.25% in the discount rate would change pension expense by approximately $1.2 million.

Under the policy of the PSC regarding pension costs, Central Hudson recovers its net periodic pension and OPEB costs through customer rates with differences from rate allowances deferred for future recovery from or return to customers. As a result, Central Hudson expects to fully recover its net periodic pension and OPEB costs over time. The Retirement Plan's liquidity is primarily affected by the cash contributions made by Central Hudson to the Retirement Plan. Central Hudson contributed $22.6 million and $12.5 million to the Retirement Plan in 2009 and 2008, respectively. Based on the funding requirements of the Pension Protection Act, Central Hudson plans to make contributions that maintain the target funded percentage at 80% or higher. On January 22, 2010, Central Hudson contributed $30 million to its Retirement Plan. Central Hudson's contributions for 2010 are expected to total approximately $30-$55 million, resulting in a funded status that meets Central Hudson's objective. The actual contributions could vary significantly based upon economic growth, corporate resources, projected investment returns, actual investment returns, inflation, and interest rate assumptions.

Management is reviewing changes to the Plan's investment strategy to reduce the year-to-year volatility of the funded status and the level of contributions. Options being considered include extending the duration of the Plan's investments as well as changes to the target asset allocation to more closely align with the Plan's long-term obligations.

For additional information regarding the Retirement Plan, see Note 10 - "Post-Employment Benefits."

Table of Contents

CLIMATE

While it is possible that some form of global climate change program will be adopted at the federal level in 2010, it is too early to determine what impact such program will have on CH Energy Group. It should be noted, however, that the Company's calculated CO2 emission levels are relatively small, primarily because the Company does not generate electricity in significant quantities. Therefore, federally mandated greenhouse gas reductions or limits on CO2 emissions are not expected to have a material impact on the Company's financial position or results of operations. However, the Company can make no prediction as to the outcome of this matter. If the cost of CO2 emissions causes purchased electricity and natural gas costs to rise, such increases are expected to be collected through automatic adjustment clauses. If sales are depressed by higher costs through price elasticity, the RDM mechanisms are expected to prevent an earnings impact on the Company.

Table of Contents

CRITICAL ACCOUNTING POLICIES

REGULATION

The Financial Statements were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which for regulated public utilities, includes specific guidance for Regulated Operations (Financial Accounting Standard Board's ("FASB") Accounting Standards Codification ("ASC") 980). For additional information regarding regulatory accounting, see Note 2 – "Regulatory Matters".

USE OF ESTIMATES

Preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in The United States of America ("GAAP") includes the use of estimates and assumptions by management that affect financial results. Actual results may differ from those estimated; however the methods used by CH Energy Group to prepare estimates have historically produced reliable results.

Expense items most affected by the use of estimates are depreciation and amortization (including amortization of intangible assets), reserves for uncollectible accounts receivable, other operating reserves, unbilled revenues, and pension and other post-retirement benefits.

Depreciation and amortization is based on estimates of the useful lives and estimated net salvage value of properties. For Central Hudson, these estimates are subject to change as the result of a future rate proceeding. Historical changes have not been material to the Company's financial results. For Griffith and Lyonsdale, any changes in estimates used for depreciation are not expected to have a material impact on CH Energy Group's financial results. The amortization of CH Energy Group's other intangible assets is discussed in detail below under the caption "Goodwill and Other Intangible Assets."

Estimates for uncollectible accounts are based on customer accounts receivable aging data as well as consideration of various quantitative and qualitative factors, including economic factors such as future outlooks for the economy, unemployment rates, energy prices and special collection issues. The estimates for other operating reserves are based on assessments of future obligations related to injuries and damages and workers compensation claims. Unbilled revenues are determined based on the estimated sales for bi-monthly accounts that have not been billed by Central Hudson in the current month. The estimation methods used in determining these sales are the same methods used for billing customers when actual meter readings cannot be obtained. Historical changes to these items have not been material to the Company's financial results.

Table of Contents

See Note 1 - “Summary of Significant Accounting Policies” under the caption “Use of Estimates” to the Consolidated Financial Statements of this 10-K Annual Report for additional discussion.

GOODWILL AND OTHER INTANGIBLE ASSETS

The balances reflected on CH Energy Group’s Consolidated Balance Sheet at December 31, 2009 and December 31, 2008 for “Goodwill” and “Other intangible assets - net” relate to Griffith. Goodwill represents the excess of cost over the fair value of the net tangible and identifiable intangible assets of businesses acquired as of the date of acquisition.

