

CENTRAL HUDSON GAS & ELECTRIC CORP
Form 10-Q
November 09, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended

September 30, 2009

OR

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

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 No

Indicate by check mark CH Energy Group, Inc. has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark Central Hudson Gas & Electric Corporation has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether CH Energy Group, Inc. 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 Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether Central Hudson Gas & Electric Corporation 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 Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

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

Yes No

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

Yes No

As of the close of business on October 30, 2009, (i) CH Energy Group, Inc. had outstanding 15,804,806 shares of Common Stock (\$0.10 per share par value) and (ii) all of the outstanding 16,862,087 shares of Common Stock (\$5 per share par value) of Central Hudson Gas & Electric Corporation were held by CH Energy Group, Inc.

CENTRAL HUDSON GAS & ELECTRIC CORPORATION MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (H)(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTIONS (H)(2)(a), (b) AND (c).

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2009

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CENTRAL HUDSON GAS & ELECTRIC CORPORATION

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Filing Format

This Quarterly Report on Form 10-Q is a combined quarterly report being filed by two different registrants: CH Energy Group, Inc. (“CH Energy Group”) and Central Hudson Gas & Electric Corporation (“Central Hudson”), a wholly owned subsidiary of CH Energy Group. Except where the content clearly indicates otherwise, any reference in this report to CH Energy Group includes all subsidiaries of CH Energy Group, including Central Hudson. Central Hudson makes no representation as to the information contained in this report in relation to CH Energy Group and its subsidiaries other than Central Hudson.

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PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS (UNAUDITED)

CH ENERGY GROUP CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(In Thousands, except per share amounts)

	Three Months Ended September 30,	
	2009	2008
Operating Revenues		
Electric	\$138,685	\$179,001
Natural gas	16,243	21,773
Competitive business subsidiaries:		
Petroleum products	47,244	88,618
Other	11,473	11,395
Total Operating Revenues	213,645	300,787
Operating Expenses		
Operation:		
Purchased electricity and fuel used in electric generation	61,379	116,900
Purchased natural gas	5,798	13,405
Purchased petroleum	40,258	82,002
Other expenses of operation - regulated activities	50,311	39,247
Other expenses of operation - competitive business subsidiaries	19,118	20,508
Depreciation and amortization	10,277	9,713
Taxes, other than income tax	10,228	9,634
Total Operating Expenses	197,369	291,409
Operating Income	16,276	9,378
Other Income and Deductions		
(Loss) income from unconsolidated affiliates	(75)	123
Interest on regulatory assets and investment income	1,218	1,339
Other - net	(1,384)	(41)
Total Other Income	(241)	1,421
Interest Charges		
Interest on long-term debt	5,355	4,926
Interest on regulatory liabilities and other interest	1,711	1,485
Total Interest Charges	7,066	6,411
Income before income taxes, non-controlling interest and preferred dividends of subsidiary	8,969	4,388
Income Taxes	3,327	1,193
Net Income	5,642	3,195
Net income attributable to non-controlling interest:		
Non-controlling interest in subsidiary	48	68
Dividends declared on Preferred Stock of subsidiary	242	242
Net income attributable to CH Energy Group	5,352	2,885
Dividends declared on Common Stock	8,535	8,523
Change in Retained Earnings	\$(3,183)	\$(5,638)
Common Stock:		
Average shares outstanding		

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Basic	15,776	15,771
Diluted	15,854	15,819
Amounts attributable to CH Energy Group common shareholders		
Earnings per share		
Basic	\$0.34	\$0.18
Diluted	\$0.34	\$0.18
Dividends Declared Per Share	\$0.54	\$0.54

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(In Thousands, except per share amounts)

