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.

- 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

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

  - On August 6, 2009, the NYISO submitted its grant application for the collaborative projects.
  - 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.
  - Central Hudson is currently working with the NYISO and the other New York State utilities on a Sub-Award Agreement for these projects.

- 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.
- 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

  - 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.
  - 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.

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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."

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.

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.

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.

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.

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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.

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

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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%.

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.

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.

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.

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.

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.

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 **.**

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."

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%

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:

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.

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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.

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.

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2008 as compared to 2007

CH ENERGY GROUP CONSOLIDATED

Earnings per Share (Basic)

	Year Ended December 31, 2008	Year Ended December 31, 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)

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).

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).

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OTHER BUSINESSES AND INVESTMENTS

Earnings per Share (Basic)

	Year Ended December 31, 2008	Year Ended December 31, 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.

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)%

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.

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.

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.

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.

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.

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.

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.

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.

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.

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)%

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.

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.

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.

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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.

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.

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
1 st Quarter	$ 52.66	$ 37.68	$ 0.54	$ 45.38	$ 34.53	$ 0.54
2 nd Quarter	48.16	40.60	0.54	40.73	34.25	0.54
3 rd Quarter	51.32	43.67	0.54	48.92	34.00	0.54
4 th 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.

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.

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."

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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 CO_2 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 CO_2 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 CO_2 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.

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.

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.

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.

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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.

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.

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.

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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.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

I - INDEX TO FINANCIAL STATEMENTS:

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.

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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.

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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.

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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

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.

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

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.

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

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.

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.

CH E NERG Y 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.

CH EN ERGY 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.

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	36,585
Regulatory assets	59,993	60,502
Prepaid income tax	1,863	-
Fair value of derivative instruments	741	-
Special deposits and prepayments	21,290	21,344
Accumulated deferred income tax	300	7,498
Total Current Assets	297,761	298,052
Deferred Charges and Other Assets		
Regulatory assets - pension plan	168,705	197,934
Regulatory assets - OPEB	-	4,257
Regulatory assets - other	83,691	109,743
Goodwill	35,651	67,455
Other intangible assets - net	14,813	36,129
Unamortized debt expense	5,094	5,009
Investments in unconsolidated affiliates	8,698	9,711
Other investments	10,812	7,815
Other	16,619	15,728
Total Deferred Charges and Other Assets	344,083	453,781
Total Assets	$ 1,697,883	$ 1,730,183

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP CONSOLIDATED BALANCE SHEET (CONT'D)

(In Thousands)

CAPITALIZATION AND LIABILITIES	December 31, 2009	December 31, 2008
Capitalization		
CH Energy Group Common Shareholders' Equity		
Common Stock (30,000,000 shares authorized: $0.10 par value;16,862,087 shares issued) 15,804,562 shares and 15,783,083 shares outstanding, respectively	$ 1,686	$ 1,686
Paid-in capital	350,367	350,873
Retained earnings	225,999	216,634
Treasury stock - 1,057,525 shares and 1,079,004 shares, respectively	(44,406)	(45,386)
Accumulated other comprehensive income	184	55
Capital stock expense	(328)	(328)
Total CH Energy Group Common Shareholders' Equity	533,502	523,534
Non-controlling interest in subsidiary	1,385	1,448
Total Equity	534,887	524,982
Preferred Stock of subsidiary	21,027	21,027
Long-term debt	463,897	413,894
Total Capitalization	1,019,811	959,903
Current Liabilities		
Current maturities of long-term debt	24,000	20,000
Notes payable	-	35,500
Accounts payable	43,197	52,824
Accrued interest	6,067	5,899
Dividends payable	8,777	8,765
Accrued vacation and payroll	6,192	6,628
Customer advances	22,450	30,442
Customer deposits	8,579	8,445
Regulatory liabilities	29,974	8,724
Fair value of derivative instruments	13,837	15,759
Accrued environmental remediation costs	17,399	5,757
Accrued income taxes	-	441
Deferred revenues	4,725	8,827
Other	17,814	27,974
Total Current Liabilities	203,011	235,985
Deferred Credits and Other Liabilities		
Regulatory liabilities - OPEB	1,521	-
Regulatory liabilities - other	91,457	126,444
Operating reserves	4,756	5,155
Accrued environmental remediation costs	6,375	21,796
Accrued OPEB costs	46,241	52,645
Accrued pension costs	152,383	161,674
Other	14,245	12,478
Total Deferred Credits and Other Liabilities	316,978	380,192
Accumulated Deferred Income Tax	158,083	154,103
Commitments and Contingencies		
Total Capitalization and Liabilities	$ 1,697,883	$ 1,730,183

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED STATEMENT OF EQUITY

(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							
	Shares Issued	Amount	Shares Repurchased	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Non-controlling Interest	Total Equity
Balance at January 1, 2007	16,862,087	$ 1,686	(1,100,087)	$(46,252)	$351,230	$ (328)	$207,055	$ (529)	$ 1,481	$514,343
Comprehensive Income:										
Net income							42,636		(121)	42,515
Other									(15)	(15)
Change in fair value:										
Derivative instruments								1,031		1,031
Investments								604		604
Reclassification adjustments for losses recognized in net income								67		67
Dividends declared on common stock ($2.16 per share)							(34,052)			(34,052)
Treasury shares activity - net			-	-						-
Balance at December 31, 2007	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							35,081		103	35,184
Change in fair value:										
Derivative instruments								477		477
Investments								(387)		(387)
Reclassification adjustments for losses recognized in net income								(1,208)		(1,208)
Dividends declared on common stock ($2.16 per share)							(34,086)			(34,086)
Treasury shares activity - net			21,083	866	(357)					509
Balance at December 31, 2008	16,862,087	$ 1,686	(1,079,004)	$(45,386)	$350,873	$ (328)	$216,634	$ 55	$ 1,448	$524,982
Comprehensive Income:										
Net income							43,484		(176)	43,308
Capital Contributions									213	213
Capital Distributions									(100)	(100)
Change in fair value:										
Derivative instruments								(10)		(10)
Investments								44		44
Reclassification adjustments for losses recognized in net income								95		95
Dividends declared on common stock ($2.16 per share)							(34,119)			(34,119)
Treasury shares activity - net			21,479	980	(506)					474

Balance at December 31, 2009	16,862,087	$ 1,686	(1,057,525)	$(44,406)	$350,367	$ (328)	$225,999	$ 184	$ 1,385	$534,887

The Notes to Financial Statements are an integral part hereof.