In accordance with current accounting guidance related to goodwill and other intangible assets (ASC 350), both goodwill and intangible assets not subject to amortization are tested at least annually for impairment and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose of a reporting unit. In assessing whether an impairment exists the fair value of the reporting units is compared to the carrying amount of assets. Fair value of goodwill is estimated using a weighted average of the discounted cash flow and market approach methodologies. In applying this methodology to the discounted cash flow, reliance is placed on a number of factors, including actual operating results, future business plans, economic projections and market data. The carrying amount for goodwill was $35.7 million as of December 31, 2009, and $67.5 million as of December 31, 2008. Historical impairment tests have not resulted in the recognition of any impairment. However, if the operating cash flows of Griffith decline significantly in the future, the result could be recognition of a future goodwill impairment charge to operations and the amount could be material to CH Energy Group's Consolidated Financial Statements. However, given the accelerated recovery of $10 million of goodwill as a result of the 2009 divestiture, and the significant excess of fair value over the book value of the Company, Management believes the likelihood of any such write-off is remote.

The most significant assumptions used in the discounted cash flow valuation regarding Griffith’s fair value in connection with goodwill valuations are: (1) detailed five-year cash flow projections, (2) the risk adjusted discount rate, and (3) Griffith’s expected long-term growth rate, which approximates the growth rate imputed from the discrete period cash flow projections on key aspects of the business. The primary drivers of Griffith's cash flow projections include sales volumes, margin rates and expense inflation, particularly for labor. The risk adjusted discount rate represents Griffith’s weighted average cost of capital and is established based on (1) the 30-year risk-free rate, which is impacted by events external to Griffith, such as investor expectations regarding economic activity, (2) Griffith’s required rate of return on equity, and (3) the current after-tax rate of return on debt. In valuing its goodwill for 2009, Griffith used an average risk-adjusted discount rate of 10.1%. Had the risk-adjusted discount rate been 25 basis points higher, the aggregate estimated fair value of the reporting units would have decreased by $2.4 million, or 1.6%. In addition, Griffith used an average expected terminal growth rate of 1.5%. If the expected terminal growth rate was 25 basis points lower, the aggregate estimated fair value of the reporting units would have decreased by $1.7 million, or 1.1%. Had each year in Griffith’s five-year cash flow projections been lower by 1.0%, the aggregate estimated fair value of the reporting units would have decreased by $0.4 million, or 0.2%. As of September 30, 2009, the fair value of goodwill as calculated was approximately $49.6 million above its carrying value.

Table of Contents

Other intangible assets - net relate to Griffith and are comprised of customer relationships, trademarks and covenants not to compete. If events indicate that an impairment exists, these assets are tested for impairment by comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset.

In accordance with current accounting guidance (ASC 350), intangible assets that have finite useful lives continue to be amortized over their useful lives. The estimated useful life for customer relationships is 15 years, which is believed to be appropriate in view of average historical customer attrition. The useful lives of trademarks were estimated to range from 10 to 15 years based upon Management's assessment of several variables such as brand recognition, Management's expected use of the trademark, and other factors that may have affected the duration of the trademark's life. The useful life of a covenant not to compete is based on the expiration date of the covenant, generally between three and ten years. Amortization expense was $4.0 million, $4.1 million and $3.4 million for each of the years ended December 31, 2009, 2008 and 2007, respectively. The estimated annual amortization expense for each of the next five years, assuming no new acquisitions, is approximately $2.3 million. The weighted average amortization period for all amortizable intangible assets is 14.97 years. The weighted average amortization periods for customer relationships and covenants not to compete are 15 years and 5 years, respectively. In December 2009, Griffith sold the rights to all its trademarks as part of the sale of select operations discussed further below. The estimated useful life of Griffith's customer relationships is tested annually based on actual experience. The amortizable life of these assets has not changed since Griffith was acquired.

See Note 6 - "Goodwill and Other Intangible Assets" of this 10-K Annual Report for additional discussion.

Table of Contents

POST-EMPLOYMENT BENEFITS

Central Hudson's reported costs of providing non-contributory defined pension benefits as well as certain health care and life insurance benefits for retired employees are dependent upon numerous factors resulting from actual plan experience and assumptions of future plan performance.