	Nine Months Ended September 30,	
	2009	2008
Operating Revenues		
Electric	\$404,035	\$468,659
Natural gas	137,422	142,267
Competitive business subsidiaries:		
Petroleum products	218,273	379,653
Other	32,618	33,653
Total Operating Revenues	792,348	1,024,232
Operating Expenses		
Operation:		
Purchased electricity and fuel used in electric generation	205,014	291,675
Purchased natural gas	89,924	98,008
Purchased petroleum	167,198	334,982
Other expenses of operation - regulated activities	141,022	123,414
Other expenses of operation - competitive business subsidiaries	63,748	65,716
Depreciation and amortization	30,561	28,722
Taxes, other than income tax	29,966	28,425
Total Operating Expenses	727,433	970,942
Operating Income	64,915	53,290
Other Income and Deductions		
Income from unconsolidated affiliates	2	459
Interest on regulatory assets and investment income	4,684	4,404
Reserve for note receivable	(1,299)	-
Other - net	(3,744)	(159)
Total Other Income	(357)	4,704
Interest Charges		
Interest on long-term debt	15,229	15,064
Interest on regulatory liabilities and other interest	4,575	4,116
Total Interest Charges	19,804	19,180
Income before income taxes, non-controlling interest and preferred dividends of subsidiary	44,754	38,814
Income Taxes	17,152	14,102
Net Income	27,602	24,712
Net (loss) income attributable to non-controlling interest:		
Non-controlling interest in subsidiary	(141)	129
Dividends declared on Preferred Stock of subsidiary	727	727
Net income attributable to CH Energy Group	27,016	23,856
Dividends declared on Common Stock	25,585	25,564
Change in Retained Earnings	\$1,431	\$(1,708)
Common Stock:		
Average shares outstanding		
Basic	15,774	15,767
Diluted	15,851	15,815
Amounts attributable to CH Energy Group common shareholders		
Earnings per share		

Basic	\$1.71	\$1.51
Diluted	\$1.70	\$1.51
Dividends Declared Per Share	\$1.62	\$1.62

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended September 30,	
	2009	2008
Net Income	\$5,642	\$3,195
Other Comprehensive Income:		
Fair value of cash flow hedges:		
Unrealized losses - net of tax of \$6 and \$125	(9)	(188)
Reclassification for gains realized in net income -net of tax of \$0 and \$0	-	-
Net unrealized losses on investments held by equity method investees - net of tax of \$7 and \$61	(10)	(91)
Other comprehensive loss	(19)	(279)
Comprehensive Income	5,623	2,916
Comprehensive income attributable to non-controlling interest	290	310
Comprehensive income attributable to CH Energy Group	\$5,333	\$2,606

	Nine Months Ended September 30,	
	2009	2008
Net Income	\$27,602	\$24,712
Other Comprehensive Income:		
Fair value of cash flow hedges:		
Unrealized gains - net of tax of \$(33) and (\$867)	49	1,300
Reclassification for losses realized in net income -net of tax of \$0 and \$1,343	-	(2,014)
Net unrealized losses on investments held by equity method investees – net of tax of \$8 and \$214	(11)	(321)
Other comprehensive income (loss)	38	(1,035)
Comprehensive Income	27,640	23,677
Comprehensive income attributable to non-controlling interest	586	856
Comprehensive income attributable to CH Energy Group	\$27,054	\$22,821