C ENTR AL HUDSON STATEMENT OF INCOME
(In Thousands)

	Year Ended December 31, 2009	2008	2007
Operating Revenues			
Electric	$ 536,170	$ 608,161	$ 616,839
Natural gas	174,137	189,546	165,449
Total Operating Revenues	710,307	797,707	782,288
Operating Expenses			
Operation:			
Purchased electricity and fuel used in electric generation	261,003	365,827	383,806
Purchased natural gas	107,221	129,649	110,123
Other expenses of operation	194,383	167,805	153,978
Depreciation and amortization	32,094	29,812	28,399
Taxes, other than income tax	39,268	37,270	34,576
Total Operating Expenses	633,969	730,363	710,882
Operating Income	76,338	67,344	71,406
Other Income and Deductions			
Interest on regulatory assets and other interest income	5,030	3,171	5,743
Other - net	(1,199)	656	(1,018)
Regulatory adjustments for interest costs	(1,366)	766	538
Total Other Income	2,465	4,593	5,263
Interest Charges			
Interest on other long-term debt	18,830	20,518	18,653
Interest on regulatory liabilities and other interest	6,055	4,908	4,254
Total Interest Charges	24,885	25,426	22,907
Income Before Income Taxes	53,918	46,511	53,762
Income Taxes	21,142	19,273	20,326
Net Income	32,776	27,238	33,436
Dividends Declared on Cumulative Preferred Stock	970	970	970
Income Available for Common Stock	$ 31,806	$ 26,268	$ 32,466

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON STATEMENT OF COMPREHENSIVE INCOME
(In Thousands)

	Year Ended December 31,		
	2009	2008	2007
Net Income	$ 32,776	$ 27,238	$ 33,436
Other Comprehensive Income	-	-	-
Comprehensive Income	$ 32,776	$ 27,238	$ 33,436

The Notes to Financial Statements are an integral part hereof.

CENT RAL HUDSON STATEMENT OF CASH FLOWS
(In Thousands)

	Year Ended December 31, 2009	2008	2007
Operating Activities:			
Net income	$ 32,776	$ 27,238	$ 33,436
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	30,949	28,922	28,047
Amortization	1,145	890	352
Deferred income taxes - net	20,010	11,375	3,105
Bad debt expense	8,833	7,892	4,850
Pension expense	20,282	12,377	12,697
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
Loss on sale of property and plant	25	-	(468)
Changes in operating assets and liabilities - net:			
Accounts receivable, unbilled revenues and other receivables	3,785	(13,205)	(39,577)
Fuel, materials and supplies	9,810	(6,845)	(1,466)
Special deposits and prepayments	364	5,952	(3,409)
Prepaid income taxes	(10,706)	-	10,477
Accounts payable	(7,325)	13,656	(4,111)
Accrued income taxes and interest	(345)	(3,434)	3,771
Customer advances	5,428	(1,268)	(5,065)
Pension plan contribution	(23,124)	(13,027)	(6,347)
OPEB contribution	(3,485)	(4,200)	(6,547)
Regulatory asset - 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	20,810	8,865	18,232
Net cash provided by operating activities	107,511	68,090	32,798
Investing Activities:			
Proceeds from sale of property and plant	-	-	862
Additions to utility plant	(99,756)	(78,931)	(81,288)
Other - net	(7,489)	(1,276)	(2,853)
Net cash used in investing activities	(107,245)	(80,207)	(83,279)
Financing Activities:			
Redemption of long-term debt	(20,000)	-	(33,000)
Proceeds from issuance of long-term debt	24,000	30,000	66,000
(Repayments) borrowings of short-term debt - net	(25,500)	(17,000)	29,500
Additional paid-in capital	25,000	-	-
Dividends paid on cumulative Preferred Stock	(970)	(970)	(970)
Dividends paid to parent - CH Energy Group	-	-	(8,500)
Other - net	(467)	(1,050)	(667)
Net cash provided by financing activities	2,063	10,980	52,363
Net Change in Cash and Cash Equivalents	2,329	(1,137)	1,882
Cash and Cash Equivalents - Beginning of Period	2,455	3,592	1,710
Cash and Cash Equivalents - End of Period	$ 4,784	$ 2,455	$ 3,592
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 19,672	$ 22,080	$ 20,001
Federal and state taxes paid	$ 29,764	$ 11,355	$ 13,619
Additions to plant included in liabilities	$ 1,619	$ 17,876	$ 12,304

The Notes to Financial Statements are an integral part hereof.

C ENTRA L HUDSON 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 and Plant	681	445
Less: Accumulated depreciation	33	32
Net Non-Utility Property and Plant	648	413
Current Assets		
Cash and cash equivalents	4,784	2,455
Accounts receivable from customers - net of allowance for doubtful accounts of $5.8 million and $4.0 million, respectively	68,328	85,352
Accrued unbilled utility revenues	14,159	12,657
Other receivables	3,025	3,447
Fuel, materials and supplies - at average cost	21,305	31,115
Regulatory assets	59,993	60,502
Prepaid income tax	10,706	-
Fair value of derivative instruments	393	-
Special deposits and prepayments	18,304	18,573
Accumulated deferred income tax	-	4,685
Total Current Assets	200,997	218,786
Deferred Charges and Other Assets		
Regulatory assets - pension plan	168,705	197,934
Regulatory assets - OPEB	-	4,257
Regulatory assets - other	83,691	109,743
Unamortized debt expense	5,094	5,009
Other investments	10,543	7,697
Other	3,536	2,433
Total Deferred Charges and Other Assets	271,569	327,073
Total Assets	$ 1,485,600	$ 1,492,196

CENTRAL HUDSON BALANCE SHEET (CONT'D)
(In Thousands)

	December 31, 2009	December 31, 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
Paid-in capital	199,980	174,980
Retained earnings	150,750	118,944
Capital stock expense	(4,961)	(4,961)
Total Equity	430,080	373,274
Cumulative Preferred Stock not subject to mandatory redemption	21,027	21,027
Long-term debt	413,897	413,894
Total Capitalization	865,004	808,195
Current Liabilities		
Current maturities of long-term debt	24,000	20,000
Notes payable	-	25,500
Accounts payable	32,069	42,913
Accrued interest	5,637	5,895
Dividends payable - Preferred Stock	242	242
Accrued vacation and payroll	5,046	4,896
Customer advances	15,002	9,574
Customer deposits	8,504	8,317
Regulatory liabilities	29,974	8,724
Fair value of derivative instruments	13,553	15,759
Accrued environmental remediation costs	16,982	5,563
Accrued income taxes	-	87
Accumulated deferred income tax	1,883	-
Other	8,761	21,284
Total Current Liabilities	161,653	168,754
Deferred Credits and Other Liabilities		
Regulatory liabilities - OPEB	1,521	-
Regulatory liabilities - other	91,457	126,444
Operating reserves	3,503	3,898
Accrued environmental remediation costs	3,248	20,621
Accrued OPEB costs	46,241	52,645
Accrued pension costs	152,383	161,674
Other	13,495	11,891
Total Deferred Credits and Other Liabilities	311,848	377,173
Accumulated Deferred Income Tax	147,095	138,074
Commitments and Contingencies		
Total Capitalization and Liabilities	$ 1,485,600	$ 1,492,196

CENTRAL HUDSON STATEMENT OF EQUITY
(In Thousands, except share and per share amounts)