The significant assumptions and estimates used to account for the Retirement Plan and other post-retirement benefit expenses and liabilities are the discount rate, the expected long-term rate of return on the pension plan and other post-retirement plan assets, health care cost trend rate, the rate of compensation increase, mortality assumptions, and the method of amortizing gains and losses.

For 2009 the Projected Benefit Obligation ("PBO") for Central Hudson's Retirement Plan ($467.2 million) and its obligation for OPEB costs ($127.1 million) were both determined using 5.7% discount rates. This rate was determined using the Citigroup Pension Discount Curve reflecting projected cash flows. A 0.25% change in the discount rate would affect the projection of the pension PBO by approximately $13.7 million and the OPEB obligation by approximately $3.8 million. Investment losses in the years 2000 through 2002, and a reduction in the discount rate during that period have resulted in a significant increase in pension and OPEB costs since 2001. Declines in the market value of the Trust Funds investment portfolio in 2008 resulted in significant future increases in pension costs. During 2009, the financial markets experienced less volatility than the level experienced in 2008 and the value of the Retirement Plan and OPEB assets increased by $52.9 million and $14.5 million, respectively. These increases reduced the underfunded status of these plans. However, the decrease in discount rates from 2008 increased the present value of the plans' liabilities. The net effect on the funded status of the plans from the financial markets and the discount rates was a decrease in the unfunded liability by $9.2 million and $6.4 million, respectively. If future market conditions do not improve sufficiently to completely offset the volatility of 2008, additional contributions will likely become necessary under the terms of the Pension Protection Act of 2006. Management expects that such contributions will be incorporated in the rate making process over time. Central Hudson has investment policies for these plans which include asset allocation ranges designed to achieve a reasonable return over the long-term, recognizing the impact of market volatility. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets as deemed appropriate in accordance with the Retirement Plan strategy. A 0.25% change in the discount rate would impact the net periodic benefit cost by $1.2 million for the Retirement Plan and $0.3 million for OPEBs. In order to reduce the total costs of benefits, OPEB plan changes were negotiated with the IBEW Local 320 for unionized employees and certain retired employees effective May 1, 2008.

Central Hudson amortizes actuarial gains and losses related to these obligations over ten years in accordance with PSC-prescribed provisions.

Table of Contents

The expected long-term rate of return on Retirement Plan and OPEB assets are 7.75% and 8.00%, net of investment expense. In determining the expected long-term rate of return on these assets, Central Hudson considered the current level of expected returns on risk-free investments (primarily United States government bonds), the historical level of risk premiums associated with other asset classes, and the expectations of future returns over a 20-year time horizon on each asset class, based on the views of leading financial advisors and economists. The expected return for each asset class was then weighted based on each plan's target asset allocation. Central Hudson also considered expectations of value-added by active management, net of investment expenses. The actual annual return on Central Hudson's Retirement Plan and OPEB assets over the previous three years are summarized as follows:

Calendar Year Performance	2009	2008	2007
Central Hudson Retirement Plan	21.2 %	(30.0)%	6.9 %
Central Hudson OPEB (1)	27.9 %	(26.4)%	5.0 %
Central Hudson OPEB (1)	24.6 %	(25.0)%	4.1 %

(1) OPEB assets are comprised of two separate groups of investment funds

A 25 basis point decrease in the expected long-term rate of return on Retirement Plan and OPEB assets would have the following impact: increase the net periodic benefit cost by $0.6 million for the pension plan and $0.2 million for OPEBs. The expected long-term rate of return is reviewed annually in the fourth quarter and updated if the determinants have changed.

The estimates of health care cost trend rates are based on a review of actual recent trends and projected future trends. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A 1% change in assumed health care cost trend rates would have the following effects (In Thousands):

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components for 2009	$447	$(385)
Effect on year-end 2009 post-retirement benefit obligation	$4,217	$(3,722)

In accordance with the terms of the 2006 & 2009 Rate Orders, Central Hudson is authorized to defer any differences between rate allowances and actual costs for both its Retirement and OPEB plans.

See Note 10 - "Post-Employment Benefits" of this 10-K Annual Report for additional discussion.