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Nine Months Ended September 30,	
	2009	2008
Operating Activities:		
Net income	\$27,602	\$24,712
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	26,647	25,009
Amortization	3,914	3,713
Deferred income taxes - net	2,180	6,674
Provision for uncollectibles	11,530	7,736
Distributed equity in earnings of unconsolidated affiliates	941	844
Pension expense	13,296	9,493
Other post-employment benefits ("OPEB") expense	6,669	7,551
Regulatory liability - rate moderation	(3,789)	(5,901)
Revenue decoupling mechanism	(5,529)	-
Regulatory asset amortization	3,378	3,322
Gain on sale of property and plant	(10)	(98)
Changes in operating assets and liabilities - net of business acquisitions:		
Accounts receivable, unbilled revenues and other receivables	38,870	15,682
Fuel, materials and supplies	5,352	(14,066)
Special deposits and prepayments	603	4,231
Accounts payable	(16,431)	11,352
Accrued income taxes and interest	8,968	(2,264)
Customer advances	2,159	2,577
Pension plan contribution	(15,000)	(12,895)
OPEB contribution	(1,300)	(4,200)
Regulatory asset - manufactured gas plant ("MGP") site remediations	(1,595)	(1,051)
Regulatory asset - PSC tax surcharge and general assessment	(15,566)	-
Deferred natural gas and electric costs	17,993	(4,832)
Customer benefit fund	(33)	(369)
Other - net	10,155	1,464
Net cash provided by operating activities	121,004	78,684
Investing Activities:		
Proceeds from sale of short-term investments	-	3,545
Proceeds from sale of property and plant	194	181
Additions to utility and other property and plant	(93,946)	(62,573)
Acquisitions made by competitive business subsidiaries	-	(9,262)
Other - net	(3,694)	958
Net cash used in investing activities	(97,446)	(67,151)
Financing Activities:		
Redemption of long-term debt	(20,000)	-
Proceeds from issuance of long-term debt	74,000	-
(Repayments) borrowings of short-term debt - net	(18,500)	9,000
Dividends paid on Preferred Stock of subsidiary	(727)	(727)
Dividends paid on Common Stock	(25,573)	(25,559)
Other - net	(366)	5,765
Net cash provided by (used in) financing activities	8,834	(11,521)

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Net Change in Cash and Cash Equivalents	32,392	12
Cash and Cash Equivalents at Beginning of Period	19,825	11,313
Cash and Cash Equivalents at End of Period	\$52,217	\$11,325
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$15,410	\$18,475
Federal and state taxes paid	\$24,785	\$9,986
Additions to plant included in liabilities	\$2,685	\$16,349

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED BALANCE SHEET (UNAUDITED)

(In Thousands)

	September 30, 2009	December 31, 2008	September 30, 2008
ASSETS			
Utility Plant			
Electric	\$ 899,355	\$ 862,465	\$ 842,006
Natural gas	276,639	263,874	259,377
Common	138,925	135,732	118,148
	1,314,919	1,262,071	1,219,531
Less: Accumulated depreciation	373,693	369,925	368,065
	941,226	892,146	851,466
Construction work in progress	62,957	53,778	80,302
Net Utility Plant	1,004,183	945,924	931,768
Non-Utility Property & Plant			
Griffith non-utility property & plant	43,592	42,691	42,023
Other non-utility property & plant	23,176	15,345	15,294
	66,768	58,036	57,317
Less: Accumulated depreciation - Griffith	25,646	23,398	22,710
Less: Accumulated depreciation - other	2,984	2,212	2,000
Net Non-Utility Property & Plant	38,138	32,426	32,607
Current Assets			
Cash and cash equivalents	52,217	19,825	11,325
Accounts receivable from customers - net of allowance for doubtful accounts; \$10.0 million, \$8.8 million and \$6.5 million, respectively	85,145	131,727	119,338
Accrued unbilled utility revenues	9,308	12,657	8,087
Other receivables	8,203	7,914	6,854
Fuel, materials and supplies	31,233	36,585	47,794
Regulatory assets	64,057	60,502	52,179
Fair value of derivative instruments	263	-	28
Special deposits and prepayments	20,815	21,344	23,904
Accumulated deferred income tax	7,486	7,498	7,077
Total Current Assets	278,727	298,052	276,586
Deferred Charges and Other Assets			
Regulatory assets - pension plan	174,723	197,934	40,641
Regulatory assets - OPEB	6,429	4,257	-
Regulatory assets - other	106,215	109,743	117,075
Goodwill	67,455	67,455	67,564
Other intangible assets - net	33,006	36,129	37,037
Unamortized debt expense	5,093	5,009	4,067
Investments in unconsolidated affiliates	8,417	9,711	9,882
Other investments	10,296	7,815	9,464
Other	16,809	15,728	16,146
Total Deferred Charges and Other Assets	428,443	453,781	301,876
Total Assets	\$ 1,749,491	\$ 1,730,183	\$ 1,542,837

The Notes to Financial Statements are an integral part hereof.