	Central Hudson Common Shareholders								
	Common Stock $5.00 par value; 30,000,000 shares authorized		Treasury Stock						
	Shares Issued	Amount	Shares Repurchased	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Total Equity
Balance at January 1, 2007	16,862,087	$ 84,311	-	$ -	$174,980	$ (4,961)	$ 68,710	$ -	$323,040
Net income							33,436		33,436
Dividends declared									
On cumulative Preferred Stock							(970)		(970)
On Common Stock to parent - CH Energy Group							(8,500)		(8,500)
Balance at December 31, 2007	16,862,087	$ 84,311	-	$ -	$174,980	$ (4,961)	$ 92,676	$ -	$347,006
Net income							27,238		27,238
Dividends declared									
On cumulative Preferred Stock							(970)		(970)
On Common Stock to parent - CH Energy Group							-		-
Balance at December 31, 2008	16,862,087	$ 84,311	-	$ -	$174,980	$ (4,961)	$118,944	$ -	$373,274
Net income							32,776		32,776
Dividends declared									
On cumulative Preferred Stock							(970)		(970)
On Common Stock to parent - CH Energy Group							-		-
Additional Paid-in Capital					25,000				25,000
Balance at December 31, 2009	16,862,087	$ 84,311	-	$ -	$199,980	$ (4,961)	$150,750	$ -	$430,080

NOTES TO FINANCIAL STATEMENTS

N O TE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

CH Energy Group, Inc. ("CH Energy Group") is the holding company parent corporation of Central Hudson Gas & Electric Corporation ("Central Hudson") and Central Hudson Enterprises Corporation ("CHEC"). Central Hudson and CHEC are each wholly owned by CH Energy Group. Their businesses are comprised of a regulated electric utility and regulated natural gas utility, fuel distribution, cogeneration, energy management, and investments in energy-related assets.

CHEC's wholly owned subsidiaries include: Griffith Energy Services, Inc. ("Griffith"), CH-Auburn Energy, LLC ("CH-Auburn"), CH-Greentree, LLC ("CH-Greentree") and CH Shirley Wind, LLC ("CH Shirley"). On December 11, 2009, Griffith sold operations in certain geographic locations. For more information of sale, see Note 5 – "Acquisitions, Divestitures and Investments".

On April 12, 2006, CHEC purchased a 75% interest in Lyonsdale Biomass, LLC ("Lyonsdale"). The operating results of Lyonsdale are consolidated in the financial statements of CH Energy Group. The non-controlling interest shown on CH Energy Group's Consolidated Financial Statements includes the minority owner's proportionate share of the income and equity of Lyonsdale.

On December 15, 2009, CH Shirley purchased a 90% interest in Shirley Wind (Delaware), LLC ("Shirley Delaware"). The operating results of Shirley Delaware are consolidated in the financial statements of CH Energy Group. The non-controlling interest shown on CH Energy Group's Consolidated Financial Statements includes the minority owner's proportionate share of the income and equity of Shirley Delaware.

CHEC's investments in limited partnerships ("Partnerships") and limited liability companies are accounted for under the equity method. CH Energy Group's proportionate share of the change in fair value of available for sale securities held by the Partnerships is recorded in CH Energy Group's Consolidated Statement of Comprehensive Income. For more information, see Note 5 - "Acquisitions, Divestitures and Investments."

Basis of Presentation

This Annual Report on Form 10-K is a combined report of CH Energy Group and 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 CHEC. Operating results of Griffith, CH-Auburn, CH-Greentree, CH Shirley and CH-Lyonsdale are consolidated in the Consolidated Financial Statements of CH Energy Group. The minority interest shown on CH Energy Group's Consolidated Financial Statements represents the minority owner's proportionate share of the income and equity of Shirley Delaware and Lyonsdale. Intercompany 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 specific accounting guidance for Regulated Operations (Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 980). For additional information regarding regulatory accounting, see Note 2 - "Regulatory Matters".

Reclassification

Certain amounts in the 2008 and 2007 Financial Statements have been reclassified to conform to the 2009 presentation.

On December 11, 2009, Griffith closed on the sale of operations in certain geographic locations. In accordance with current accounting guidance related to presentations of financial statements (ASC 205), CH Energy Group concluded that divested operations met the definition of discontinued operations, and accordingly, reclassified the results of operations associated with these operations for current and prior periods, to be reported in the discontinued operations section of CH Energy Group's Consolidated Statement of Income. As permitted by this guidance, the consolidated statement of cash flows, up to the date of sale, were combined with cash flows from continuing operations. The cash received from the sale, net of cash transferred, is included as cash flows from investing activities in the cash flow statement. For more information, see Note 5 – "Acquisitions, Divestitures and Investments".

Effective January 1, 2009, Central Hudson adopted current accounting guidance related to non-controlling interests in consolidated financial statements, (ASC 810-10-65-1) . Accordingly, 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 Guidance".

Use of Estimates

Preparation of the financial statements in accordance with GAAP includes the use of estimates and assumptions by management that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimated, but 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 (as described in this Note under the caption "Depreciation and Amortization"). Amortizable intangible assets include customer relationships related to Griffith, which are amortized based on an assessment of customer attrition as described in Note 6 - "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 special collection issues. In the current year, the increase in the allowance for doubtful accounts reflects the impact of the continued weak economy on customers' ability to pay their bills. 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 bimonthly 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. Estimated unbilled revenues are reported as current assets, and include amounts recorded both in revenues and as regulatory liabilities. Revenues for 2009, 2008 and 2007 include an estimate for unbilled revenues of $8.9 million, $8.2 million and $7.8 million, respectively. Pursuant to regulatory requirements, a portion of unbilled revenue is offset by a regulatory liability and is not included in revenues. The portion of unbilled revenues offset by a regulatory liability at December 31, 2009, 2008 and 2007 was $5.3 million, $4.5 million and $4.2 million, respectively.

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

Estimates are also reflected for certain commitments and contingencies where there is sufficient basis to project a future obligation. Disclosures related to these certain commitments and contingencies are included in Note 12 - "Commitments and Contingencies."

Rates, Revenues, and Cost Adjustment Clauses

Central Hudson's electric and natural gas retail rates are regulated by the New York State Public Service Commission ("PSC"). Transmission rates, facilities charges, and rates for electricity sold for resale in interstate commerce are regulated by the Federal Energy Regulatory Commission ("FERC").

Central Hudson's tariffs for retail electric and natural gas service include purchased electricity and purchased natural gas cost adjustment clauses by which electric and natural gas rates are adjusted to collect the actual purchased electricity and purchased natural gas costs incurred in providing service.

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.

Revenue Recognition

Central Hudson records revenue on the basis of meters read. In addition, Central Hudson records an estimate of unbilled revenue for service rendered to bimonthly customers whose meters are read in the prior month. The estimate covers 30 days subsequent to the meter-read date. As of December 31, 2009, and 2008, the portion of estimated electric unbilled revenues that is unrecognized in accordance with current regulatory agreements were $10.1 million and $9.8 million, respectively. The full amount of estimated natural gas unbilled revenues are recognized on the Consolidated Balance Sheet.

As required by the 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).

Griffith records revenue when products are delivered to customers or services have been rendered. Deferred revenues include unamortized payments from fuel oil burner maintenance and tank service agreements, as well as fees paid by customers for price-protected programs. These agreements require a one-time payment from the customer at inception of the agreements. CH Energy Group's deferred revenue balances as of December 31, 2009 and December 31, 2008 were $4.7 million and $8.8 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.

For Central Hudson and Griffith, payments received from customers who participate in budget billing, whose balance represents the amount paid in excess of deliveries received at December 31, are included in customer advances. On an annual basis, each such customer's budget billings are reconciled with their actual purchases and the accounts are settled.

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.