Table of Contents

ACCOUNTING FOR DERIVATIVES

CH Energy Group and its subsidiaries use derivatives to manage their commodity and financial market risks; they do not enter into derivative instruments for speculative purposes. As a result of deferrals under Central Hudson's regulatory mechanisms and offsetting changes of commodity prices for both Central Hudson and Griffith, derivatives that CH Energy Group and Central Hudson enter into do not materially impact earnings.

All derivatives, other than those specifically excepted, are reported on the Consolidated Balance Sheet at fair value. For discussions relating to market risk and derivative instruments, see Item 7A - "Quantitative and Qualitative disclosure About Market Risk" and Note 14 - "Accounting for Derivative Instruments and Hedging Activities" of this 10-K Annual Report.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The practices employed by CH Energy Group and Central Hudson to mitigate risks discussed below continue to operate effectively. For related discussion on this activity, see Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the subcaption "Capital Resources and Liquidity", Note 14 - "Accounting for Derivative Instruments and Hedging Activities" and Note 9 - Long-Term Debt within this 10-K Annual Report.

The primary market risks for CH Energy Group and its subsidiaries and investments are commodity price risk and interest rate risk. Commodity price risk, related primarily to purchases of natural gas, electricity, and petroleum products for resale to retail customers, is mitigated in several different ways. Central Hudson, as authorized by the PSC in the 2006 and 2009 Rate Orders, collects its actual purchased electricity and purchased natural gas costs from its customers through cost adjustment clauses in its rates. These adjustment clauses provide for the collection of costs, including risk management and working capital costs, from customers to reflect the actual costs incurred in obtaining supply. 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." Griffith may increase the prices charged for the commodities it sells in response to changes in costs; however, its ability to raise prices is limited by what the competitive market in which it participates will bear. Depending on market conditions, Central Hudson may enter into long-term fixed supply and long-term forward supply contracts for the purchase of these commodities. Central Hudson also uses natural gas storage facilities, which enable it to purchase and hold quantities of natural gas at pre-heating season prices for use during the heating season. CH Energy Group also bears commodity price risk for the purchase of corn and natural gas and the sale of ethanol and distillers grains by Cornhusker Holdings.

Central Hudson and Griffith have in place an energy risk management program within their operations. This risk management program permits the use of derivative financial instruments for hedging purposes but does not permit their use for trading or speculative purposes. Central Hudson and Griffith have entered into either exchange-traded futures contracts or over-the-counter ("OTC") contracts with third parties to hedge commodity price risk associated with the purchase of natural gas, electricity, and petroleum products and to hedge the effect on earnings due to significant variations in weather conditions from historical patterns. The types of derivative instruments typically used include natural gas futures and swaps to hedge natural gas purchases, contracts for differences to hedge electricity purchases, put and call options to hedge oil purchases, and degree-day based weather derivatives to hedge weather variations. In this latter case, Griffith uses such derivative instruments to dampen the impact of weather variations on delivery revenues. OTC derivative transactions are entered into only with counterparties that meet certain credit criteria. The creditworthiness of these counterparties is determined primarily by reference to published credit ratings. Commodity price risk related to both corn and ethanol is managed by Cornhusker Holdings at the entity level, not by CHEC or CH Energy Group directly.

Table of Contents

The use of derivative instruments for hedging purposes is discussed in more detail in Note 14 -“Accounting for Derivative Instruments and Hedging Activities”, which incorporates sensitivity analysis for each type of derivative instrument.

Interest rate risk affects Central Hudson but is managed through the issuance of fixed-rate debt with varying maturities and of variable rate debt for which interest is reset on a periodic basis to reflect current market conditions. In the case of Central Hudson’s variable rate debt, the difference between costs associated with actual variable interest rates and costs embedded in customer rates is deferred for eventual refund to or recovery from customers. The variability in interest rates is also managed with the use of a derivative financial instrument known as an interest rate cap agreement, for which the premium cost and any realized benefits also pass through the aforementioned regulatory recovery mechanism. Central Hudson replaced the expiring cap, effective April 1, 2009, with a one-year rate cap with Key Bank National Association. The cap is based on the monthly weighted average of an index of tax-exempt variable rate debt, multiplied by 175% to align with the maximum rate formula of the three series of variable rate 1999 NYSERDA Bonds. The interest rate cap is evaluated quarterly and Central Hudson would receive a payout under the terms of the cap if the bonds reset at rates above 4.375%. Please refer to Note 9 - “Capitalization - Long-Term Debt”, Note 15 - “Fair Value Measurements” and Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the subcaption “Capital Resources and Liquidity” for additional disclosure related to long-term debt.