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

(In Thousands)

	September 30, 2009	December 31, 2008	September 30, 2008
CAPITALIZATION AND LIABILITIES			
Capitalization			
CH Energy Group Common Shareholders' Equity			
Common Stock (30,000,000 shares authorized: \$0.10 par value; 16,862,087 shares issued) 15,790,431 shares, 15,783,083 shares, and 15,783,083 shares outstanding, respectively	\$ 1,686	\$ 1,686	\$ 1,686
Paid-in capital	350,905	350,873	350,828
Retained earnings	218,065	216,634	213,931
Treasury stock - 1,071,656 shares, 1,079,004 shares, and 1,079,004 shares, respectively	(45,026)	(45,386)	(45,386)
Accumulated other comprehensive income	93	55	138
Capital stock expense	(328)	(328)	(328)
Total CH Energy Group Common Shareholders' Equity	525,395	523,534	520,869
Non-controlling interest in subsidiary	1,520	1,448	1,474
Total Equity	526,915	524,982	522,343
Preferred Stock of subsidiary	21,027	21,027	21,027
Long-term debt	463,897	413,894	383,893
Total Capitalization	1,011,839	959,903	927,263
Current Liabilities			
Current maturities of long-term debt	24,000	20,000	20,000
Notes payable	17,000	35,500	51,500
Accounts payable	34,025	52,824	54,596
Accrued interest	6,238	5,899	4,288
Dividends payable	8,777	8,765	8,765
Accrued vacation and payroll	6,910	6,628	6,485
Customer advances	32,601	30,442	25,622
Customer deposits	8,582	8,445	8,413
Regulatory liabilities	24,064	4,275	3,922
Fair value of derivative instruments	12,887	15,759	14,080
Accrued environmental remediation costs	12,986	5,757	7,876
Accrued income taxes	9,070	441	409
Deferred revenues	7,476	8,827	7,424
Other	14,344	27,974	31,651
Total Current Liabilities	218,960	231,536	245,031
Deferred Credits and Other Liabilities			
Regulatory liabilities - OPEB	-	-	15,505
Regulatory liabilities - other	101,176	130,893	123,828
Operating reserves	4,931	5,155	4,802
Accrued environmental remediation costs	14,518	21,796	21,860
Accrued OPEB costs	54,381	52,645	30,019
Accrued pension costs	157,030	161,674	474
Other	14,525	12,478	13,795
Total Deferred Credits and Other Liabilities	346,561	384,641	210,283
Accumulated Deferred Income Tax	172,131	154,103	160,260
Commitments and Contingencies			

Total Capitalization and Liabilities	\$1,749,491	\$ 1,730,183	\$ 1,542,837
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The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(In Thousands, except share and per share amounts)

	CH Energy Group Common Shareholders									
	Common Stock \$0.10 par value; 30,000,000 shares authorized		Treasury Stock		Paid-In Capital	Stock Expense	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Non-controlling Interest	Total Equity
	Shares Issued	Amount	Shares Repurchased	Amount						
Balance at										
January 1, 2008	16,862,087	\$ 1,686	(1,100,087)	\$(46,252)	\$351,230	\$(328)	\$215,639	\$ 1,173	\$ 1,345	\$524,493
Comprehensive income:										
Net income							23,856		129	23,985
Change in fair value:										
Derivative instruments									1,300	1,300
Investments									(2,014)	(2,014)
Reclassification adjustments for losses recognized in net income									(321)	(321)
Dividends declared on common stock (\$2.16 per share)									(25,564)	(25,564)
Treasury shares activity - net			21,083	866	(402)					464
Balance at September 30, 2008	16,862,087	\$ 1,686	(1,079,004)	\$(45,386)	\$350,828	\$(328)	\$213,931	\$ 138	\$ 1,474	\$522,343
Balance at										
January 1, 2009	16,862,087	\$ 1,686	(1,079,004)	\$(45,386)	\$350,873	\$(328)	\$216,634	\$ 55	\$ 1,448	\$524,982
Comprehensive income:										
Net income							27,016		(141)	26,875
Capital Contributions									213	213
Change in fair value:										
									49	49