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

	December 31, 2009	December 31, 2008
Natural gas	$ 12,020	$ 22,684
Petroleum products and propane	2,583	2,782
Fuel used in electric generation	480	586
Materials and supplies	9,758	10,533
Total	$ 24,841	$ 36,585

Central Hudson

	December 31, 2009	December 31, 2008
Natural gas	$ 12,020	$ 22,684
Petroleum products and propane	547	550
Fuel used in electric generation	308	343
Materials and supplies	8,430	7,538
Total	$ 21,305	$ 31,115

Utility Plant - Central Hudson

The cost of additions to utility plant and replacements of retired units of property are capitalized at original cost. Capitalized costs include labor, materials and supplies, indirect charges for such items as transportation, certain taxes, pension and other employee benefits, and allowances for funds used during construction ("AFUDC"), as further discussed below. The replacement of minor items of property is included in operating expenses.

The original cost of property, together with removal cost less salvage, is charged to accumulated depreciation at the time the property is retired and removed from service as required by the PSC.

The following summarizes the type and amount of assets included in the electric, natural gas, and common categories of Central Hudson's utility plant balances (In Thousands):

	Estimated Depreciable Life in Years	Utility Plant December 31, 2009	2008
Electric			
Production	25-75	$ 33,837	$ 32,110
Transmission	28-70	209,381	199,463
Distribution	7-80	664,641	630,021
Other	37	948	871
Total		$ 908,807	$ 862,465
Natural Gas			
Production	25-60	$ 5,464	$ 5,414
Transmission	18-70	45,016	43,796
Distribution	25-70	230,217	214,172
Other	N/A	442	492
Total		$ 281,139	$ 263,874
Common			
Land and Structures	50	$ 55,579	$ 54,084
Office and Other Equipment, Radios and Tools	8-35	35,566	36,074
Transportation Equipment	10-12	41,450	40,390
Other	5	7,159	5,184
Total		$ 139,754	$ 135,732

Allowance For Funds Used During Construction

Central Hudson's regulated utility plant includes AFUDC, which is defined as the net cost of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. The concurrent credit for the amount so capitalized is reported in the Consolidated Statement of Income as follows: the portion applicable to borrowed funds is reported as a reduction of interest charges while the portion applicable to other funds (the equity component, a noncash item) is reported as other income. The AFUDC rate was 1.00% in 2009, 3.00% in 2008, and 5.25% in 2007. The amounts recorded for years 2009, 2008, and 2007 are $0.2 million, $0.6 million, and $1.1 million, respectively.

Depreciation and Amortization

The regulated assets of Central Hudson include electric, natural gas, and common assets and are listed under the heading “Utility Plant” on Central Hudson’s and CH Energy Group’s Consolidated Balance Sheets. The accumulated depreciation associated with these regulated assets is also reported on the Consolidated Balance Sheets.

For financial statement purposes, Central Hudson’s depreciation provisions are computed on the straight-line method using rates based on studies of the estimated useful lives and estimated net salvage values of properties. The anticipated costs of removing assets upon retirement are generally provided for over the life of those assets as a component of depreciation expense. This depreciation method is consistent with industry practice and the applicable depreciation rates have been approved by the PSC.

Current accounting guidance related to asset retirement and environmental obligations (ASC 410), precludes the recognition of expected future retirement obligations as a component of depreciation expense or accumulated depreciation. Central Hudson, however, is required to use depreciation methods and rates approved by the PSC under regulatory accounting. In accordance with current accounting guidance for Regulated Operations (ASC 980), Central Hudson continues to accrue for the future cost of removal for its rate-regulated natural gas and electric utility assets. In accordance with ASC 410, Central Hudson has classified $47.0 million and $47.6 million of net cost of removal as a regulatory liability as of December 31, 2009 and 2008, respectively.

Central Hudson performs depreciation studies periodically and, upon approval by the PSC, adjusts the depreciation rates of its various classes of depreciable property. Central Hudson’s composite rates for depreciation were 2.75% in 2009, 2.74% in 2008, and 2.78% in 2007 of the original average cost of depreciable property. The ratio of the amount of accumulated depreciation to the original cost of depreciable property at December 31 was 28.4% in 2009, 29.4% in 2008, and 30.4% in 2007.

For financial statement purposes, Griffith’s, Lyonsdale’s, CH-Auburn’s and CH-Greentree’s depreciation provisions are computed on the straight-line method using depreciation rates based on the estimated useful lives of the depreciable property and equipment. Expenditures for major renewals and betterments, which extend the useful lives of property and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. Retirements, sales, and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in earnings.

Amortization of intangibles (other than goodwill) is computed on the straight-line method over the assets’ expected useful lives. See Note 6 - “Goodwill and Other Intangible Assets” for further discussion.

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 for the delivery and customer use of energy. Central Hudson's R&D expenditures were $3.9 million in 2009 and 2008, and $3.5 million in 2007. These expenditures were for internal research programs and for contributions to research administered by New York State Energy Research and Development Authority ("NYSERDA"), the Electric Power Research Institute, and other industry organizations. R&D expenditures are provided for in Central Hudson's rates charged to customers for electric and natural gas delivery service. In addition, the PSC has authorized that differences between R&D expense and the rate allowances covering these costs be deferred for future recovery from or return to customers.

Income Tax

CH Energy Group and its subsidiaries file consolidated federal and state income tax returns. Income taxes are deferred under the asset and liability method in accordance with current accounting guidance for income taxes (ASC 740). Under the asset and liability method, deferred income taxes are provided for all differences between the financial statement and the tax basis of assets and liabilities. Additional deferred income taxes and offsetting regulatory assets or liabilities are recorded by Central Hudson to recognize that income taxes will be recovered or refunded through future revenues. For federal and state income tax purposes, CH Energy Group and its subsidiaries use an accelerated method of depreciation and generally use the shortest life permitted for each class of assets. Deferred investment tax credits are amortized over the estimated life of the properties giving rise to the credits. For state income tax purposes, Central Hudson uses book depreciation for property placed in service in 1999 or earlier in accordance with transition property rules under Article 9-A of the New York State Tax Law. CHEC, Griffith and Lyonsdale file state income tax returns in those states in which they conduct business. For more information, see Note 4 - "Income Tax."

Equity-Based Compensation

CH Energy Group has an equity-based employee compensation plan that is described in Note 11 - "Equity-Based Compensation."

Earnings Per Share

The following table presents CH Energy Group's basic and diluted earnings per share included on the Consolidated Statement of Income (In Thousands except Earnings Per Share):

	Year Ended December 31, 2009			2008			2007		
	Avg. Shares	Net Income	Earnings Per Share	Avg. Shares	Net Income	Earnings Per Share	Avg. Shares	Net Income	Earnings Per Share
Earnings attributable to Common Stock - continuing operations		$ 33,633			$ 31,536			$ 41,155	
Earnings attributable to Common Stock - discontinued operations		$ 9,851			$ 3,545			$ 1,481	
Average number of common shares outstanding - basic - continuing operations	15,775		$ 2.13	15,768		$ 2.00	15,762		$ 2.61
Average number of common shares outstanding - basic - discontinued operations	15,775		$ 0.63	15,768		$ 0.22	15,762		$ 0.09
Average dilutive effect of:									
Stock options (1) (2)	-	1	-	-	(1)	-	1	(31)	-
Performance shares (2)	65	-	-	25	-	-	16	-	-
Restricted shares (2)	41	-	-	12	-	-	-	-	-
Average number of common shares outstanding - diluted	15,881	$ 43,485	$ 2.74	15,805	$ 35,080	$ 2.22	15,779	$ 42,605	$ 2.70

(1) For 2009, 2008 and 2007, certain stock options have been excluded from the computation of diluted earnings per share because the exercise prices were greater than the average market price of the Common Stock shares for each of the years presented. The number of Common Stock shares represented by the options excluded from the above calculation were 17,420 shares for 2009, 39,980 shares for 2008 and 18,420 shares for 2007.