Table of Contents

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

I - INDEX TO FINANCIAL STATEMENTS: PAGE

	Report of Independent Registered Public Accounting Firm		107
	Report of Management on Internal Control Over Financial Reporting		111
CH ENERGY GROUP			
	CH Energy Group Consolidated Statement of Income for the three years ended December 31, 2009		115
	CH Energy Group Consolidated Statement of Comprehensive Income for the three years ended December 31, 2009		117
	CH Energy Group Consolidated Statement of Cash Flows for the three years ended December 31, 2009		118
	CH Energy Group Consolidated Balance Sheet at December 31, 2009, and 2008		119
	CH Energy Group Consolidated Statement of Equity for the three years ended December 31, 2009		121
CENTRAL HUDSON			
	Central Hudson Statement of Income for the three years ended December 31, 2009		122
	Central Hudson Statement of Comprehensive Income for the three years ended December 31, 2009		123
	Central Hudson Statement of Cash Flows for the three years ended December 31, 2009		124
	Central Hudson Balance Sheet at December 31, 2009, and 2008		125
	Central Hudson Statement of Equity for the three years ended December 31, 2009		127
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS			
	NOTE 1	Summary of Significant Accounting Policies	128
	NOTE 2	Regulatory Matters	139
	NOTE 3	New Accounting Guidance	147
	NOTE 4	Income Tax	151
	NOTE 5	Acquisitions, Divestitures and Investments	155
	NOTE 6	Goodwill and Other Intangible Assets	158
	NOTE 7	Short-Term Borrowing Arrangements	160
	NOTE 8	Capitalization - Common and Preferred Stock	162
	NOTE 9	Capitalization - Long-Term Debt	163
	NOTE 10	Post-Employment Benefits	167
	NOTE 11	Equity-Based Compensation	180

Table of Contents

	NOTE 12	Commitments And Contingencies	185
	NOTE 13	Segments And Related Information	195
	NOTE 14	Accounting for Derivative Instruments and Hedging Activities	199
	NOTE 15	Fair Value Measurements	207
	NOTE 16	Subsequent Events	213
	Selected Quarterly Financial Data (Unaudited)		214
FINANCIAL STATEMENT SCHEDULES			
	Schedule I - Condensed Financial Information of Registrant		215
	Schedule II - Reserves - CH Energy Group		219
	Schedule II - Reserves - Central Hudson		219

All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or the Notes thereto.

II - SUPPLEMENTARY DATA:

Supplementary data are included in "Selected Quarterly Financial Data (Unaudited)" referred to in "I" above, and reference is made thereto.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of CH Energy Group, Inc. and its subsidiaries (collectively, the "Company") at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying CH Energy Group Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

Table of Contents

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

/s/ PRICEWATERHOUSECOOPERS LLP

Buffalo, New York
February 10, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Central Hudson Gas & Electric Corporation (the "Company") at December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Central Hudson Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

Table of Contents

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

/s/ PRICEWATERHOUSECOOPERS LLP

Buffalo, New York
February 10, 2010

Table of Contents

CH ENERGY GROUP

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Corporation are being made only in accordance with authorization of Management and directors of the Corporation; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

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

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

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009. Management based this assessment on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, Management determined that, as of December 31, 2009, the Corporation maintained effective internal control over financial reporting.

Table of Contents

The effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

STEVEN V. LANT Chairman of the Board, President, and Chief Executive Officer	CHRISTOPHER M. CAPONE Executive Vice President and Chief Financial Officer

February 10, 2010

- 112 -

CENTRAL HUDSON

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Corporation are being made only in accordance with authorization of Management and directors of the Corporation; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

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

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

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009. Management based this assessment on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, Management determined that, as of December 31, 2009, the Corporation maintained effective internal control over financial reporting.