Derivative instruments										
Investments						(11)			(11)	
Reclassification adjustments for losses recognized in net income										-
Dividends declared on common stock (\$2.16 per share)						(25,585)			(25,585)	
Treasury shares activity - net	7,348	360	32							392
Balance at September 30, 2009	16,862,087	\$1,686	(1,071,656)	\$(45,026)	\$350,905	\$(328)	\$218,065	\$93	\$1,520	\$526,915

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON STATEMENT OF INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended September 30,	
	2009	2008
Operating Revenues		
Electric	\$ 138,685	\$ 179,001
Natural gas	16,243	21,773
Total Operating Revenues	154,928	200,774
Operating Expenses		
Operation:		
Purchased electricity and fuel used in electric generation	60,017	115,413
Purchased natural gas	5,798	13,405
Other expenses of operation	50,311	39,247
Depreciation and amortization	8,015	7,566
Taxes, other than income tax	9,867	9,452
Total Operating Expenses	134,008	185,083
Operating Income	20,920	15,691
Other Income and Deductions		
Interest on regulatory assets and other interest income	1,202	962
Other - net	(710)	120
Total Other Income	492	1,082
Interest Charges		
Interest on other long-term debt	4,515	4,926
Interest on regulatory liabilities and other interest	1,693	1,374
Total Interest Charges	6,208	6,300
Income Before Income Taxes	15,204	10,473
Income Taxes	6,333	4,346
Net Income	8,871	6,127
Dividends Declared on Cumulative Preferred Stock	242	242
Income Available for Common Stock	\$8,629	\$5,885

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON STATEMENT OF INCOME (UNAUDITED)

(In Thousands)

	Nine Months Ended September 30,	
	2009	2008
Operating Revenues		
Electric	\$404,035	\$468,659
Natural gas	137,422	142,267
Total Operating Revenues	541,457	610,926
Operating Expenses		
Operation:		
Purchased electricity and fuel used in electric generation	201,782	287,156
Purchased natural gas	89,924	98,008
Other expenses of operation	141,022	123,414
Depreciation and amortization	24,013	22,380
Taxes, other than income tax	29,197	27,886
Total Operating Expenses	485,938	558,844
Operating Income	55,519	52,082
Other Income and Deductions		
Interest on regulatory assets and other interest income	3,813	3,290
Other - net	(2,271)	558
Total Other Income	1,542	3,848
Interest Charges		
Interest on other long-term debt	13,863	15,064
Interest on regulatory liabilities and other interest	4,454	3,589
Total Interest Charges	18,317	18,653
Income Before Income Taxes	38,744	37,277
Income Taxes	16,062	15,212
Net Income	22,682	22,065
Dividends Declared on Cumulative Preferred Stock	727	727
Income Available for Common Stock	\$21,955	\$21,338

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended September 30,	
	2009	2008
Net Income	\$8,871	\$6,127
Other Comprehensive Income	-	-
Comprehensive Income	\$8,871	\$6,127

	Nine Months Ended September 30,	
	2009	2008
Net Income	\$22,682	\$22,065
Other Comprehensive Income	-	-
Comprehensive Income	\$22,682	\$22,065