(2) See Note 11 - "Equity-Based Compensation" for additional information regarding stock options, performance shares and restricted shares.

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Related Party Transactions

Thompson Hine LLP serves as outside counsel to CH Energy Group and Central Hudson. Prior to becoming Executive Vice President and General Counsel of CH Energy Group, John E. Gould was a partner in the law firm Thompson Hine LLP, while serving as Secretary of each corporation. In addition, one partner in that firm served as Assistant Secretary of each corporation during the year. CH Energy Group and Central Hudson paid combined legal fees to Thompson Hine LLP of $3.3 million in 2009, $3.6 million in 2008, and $3.4 million in 2007.

Parental Guarantees

CH Energy Group and CHEC have issued guarantees in conjunction with certain commodity, derivative and construction contracts that provide financial or performance assurance to third parties on behalf of a subsidiary. The guarantees are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the relevant subsidiary's intended commercial purposes.

The guarantees described above have been issued to counterparties to assure the payment, when due, of certain obligations incurred by CH Energy Group subsidiaries in physical and financial transactions related to heating oil, propane, other petroleum products, weather and commodity hedges and to secure payment under certain equipment supply and construction agreements. At December 31, 2009, the aggregate amount of subsidiary obligations covered by these guarantees was $35.3 million. Where liabilities exist under the commodity-related contracts subject to these guarantees, these liabilities are included in CH Energy Group's Consolidated Balance Sheet.

Other Guarantees

Central Hudson had a reimbursement obligation with respect to a $6.8 million standby letter of credit issued by a financial institution to support a real estate transaction that closed in June 2009. No premium was received or is receivable by Central Hudson in connection with this letter of credit. This uncollateralized letter of credit was issued February 29, 2008 and expired upon the closing of the real estate transaction.

Product Warranties

Griffith offers a multi-year warranty on heating system installations and has recorded liabilities for the estimated costs of fulfilling its obligations under these warranties. CH Energy Group's approximate aggregate potential liability for product warranties at December 31, 2009 and 2008 was not material. CH Energy Group's liabilities for these product warranties were determined by accruing the present value of future estimated warranty expense based on the number and type of contracts outstanding and historical costs for these contracts.

Consolidation of Variable Interest Entities

Current accounting guidance relating to consolidation of Variable Interest Entities ("VIE") (ASC 810) provides rules related to the identification of a variable interest and a VIE to determine when the assets, liabilities, and results of operations should be consolidated in a company's financial statements. A VIE is an entity that is not controllable through voting interests and where the equity investment at risk is not sufficient to permit the VIE to finance its activities without additional subordinated financial support provided by any party, including the equity holders. A company that holds a variable interest in an entity is required to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the VIE's expected residual returns.

CH Energy Group and its subsidiaries do not have any interests in special purpose entities and do not have material affiliations with any variable interest entities that require consolidation.

Common Stock Dividends

CH Energy Group's ability to pay dividends may be affected by the ability of its subsidiaries to pay dividends. The Federal Power Act limits the payment of dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation as of December 31, 2009, Central Hudson would be able to pay a maximum of $29.0 million in dividends to CH Energy Group without violating the restrictions by the PSC. Central Hudson's dividend would be reduced to 75% of its average annual income in the event of a downgrade of its senior debt rating below "BBB+" by more than one rating agency if the stated reason for the downgrade is related to CH Energy Group or any of Central Hudson's affiliates. Further restrictions are imposed for any downgrades below this level. 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"). [3] CH Energy Group's other subsidiaries do not have express restrictions on their ability to pay dividends.

On December 17, 2009, the Board of Directors of CH Energy Group declared a quarterly dividend of $0.54 per share, payable February 1, 2010, to shareholders of record as of January 11, 2010.

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[3] 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.

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NOTE 2 - REGULATORY MATTERS

In response to the May 1996 Order, the PSC issued in its generic Competitive Opportunities Proceeding, Central Hudson, PSC Staff, and certain other parties entered into a settlement agreement (the "Settlement Agreement"). The PSC approved the Settlement Agreement by its final Order effective June 30, 1998, for which a final amendment was approved as of March 7, 2000.

The Settlement Agreement, which expired on June 30, 2001, included the following major provisions which survive its expiration date: (i) certain limitations on ownership of electric generation facilities by Central Hudson and its affiliates in Central Hudson's franchise territory; (ii) standards of conduct in transactions between Central Hudson, CH Energy Group, and any other subsidiaries of CH Energy Group (such as CHEC and Griffith); (iii) prohibitions against Central Hudson making loans to CH Energy Group or any other subsidiary of CH Energy Group and against Central Hudson guaranteeing debt of CH Energy Group or any other subsidiary of CH Energy Group; (iv) limitations on the transfer of Central Hudson employees to CH Energy Group or other CH Energy Group subsidiaries; (v) certain dividend payment restrictions on Central Hudson; and (vi) treatment of savings up to the amount of an acquisition's or merger's premium or costs flowing from a merger with another utility company.

Regulatory Accounting Policies

Central Hudson follows GAAP, which includes accounting guidance for regulated operations. In accordance with this guidance, regulated companies such as Central Hudson apply AFUDC to the cost of construction projects and defer costs and credits on the balance sheet as regulatory assets and liabilities (see the caption "Summary of Regulatory Assets and Liabilities" of this Note) when it is probable that those costs and credits will be recoverable through the rate-making process in a period different from when they otherwise would have been reflected in income. For Central Hudson, these deferred regulatory assets and liabilities, and the related deferred taxes, are then either eliminated by offset as directed by the PSC or reflected in the Consolidated Statement of Income in the period in which the same amounts are reflected in rates. In addition, current accounting practices reflect the regulatory accounting authorized in the most recent settlement agreement or rate order, whichever the case may be.