Table of Contents

The effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

STEVEN V. LANT Chairman of the Board and Chief Executive Officer	CHRISTOPHER M. CAPONE Executive Vice President and Chief Financial Officer

February 10, 2010

Table of Contents

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

	Year Ended December 31,		
	2009	2008	2007
Operating Revenues			
Electric	$536,170	$608,161	$616,839
Natural gas	174,137	189,546	165,449
Competitive business subsidiaries:			
Petroleum products	193,288	312,764	269,070
Other	27,994	28,730	27,409
Total Operating Revenues	931,589	1,139,201	1,078,767
Operating Expenses			
Operation:			
Purchased electricity and fuel used in electric generation	265,885	371,828	388,569
Purchased natural gas	107,221	129,649	110,123
Purchased petroleum	151,411	268,536	229,200
Other expenses of operation - regulated activities	194,383	167,805	153,978
Other expenses of operation - competitive business subsidiaries	54,338	57,355	52,308
Depreciation and amortization	37,703	35,258	33,902
Taxes, other than income tax	40,249	37,818	35,028
Total Operating Expenses	851,190	1,068,249	1,003,108
Operating Income	80,399	70,952	75,659
Other Income and Deductions			
Income from unconsolidated affiliates	228	568	1,895
Interest on regulatory assets and investment income	5,924	4,667	8,406
Write-off of note receivable	(1,299)	-	-
Regulatory adjustments for interest cost	(1,366)	766	538
Business development costs	(2,012)	(1,589)	(1,451)
Other - net	(1,259)	851	(366)
Total Other Income	216	5,263	9,022
Interest Charges			
Interest on long-term debt	20,999	20,518	18,653
Interest on regulatory liabilities and other interest	4,797	3,774	3,064
Total Interest Charges	25,796	24,292	21,717
Income before income taxes, non-controlling interest and preferred dividends of subsidiary	54,819	51,923	62,964
Income Taxes	20,392	19,314	20,960
Net Income from Continuing Operations	34,427	32,609	42,004
Discontinued Operations			
Income from discontinued operations before tax	6,073	6,060	2,419
Gain from sale of discontinued operations	10,767	-	-
Income tax expense from discontinued operations	6,989	2,515	938
Net Income from Discontinued Operations	9,851	3,545	1,481
Net Income	44,278	36,154	43,485

Net income attributable to non-controlling interest:			
Non-controlling interest in subsidiary	(176)	103	(121)
Dividends declared on Preferred Stock of subsidiary	970	970	970
Net income attributable to CH Energy Group	43,484	35,081	42,636
Dividends declared on Common Stock	34,119	34,086	34,052
Change in Retained Earnings	$9,365	$995	$8,584

The Notes to Financial Statements are an integral part hereof.

Table of Contents

CH ENERGY GROUP CONSOLIDATED STATEMENT OF INCOME (CONT'D)
(In Thousands, except per share amounts)

	Year Ended December 31,		
	2009	2008	2007
Common Stock:			
Average shares outstanding			
Basic	15,775	15,768	15,762
Diluted	15,881	15,805	15,779
Income from continuing operations attributable to CH Energy Group common shareholders			
Earnings per share			
Basic	$2.13	$2.00	$2.61
Diluted	$2.12	$2.00	$2.61
Income from discontinued operations			
Earnings per share			
Basic	$0.63	$0.22	$0.09
Diluted	$0.62	$0.22	$0.09
Amounts attributable to CH Energy Group common shareholders			
Earnings per share			
Basic	$2.76	$2.22	$2.70
Diluted	$2.74	$2.22	$2.70
Dividends Declared Per Share	$2.16	$2.16	$2.16

The Notes to Financial Statements are an integral part hereof.

Table of Contents

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

	Year Ended December 31,		
	2009	2008	2007
Net Income	$44,278	$36,154	$43,485
Other Comprehensive Income:			
Fair value of cash flow hedges:			
Unrealized (losses) gains - net of tax of $7, ($318) and ($687)	(10)	477	1,031
Reclassification for (gains) losses realized in net income-net of tax of ($29), $806 and ($44)	44	(1,208)	67
Net unrealized (losses) gains on investments held by equity method investees - net of tax of ($63), $258 and ($402)	95	(387)	604
Other comprehensive (loss) income	129	(1,118)	1,702
Comprehensive Income	44,407	35,036	45,187
Comprehensive income attributable to non-controlling interest	794	1,073	849
Comprehensive income attributable to CH Energy Group	$43,613	$33,963	$44,338

The Notes to Financial Statements are an integral part hereof.