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Nine Months Ended September 30,	
	2009	2008
Operating Activities:		
Net Income	\$22,682	\$22,065
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	23,217	21,746
Amortization	796	634
Deferred income taxes - net	(376)	4,090
Provision for uncollectibles	7,966	5,326
Pension expense	13,296	9,493
OPEB expense	6,669	7,551
Regulatory liability - rate moderation	(3,789)	(5,901)
Revenue decoupling mechanism	(5,529)	-
Regulatory asset amortization	3,378	3,322
Loss on sale of property and plant	25	-
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues and other receivables	20,578	7,751
Fuel, materials and supplies	4,554	(15,729)
Special deposits and prepayments	2,332	5,093
Accounts payable	(13,102)	15,857
Accrued income taxes and interest	8,392	899
Customer advances	1,437	(5,194)
Pension plan contribution	(15,000)	(12,895)
OPEB contribution	(1,300)	(4,200)
Regulatory asset - MGP site remediations	(1,595)	(1,051)
Regulatory asset - PSC tax surcharge and general assessment	(15,566)	-
Deferred natural gas and electric costs	17,993	(4,832)
Customer benefit fund	(33)	(369)
Other - net	12,209	3,360
Net cash provided by operating activities	89,234	57,016
Investing Activities:		
Additions to utility plant	(85,843)	(58,268)
Other - net	(3,937)	(1,180)
Net cash used in investing activities	(89,780)	(59,448)
Financing Activities:		
Redemption of long-term debt	(20,000)	-
Proceeds from issuance of long-term debt	24,000	-
Repayments of short-term debt - net	(8,500)	(6,000)
Additional paid-in capital	25,000	-
Dividends paid on cumulative Preferred Stock	(727)	(727)
Other - net	(369)	5,765
Net cash provided by (used in) provided by financing activities	19,404	(962)
Net Change in Cash and Cash Equivalents	18,858	(3,394)
Cash and Cash Equivalents - Beginning of Period	2,455	3,592
Cash and Cash Equivalents - End of Period	\$21,313	\$198
Supplemental Disclosure of Cash Flow Information:		

Interest paid	\$15,282	\$17,950
Federal and state taxes paid	\$25,103	\$8,642
Additions to plant included in liabilities	\$1,723	\$16,349

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON BALANCE SHEET (UNAUDITED)

(In Thousands)

	September 30, 2009	December 31, 2008	September 30, 2008
ASSETS			
Utility Plant			
Electric	\$ 899,355	\$ 862,465	\$ 842,006
Natural gas	276,639	263,874	259,377
Common	138,925	135,732	118,148
	1,314,919	1,262,071	1,219,531
Less: Accumulated depreciation	373,693	369,925	368,065
	941,226	892,146	851,466
Construction work in progress	62,957	53,778	80,302
Net Utility Plant	1,004,183	945,924	931,768
Non-Utility Property and Plant	681	445	445
Less: Accumulated depreciation	32	32	32
Net Non-Utility Property and Plant	649	413	413
Current Assets			
Cash and cash equivalents	21,313	2,455	198
Accounts receivable from customers - net of allowance for doubtful accounts; \$5.8 million, \$4.0 million and \$3.6 million, respectively	60,380	85,352	72,206
Accrued unbilled utility revenues	9,308	12,657	8,087
Other receivables	2,683	3,447	2,774
Fuel, materials and supplies - at average cost	26,561	31,115	39,999
Regulatory assets	64,057	60,502	52,179
Fair value of derivative instruments	180	-	-
Special deposits and prepayments	16,315	18,573	19,415
Accumulated deferred income tax	4,675	4,685	5,754
Total Current Assets	205,472	218,786	200,612
Deferred Charges and Other Assets			
Regulatory assets - pension plan	174,723	197,934	40,641
Regulatory assets - OPEB	6,429	4,257	-
Regulatory assets - other	106,215	109,743	117,075
Unamortized debt expense	5,093	5,009	4,067
Other investments	10,049	7,697	9,325
Other	3,196	2,433	3,338
Total Deferred Charges and Other Assets	305,705	327,073	174,446
Total Assets	\$ 1,516,009	\$ 1,492,196	\$ 1,307,239

The Notes to Financial Statements are an integral part hereof.