Summary of Regulatory Assets and Liabilities

The following table sets forth Central Hudson's regulatory assets and liabilities (In Thousands):

	December 31, 2009		December 31, 2008
Regulatory Assets (Debits):			
Current:			
Deferred purchased electric and natural gas costs	$ 27,610		$ 41,931
Deferred unrealized losses on derivatives	13,161		15,759
PSC tax surcharge	11,186		-
Revenue decoupling mechanism ("RDM")	5,121		-
Residual natural gas deferred balances	2,825		2,812
Other	90		-
	59,993		60,502
Long-term:			
Deferred pension costs	168,705	(1)	197,934
Carrying charges - pension reserve	1,297	(1)	10,642
Deferred costs - MGP site remediation	20,530	(1)	30,397
Deferred OPEB costs	-	(1)	4,257
Deferred debt expense on re-acquired debt	4,874		5,442
Residual natural gas deferred balances	17,583		22,825
Income taxes recoverable through future rates	28,658		26,874
Uncollectible Deferral	3,360		-
Storm costs	-	(1)	3,085
Other	7,389	(1)	10,478
	252,396		311,934
Total Regulatory Assets	$ 312,389		$ 372,436
Regulatory Liabilities (Credits):			
Current:			
Excess electric depreciation reserve	$ 19,296		$ -
Income taxes refundable through future rates	5,456		4,275
Deferred unbilled gas revenues	5,222		4,449
	29,974		8,724
Long-term:			
Customer benefit fund	3,792		4,266
Deferred cost of removal	46,955		47,630
Excess electric depreciation reserve	12,965		32,313
Income taxes refundable through future rates	18,611		19,756
Deferred OPEB costs	1,521	(1)	-
Carrying charges - OPEB reserve	1,469	(1)	5,633
Other	7,665	(1)	16,846
	92,978		126,444
Total Regulatory Liabilities	$ 122,952		$ 135,168
Net Regulatory Assets	$ 189,437		$ 237,268

(1) Effective July 1, 2009, Central Hudson offset all or a portion of certain regulatory assets and liabilities, including full offset of the June 30, 2009 balances for Carrying charges - OPEB reserve, Carrying charges - pension reserve and Storm costs in accordance with the 2009 Rate Order.

The significant regulatory assets and liabilities include:

PSC tax surcharge: In 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 has been collected from customers through December 31, 2009. 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.

Deferred Pension Costs : Deferred pension costs recoverable from customers include the following: (A) As discussed further in Note 10 - "Post-Employment Benefits," the amount of deferred pension cost undercollected as of December 31, 2009, and December 31, 2008, includes $164.6 million and $192.1 million, respectively, related to the current accounting guidance related to pensions (ASC 715-30) for recording the funded status. (B) The remaining $4.1 million and $5.8 million at December 31, 2009 and 2008, respectively, are the cumulative undercollected pension costs in excess of amounts provided in rates.

Carrying Charges - Pension Reserve : Under the policy of the PSC regarding pension costs, carrying charges are accrued on cash differences between rate allowances and cash contributions to Central Hudson's defined benefit pension plan. For further discussion regarding this plan, see Note 10 - "Post-Employment Benefits."

Income Taxes Recoverable : Regulatory asset balance established to offset deferred tax liabilities determined in accordance with current accounting guidance related to income tax (ASC 740) and for which it is probable that they will be recoverable from customers.

Storm Costs : The 2009 Rate Order authorized the recovery of restoration costs incurred by the Company related to an ice storm in December 2008 through an offset against certain electric regulatory liability balances.

Income Taxes Refundable : Regulatory liability balances established to offset deferred tax assets determined in accordance with current accounting guidance related to income taxes (ASC 740). As it is probable that the related balances will be refundable to customers, Central Hudson established a net regulatory liability for these balances.

Customer Benefit Fund : The 2006 Order prescribes the use of the residual balance to fund economic development and competitive metering initiative programs.

Carrying Charges - OPEB Reserve : Under the policy of the PSC regarding OPEB costs, carrying charges are accrued on cash differences between rate allowances and cash contributions to Central Hudson's OPEB plan. For further discussion regarding this plan, see Note 10 - "Post-Employment Benefits."

RDM : The 2009 Rate Order authorized a revenue decoupling mechanism as part of the rate increase which allows Central Hudson to recognize revenues at the level approved in rates for most of Central Hudson's electric customer classes and recognized sales at the approved level per customer in rates for most of Central Hudson's gas customer classes.

Excess Electric Depreciation Reserve ("EDR") : Per the 2009 Rate Order, \$8.8 million of additional excess electric depreciation reserve was transferred in July 2009. The transfer represented a portion of the electric depreciation reserve that was in excess of the theoretical book reserve based on depreciation rates approved by the PSC in 2009. The 2009 Rate Order prescribed the use of the EDR to offset certain electric regulatory assets and liabilities balances accumulated as of June 30, 2009 which resulted in an additional increase in this net regulatory liability balance of \$1.1 million. As defined within the 2009 Rate Order, the new balance after the above adjustments is to be used for authorized rate moderation. The current portion of the EDR as of December 31, 2009 represents the amount estimated to be used for rate moderation in the next twelve months related to the Electric Bill Credit, Incremental Finance Charges and amounts estimated to be spent over the electric portion of MGP rate allowance as defined in the 2009 Rate Order.

Residual Natural Gas Deferred Balances : Per the 2006 Rate Order, certain gas regulatory assets and liabilities were identified for offset, resulting in a net regulatory asset balance. As a result of the 2009 Rate Order, in July 2009 a \$2.8 million gas depreciation reserve adjustment identified by the PSC was transferred to accumulated depreciation as a reduction to this balance. Other adjustments increased the Residual Natural Gas Deferred Balance by \$0.1 million. The remaining balance is to be amortized over a five-year period beginning July 1, 2009.

Uncollectible Deferral: 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 over the amounts provided for in rates during that time period and over the gas deferral amount previously approved.

In terms of the expected timing for recovery, regulatory asset balances at December 31, 2009, reflect the following (In Thousands):

Balances with offsetting accrued liability balances recoverable when future costs are actually incurred:	
Deferred pension related to underfunded status	$ 164,644
Income taxes recoverable through future rates	28,658
Deferred costs - MGP sites	20,230
Other	4,529
	218,061
Balances earning a return via inclusion in rates and/or the application of carrying charges:	
Residual natural gas deferred balances	17,476
Deferred pension costs undercollected (1)	4,061
PSC tax surcharge	10,947
Uncollectible deferral (2)	3,327
Other (1)	8,130
	43,941
Subject to current recovery:	
Deferred purchased electric and natural gas costs	40,770
Residual natural gas deferred balances	2,825
RDMs	5,031
	48,626
Accumulated carrying charges: (1)	
Pension reserve	1,297
Other	464
	1,761
Total Regulatory Assets	$ 312,389

(1) Subject to recovery in Central Hudson's future rate proceedings.
(2) PSC approval has been obtained for $0.5 million related to gas uncollectible expenses incurred for the calendar year ended December 31, 2008. $2.8 million of this balance relates to the twelve months ended June 30, 2009 for electric uncollectible expenses and six months ended June 30, 2009 for gas uncollectible expenses and is subject to recovery in Central Hudson's filed petition.

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2001 Rate Order

Central Hudson continued to operate, through June 30, 2006, under the terms of a Rate Plan approved by the PSC on October 25, 2001, and further modified by the PSC on June 14, 2004 ("2001 Rate Order").

Two initiatives survived the expiration of the 2001 Rate Order: 1) Economic Development and 2) Competitive Metering Initiative. These programs are funded by the Customer Benefit Fund, established to benefit customers as a result of proceeds retained from Central Hudson's sale of generating assets in 2001.