Table of Contents

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

	Year Ended December 31,		
	2009	2008	2007
Operating Activities:			
Net income	$44,278	$36,154	$43,485
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	35,399	33,292	32,208
Amortization	5,146	5,006	3,715
Deferred income taxes - net	15,514	13,933	5,349
Bad debt expense	12,814	12,470	5,853
Distributed (undistributed) equity in earnings of unconsolidated affiliates	829	756	(18)
Pension expense	20,282	12,377	12,697
Other post-employment benefits ("OPEB") expense	8,346	9,844	10,097
Regulatory liability - rate moderation	(9,915)	(5,954)	(18,425)
Revenue decoupling mechanism	(5,789)	-	-
Regulatory asset amortization	4,541	4,299	1,509
Gain on sale of assets	(10,778)	(143)	(627)
Changes in operating assets and liabilities - net of business acquisitions:			
Accounts receivable, unbilled revenues and other receivables	6,854	(7,071)	(65,210)
Fuel, materials and supplies	9,187	(2,857)	(3,764)
Special deposits and prepayments	(305)	6,809	(4,390)
Prepaid income taxes	(2,304)	-	11,244
Accounts payable	(3,875)	8,458	1,576
Accrued income taxes and interest	168	(621)	1,316
Customer advances	1,839	7,397	(2,687)
Pension plan contribution	(23,124)	(13,027)	(6,347)
OPEB contribution	(3,485)	(4,200)	(6,547)
Regulatory asset - manufactured gas plant ("MGP") site remediation	(2,278)	(2,834)	(5,050)
Regulatory asset - PSC tax surcharge and general assessment	(10,947)	-	-
Deferred natural gas and electric costs	14,321	(12,453)	(3,310)
Other - net	19,657	8,620	21,375
Net cash provided by operating activities	126,375	110,255	34,049
Investing Activities:			
Purchase of short-term investments	-	-	(69,293)
Proceeds from sale of short-term investments	-	3,545	108,359
Acceptance of notes receivable	-	-	(4,200)
Proceeds from sale of assets	74,659	261	4,574
Additions to utility and other property and plant	(123,132)	(84,198)	(84,601)
Acquisitions made by competitive business subsidiaries	-	(9,262)	(25,614)
Other - net	(7,249)	1,012	(2,899)
Net cash used in investing activities	(55,722)	(88,642)	(73,674)
Financing Activities:			
Redemption of long-term debt	(20,000)	-	(33,000)
Proceeds from issuance of long-term debt	74,000	30,000	66,000

(Repayments) borrowings of short-term debt - net	(35,500)	(7,000)	29,500
Dividends paid on Preferred Stock of subsidiary	(970)	(970)	(970)
Dividends paid on Common Stock	(34,107)	(34,081)	(34,046)
Other - net	(465)	(1,050)	(667)
Net cash (used in) provided by financing activities	(17,042)	(13,101)	26,817
Net Change in Cash and Cash Equivalents	53,611	8,512	(12,808)
Cash and Cash Equivalents at Beginning of Period	19,825	11,313	24,121
Cash and Cash Equivalents at End of Period	$73,436	$19,825	$11,313
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$21,548	$22,633	$20,001
Federal and state taxes paid	$30,148	$10,029	$13,096
Additions to plant included in liabilities	$2,235	$17,876	$12,304

The Notes to Financial Statements are an integral part hereof.

Table of Contents

CH ENERGY GROUP CONSOLIDATED BALANCE SHEET
(In Thousands)

	December 31, 2009	December 31, 2008
ASSETS		
Utility Plant		
Electric	$908,807	$862,465
Natural gas	281,139	263,874
Common	139,754	135,732
	1,329,700	1,262,071
Less: Accumulated depreciation	375,434	369,925
	954,266	892,146
Construction work in progress	58,120	53,778
Net Utility Plant	1,012,386	945,924
Non-Utility Property & Plant		
Griffith non-utility property & plant	27,951	42,691
Other non-utility property & plant	37,654	15,345
	65,605	58,036
Less: Accumulated depreciation - Griffith	18,619	23,398
Less: Accumulated depreciation - other	3,333	2,212
Net Non-Utility Property & Plant	43,653	32,426
Current Assets		
Cash and cash equivalents	73,436	19,825
Accounts receivable from customers - net of allowance for doubtful accounts of $7.7 million and $8.8 million, respectively	94,526	131,727
Accrued unbilled utility revenues	14,159	12,657
Other receivables	6,612	7,914
Fuel, materials and supplies	24,841	