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

(In Thousands)

	September 30, 2009	December 31, 2008	September 30, 2008
CAPITALIZATION AND LIABILITIES			
Capitalization			
Common Stock, 30,000,000 shares authorized; 16,862,087 shares issued and outstanding, \$5 par value	\$ 84,311	\$ 84,311	\$ 84,311
Paid-in capital	199,980	174,980	174,980
Retained earnings	140,899	118,944	114,014
Capital stock expense	(4,961)	(4,961)	(4,961)
Total Equity	420,229	373,274	368,344
Cumulative Preferred Stock not subject to mandatory redemption	21,027	21,027	21,027
Long-term debt	413,897	413,894	383,893
Total Capitalization	855,153	808,195	773,264
Current Liabilities			
Current maturities of long-term debt	24,000	20,000	20,000
Notes payable	17,000	25,500	36,500
Accounts payable	26,481	42,913	43,992
Accrued interest	4,876	5,895	4,275
Dividends payable - Preferred Stock	242	242	242
Accrued vacation and payroll	4,855	4,896	4,537
Customer advances	11,011	9,574	5,648
Customer deposits	8,468	8,317	8,285
Regulatory liabilities	24,064	4,275	3,922
Fair value of derivative instruments	12,887	15,759	14,080
Accrued environmental remediation costs	12,881	5,563	7,680
Accrued income taxes	9,498	87	6,040
Other	7,571	21,284	25,666
Total Current Liabilities	163,834	164,305	180,867
Deferred Credits and Other Liabilities			
Regulatory liabilities - OPEB	-	-	15,505
Regulatory liabilities - other	101,176	130,893	123,828
Operating reserves	3,777	3,898	3,776
Accrued environmental remediation costs	13,337	20,621	20,640
Accrued OPEB costs	54,381	52,645	30,019
Accrued pension costs	157,030	161,674	474
Other	13,798	11,891	13,225
Total Deferred Credits and Other Liabilities	343,499	381,622	207,467
Accumulated Deferred Income Tax	153,523	138,074	145,641
Commitments and Contingencies			
Total Capitalization and Liabilities	\$ 1,516,009	\$ 1,492,196	\$ 1,307,239

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(In Thousands, except share and per share amounts)

	Central Hudson Common Shareholders					Capital Stock Expense	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Total Equity
	Common Stock \$5.00 par value; 30,000,000 shares authorized	Shares Issued	Treasury Stock	Shares Repurchased	Paid-In Capital				
Balance at January 1, 2008	16,862,087	\$ 84,311	-	\$ -	\$ 174,980	\$ (4,961)	\$ 92,676	\$ -	\$ 347,006
Net income							21,338		21,338
Balance at September 30, 2008	16,862,087	\$ 84,311	-	\$ -	\$ 174,980	\$ (4,961)	\$ 114,014	\$ -	\$ 368,344
Balance at January 1, 2009	16,862,087	\$ 84,311	-	\$ -	\$ 174,980	\$ (4,961)	\$ 118,944	\$ -	\$ 373,274
Net income							21,955		21,955
Additional Paid-In Capital					25,000				25,000
Balance at September 30, 2009	16,862,087	\$ 84,311	-	\$ -	\$ 199,980	\$ (4,961)	\$ 140,899	\$ -	\$ 420,229

The Notes to Financial Statements are an integral part hereof.