2006 Rate Order

From July 1, 2006 through June 30, 2009, Central Hudson operated under the terms of the 2006 Rate Order, which provided for the following:

- Electric delivery revenues increase of $53.7 million over the three-year term with annual rate increases of approximately $17.9 million on July 1, 2006, July 1, 2007, and July 1, 2008.
- Natural gas delivery revenues increase by $14.1 million with rate increases of $8 million on July 1, 2006 and $6.1 million on July 1, 2007.
- Delivery rates based on a ROE of 9.6% with an earnings sharing threshold of 10.6%, above which Central Hudson is to share 50% with its customers. Earnings above 11.6% are shared 65% with customers and earnings above 14.0% are allocated entirely to customers.
- Limits on Central Hudson's ability to defer certain costs if earnings exceed an 11.0% ROE. However, these deferral limitations could not cause earnings to be reduced below 11.0%.
- Rates based on a capital structure that includes 45% common equity. However, the actual proportion of common equity, up to a limit of 47%, was used to determine the ROE for the purpose of earnings sharing.
- Continued full recovery of all purchased natural gas and electricity costs through existing monthly supply cost recovery mechanisms.
- Established targets for electric, natural gas, and common plant expenditures, and increased allowances for the recovery of operating costs, including transmission and distribution Right-of-Way ("ROW") maintenance expenses. The capital expenditure targets were subject to true-up provisions, requiring deferral of 150% of the revenue requirement of any shortfalls in spending over the 2006 Rate Order's three-year term, if such shortfall existed at June 30, 2009.
- Transmission and distribution ROW maintenance expenses were also subject to true-up provisions over the 2006 Rate Order's three-year term, requiring the deferral of shortfalls in actual expenditures, if such shortfall existed at June 30, 2009.

- Increased rate allowances and continued deferral accounting authorization for the recovery of expenses for pensions, OPEB, stray voltage testing, MGP site remediation, and certain other expense items.
- Additional funding to assist low-income customers in paying their energy bills as well as continued funding of programs to encourage customers to explore new opportunities available through the competitive retail supply markets.
- Penalty-only performance mechanisms with established targets for specified levels of performance related to customer service quality, natural gas safety, and electric reliability measures.
- No penalties were recorded in 2009, 2008 and 2007.

2009 Rate Order

From July 1, 2009 through June 30, 2010, Central Hudson operates under the terms of the 2009 Rate Order, which provides for the following:

- Electric delivery increase of $39.6 million moderated by a $20.0 million customer bill credit from the excess depreciation reserve.
- Natural gas delivery increase of $13.8 million.
- Delivery rates based on a ROE of 10.0%.
- Common equity layer of 47% of permanent capital.
- RDM for both electric and gas delivery service.
- 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 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 New York State Temporary Assessment.
- Continuation, with minor modifications, of the Company's Electric Reliability, Gas Safety and Customer Service performance mechanisms.
- 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.

Financing Petition

On September 22, 2009, the PSC issued an Order authorizing issuance of securities, in response to a financing petition Central Hudson filed on March 26, 2009. The Order authorized Central Hudson to issue and sell up to $250 million of long-term debt through December 31, 2012, and to enter into revolving credit agreements in an amount not to exceed $175 million in the aggregate and for periods not to exceed five years.

Other Regulatory Matters

Non-Utility Land Sales - Central Hudson

Central Hudson did not sell any parcels of non-utility property during 2009 or 2008. Central Hudson sold a total of four parcels of non-utility real property for $0.5 million in excess of book value and transaction costs, during the year ended December 31, 2007. This excess is recorded as a reduction to Other Expenses of Operation on the Consolidated Statement of Income.

NOTE 3 - NEW ACCOUNTING GUIDANCE

New accounting guidance is summarized below, and explanations of the underlying information for all guidance (except that which is not currently applicable to CH Energy Group and its subsidiaries) follow the chart.

Category	Accounting Reference	Title	Issued Date	Effective Date
Under Assessment [(1)]				
Variable Interest Entities	SFAS No. 167	Amendments to ASC 810-10-25-38	Jun-09	Jan-10
Implemented [(2)]				
Postretirement Benefit Plan Assets	ASC 715-20-65-2	Employers' Disclosures about Postretirement Benefit Plan Assets	Dec-08	Dec-09
Fair Value Measurement	ASU No. 2009-05	Amendments to ASC 820-10 - Fair Value Measurements and Disclosures-Overall, for the fair value measurement of liabilities	Aug-09	Dec-09
GAAP Hierarchy	SFAS No. 168	The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of SFAS No. 162	Jun-09	Sep-09
Subsequent Events	ASC 855	Subsequent Events	May-09	Jun-09
Business Combinations	ASC 805	Business Combinations	Apr-09	Jan-09
Business Combinations	ASC 805	Business Combinations	Dec-07	Jan-09
Fair Value Measurement	ASC 820	Fair Value Measurements and Disclosures	Apr-09	Jun-09
Liabilities Measured at Fair Value	ASC 820	Fair Value Measurement and Disclosures (encompassing Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement)	Sep-08	Jan-09
Other-Than-Temporary-Investments	ASC 320	Investments - Debt and Equity Securities	Apr-09	Jun-09
Financial Instruments	ASC 825	Financial Instruments	Apr-09	Jun-09
Equity Method Investments	ASC 323-10	Investments - Equity Method	Nov-08	Jan-09
Credit Derivatives	ASC 815-10-65-2	Disclosures About Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161	Sep-08	Jan-09
Derivative Instruments	ASC 815	Derivatives and Hedging	Mar-08	Jan-09
Share-Based Payments	ASC 260-10-55	Participating Share-Based Payment Awards	Jun-08	Jan-09
Noncontrolling Interests	ASC 810-10-65-1	Transition Related to FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51	Dec-07	Jan-09
Intangible Assets	ASC 350-30	General Intangibles Other than Goodwill	Nov-07	Jan-09
Not Currently Applicable [(3)]				
Financial Assets	SFAS No. 166	Accounting for Transfers of Financial Assets - an amendment of FAS 140	Jun-09	Jan-10

Impact Key:
1 - No significant impact on the financial condition, results of operations and cash flows of CH Energy Group and its subsidiaries expected.
2 - Following the chart, the impacts are separately disclosed as of standard effective dates.
3 - No current impact on the financial condition, results of operations and cash flows of CH Energy Group and its subsidiaries.

Standards Under Assessment

SFAS No. 167 amends ASC 810-10-25-38, *Consolidation Based on Variable Interests* . This Statement requires an enterprise involved with variable interest entities to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in the variable interest entity . This Statement is effective for annual reporting periods beginning after November 15, 2009. SFAS No. 167 has not been superseded by the FASB Accounting Standards Codification. It is not expected that this Statement will have a significant impact on CH Energy Group or Central Hudson.

Standards Implemented

ASC 715-20-65-2 provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other post-retirement plan. The ASC defines the objectives of the disclosures as providing users of the financial statements with an understanding of how investment allocation decisions are made, pertinent factors of investment policies and strategies, major categories of plan assets, inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in the plan assets for the period, and significant concentrations of credit risk within plan assets. In accomplishing these objectives, expanded disclosures related to pension and other post-retirement benefit plans are made beginning for fiscal periods ending after December 15, 2009. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this standard.

ASU No. 2009-05, an update to ASC 820-10, *Fair Value Measurements and Disclosures-Overall, for the fair value measurements of liabilities* , establishes a hierarchy of valuation techniques preferred and defines that the restrictions on the transfer of liabilities do not need to be considered in assessing the fair value of liabilities. This update is effective for fiscal periods ending after December 15, 2009. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this standard.