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

This Quarterly Report on Form 10-Q is a combined report of CH Energy Group, Inc. (“CH Energy Group”) and its regulated electric and natural gas subsidiary, Central Hudson Gas & Electric Corporation (“Central Hudson”). The Notes to the Consolidated Financial Statements apply to both CH Energy Group and Central Hudson. CH Energy Group’s Consolidated Financial Statements include the accounts of CH Energy Group and its wholly owned subsidiaries, which include Central Hudson and CH Energy Group’s non-utility subsidiary, Central Hudson Enterprises Corporation (“CHEC”). Operating results of CHEC include its wholly owned subsidiaries, Griffith Energy Services, Inc. (“Griffith”), CH-Auburn Energy, LLC (“CH-Auburn”), CH-Greentree, LLC (“CH-Greentree”), and CH-Lyonsdale, LLC (“CH-Lyonsdale”), and its majority owned subsidiary Lyonsdale Biomass, LLC (“Lyonsdale”). CHEC’s operating results are consolidated in the Consolidated Financial Statements of CH Energy Group. The non-controlling interest shown on CH Energy Group’s Consolidated Financial Statements represents the minority owner’s proportionate share of the income and equity of Lyonsdale and preferred stock of Central Hudson. Inter-company balances and transactions have been eliminated in consolidation.

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 the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 980, Regulated Operations, (formerly Statement of Financial Accounting Standards (“SFAS”) No. 71, Accounting for the Effects of Certain Types of Regulation). For additional information regarding regulatory accounting see Note 2 – “Regulatory Matters”.

Unaudited Financial Statements

The accompanying Consolidated Financial Statements of CH Energy Group and Financial Statements of Central Hudson are unaudited but, in the opinion of Management, reflect adjustments (which include normal recurring adjustments) necessary for a fair statement of the results for the interim periods presented. These condensed, unaudited, quarterly Financial Statements do not contain the detail or footnote disclosures concerning accounting policies and other matters which would be included in annual Financial Statements and, accordingly, should be read in conjunction with the audited Financial Statements (including the Notes thereto) included in the combined CH Energy Group/Central Hudson Annual Report on Form 10-K for the year ended December 31, 2008 (the “Corporations’ 10-K Annual Report”).

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CH Energy Group's and Central Hudson's balance sheets as of September 30, 2008 are not required to be included in this Quarterly Report on Form 10-Q; however, these balance sheets are included for supplemental analysis purposes.

Reclassification

Certain amounts in the 2008 Financial Statements have been reclassified to conform to the 2009 presentation.

Effective January 1, 2009, Central Hudson adopted ASC 810-10-65-1, Transition Related to FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51, (formerly SFAS No. 160 – Noncontrolling Interest in Consolidated Financial Statements). In accordance with this standard, CH Energy Group modified the presentation of minority interest or non-controlling interest in the prior periods presented for CH Energy Group's Consolidated Statement of Income, Consolidated Statement of Cash Flow and Consolidated Balance Sheet. For more information, see Note 3 – “New Accounting Standards and Other FASB Projects”.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows and the Balance Sheet, CH Energy Group and Central Hudson consider temporary cash investments with a maturity (when purchased) of three months or less, to be cash equivalents.

Revenue Recognition

CH Energy Group's deferred revenue balances as of September 30, 2009, December 31, 2008 and September 30, 2008 were \$7.5 million, \$8.8 million and \$7.4 million, respectively. The deferred revenue balance will be recognized in competitive business subsidiaries' operating revenues over the 12-month term of the respective customer contract.

As required by the New York State Public Service Commission (“PSC”), Central Hudson records gross receipts tax revenues and expenses on a gross income statement presentation basis (i.e., included in both revenue and expenses). Sales and use taxes for both Central Hudson and Griffith are accounted for on a net basis (excluded from revenue).

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Fuel, Materials and Supplies

Fuel, materials and supplies for CH Energy Group are valued using the following accounting methods:

Company	Valuation Method
Central Hudson	Average cost
Griffith	FIFO
Lyonsdale	Weighted average cost

The following is a summary of CH Energy Group's and Central Hudson's inventories (In Thousands):

CH Energy Group

	September 30, 2009	December 31, 2008	September 30, 2008
Natural gas	\$ 16,670	\$ 22,684	\$ 32,019
Petroleum products and propane	1,935	2,782	5,367
Fuel used in electric generation	776	586	822
Materials and supplies	11,852	10,533	9,586
Total	\$ 31,233	\$ 36,585	\$ 47,794

Central Hudson