SFAS No. 168 (which was not superseded by FASB Accounting Standards Codification) identifies the FASB Accounting Standards Codification as the source of authoritative US Generally Accepted Accounting Principles ("GAAP") recognized by FASB for nongovernmental entities. SFAS No. 168 supersedes SFAS No. 162 by defining the Codification as the only authoritative GAAP. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this standard.

ASC 855 provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. CH Energy Group implemented this standard for interim reporting periods ending June 30, 2009. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this standard.

ASC 805 includes amendments to and clarifies application issues regarding the accounting and disclosure provisions for contingencies in FASB Statement No. 141 (R), *Business Combinations.* This ASC includes amendments to Statement 141(R) by replacing the guidance on the initial recognition and measurements of assets and liabilities arising from contingencies acquired or assumed in business combinations. CH Energy Group implemented ASC 805 upon its issuance. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this standard.

ASC 805 requires that acquisition-related costs be expensed in the period incurred and can no longer be capitalized and included as a cost of the acquired business. The objective of ASC 805 is to improve the relevance, representational faithfulness, and comparability of the information that an entity provides in its financial reports about a business combination and its effects. This standard applies to all transactions or events in which an entity obtains control of one or more businesses, and to combinations achieved without the transfer of consideration. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this standard.

ASC 820 provides factors that should be considered in determining whether there has been a significant decrease in the volume and level of activity for an asset or liability and guidance on additional analysis that may be necessary, as a result in estimating fair value in accordance with this standard. This ASC also includes guidance on identifying circumstances that indicate whether a transaction is considered orderly. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this ASC. Management cannot predict what impact, if any, this ASC will have on future valuations.

ASC 820 also clarifies that the issuer of a liability with a third-party credit enhancement that is inseparable from the liability shall not include the effect of the credit enhancement in the fair value measurement of the liability, but the issuer should discuss the existence of this third-party credit enhancement. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this ASC.

ASC 320 amends the other-than-temporary impairment guidance relating to debt securities classified as available-for-sale or held-to-maturity. The objective of this ASC is to improve the presentation and disclosure of other-than-temporary impairments in the financial statements. CH Energy Group implemented this ASC for the interim reporting period ended June 30, 2009. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this ASC.

ASC 825, *Financial Instruments* , requires disclosures about the fair value of financial instruments for interim reporting periods, in addition to the annual disclosures previously required. This ASC also requires those disclosures in summarized financial information at interim reporting periods. CH Energy Group implemented this ASC for the interim reporting period ended June 30, 2009, and the additional required interim disclosures have been incorporated in Note 15 - “Fair Value Measurements”. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this ASC.

ASC 323-10 provides guidance related to certain accounting considerations for equity method investments. Specifically, this guidance clarifies the accounting guidance on issues related to the determination of the initial carrying value of an equity method investment, the performance of impairment assessments of underlying indefinite-lived intangible assets of an equity method investment, the accounting for the issuance of shares by an equity method investment, and the accounting for a change in an investment from the equity method to the cost method. CH Energy Group implemented ASC 323-10 on January 1, 2009. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this ASC.

ASC 815-10-65-2 requires more detailed disclosures about credit derivatives, including the potential adverse effects of changes in credit risk on the financial position, financial performance, and cash flows of the sellers of the instruments. ASC 815, *Derivatives and Hedging* , requires increased disclosures by sellers of credit derivatives, including credit derivatives embedded in hybrid instruments. The ASC also requires an additional disclosure about the current status of the payment or performance risk of a guarantee. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this ASC.

ASC 815 requires entities to provide qualitative disclosures about the objectives and strategies for using derivatives and quantitative data about the fair value of gains and losses on derivative contracts. ASC 815 also requires more information about the location and amounts of derivative instruments in financial statements, how derivatives are accounted for under the ASC, and how hedges affect the entity's financial position, financial performance and cash flows. For more information, see Note 14 - “Accounting for Derivative Instruments and Hedging Activities”. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this standard.

ASC 260-10-55 clarifies that instruments granted in share-based payment transactions are considered participating securities prior to vesting if they contain non-forfeitable rights to dividends or dividend equivalents and therefore need to be included in the computation of EPS under the two-class method as described in the guidance. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this ASC.

ASC 810-10-65-1 establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The objective of ASC 810-10-65-1 is to improve the relevance, comparability and transparency of the financial information that an entity provides in its consolidated financial statements. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this standard.

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ASC 350-30 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of recognized intangible assets. The guidance is intended to improve consistency between the recognized useful asset life, and the period of expected cash flows used to measure the fair value of the asset. There was no significant impact on CH Energy Group or Central Hudson upon adoption of this ASC.

NOTE 4 - INCOME TAX

CH Energy Group and its subsidiaries file a consolidated Federal and New York State income tax return. CHEC, Griffith, and Lyonsdale also file state income tax returns in those states in which they conduct business.

As a result of CHEC's ownership in Cornhusker Energy Lexington Holdings, LLC ("Cornhusker Holdings") and Lyonsdale, a $1.4 and $1.6 million benefit for federal production tax credits, for 2009 and 2008, respectively, is included in CH Energy Group's federal income tax expense. CHEC investments in Cornhusker Holdings and Lyonsdale are discussed further in Note 5 - "Acquisitions, Divestitures and Investments."

Due to no uncertain tax positions, no interest or penalties have been recorded in the financial statements in accordance with current accounting guidance for income taxes (ASC 740). If CH Energy Group and its subsidiaries incur any interest or penalties on underpayment of income taxes, the amounts would be included in the line "Other" under current liabilities on the Consolidated Balance Sheet and in the line "Other - net" on the Consolidated Statement of Income. CH Energy Group and its subsidiaries file a consolidated Federal and New York State income tax return, which represents the major tax jurisdictions of CH Energy Group. The statute of limitations for federal tax years 2006 through 2008 are still open for audit and the tax years 2007 and 2008 are currently under audit. The New York State income tax return is currently open for audit for tax years 2005 through 2008.

See Note 2 - "Regulatory Matters" under the caption "Summary of Regulatory Assets and Liabilities" for additional information regarding CH Energy Group's and its subsidiaries' income taxes.

Components of Income Tax

The following is a summary of the components of state and federal income taxes for CH Energy Group as reported in its Consolidated Statement of Income (In Thousands):

	Year Ended December 31, 2009	2008	2007
Federal income tax	$ 7,747	$ 6,611	$ 14,630
State income tax	4,120	1,285	1,919
Deferred federal income tax	14,951	12,403	4,636
Deferred state income tax	563	1,530	713
Total income tax	$ 27,381	$ 21,829	$ 21,898

Reconciliation

The following is a reconciliation between the amount of federal income tax computed on income before taxes at the statutory rate and the amount reported in CH Energy Group's Consolidated Statement of Income (In Thousands):

	Year Ended December 31, 2009	2008	2007
Net income attributable to CH Energy Group	$ 43,484	$ 35,081	$ 42,636
Preferred Stock dividends of Central Hudson	970	970	970
Non-controlling interest in subsidiary	(176)	103	(121)
Federal income tax	7,747	6,611	14,630
State income tax	4,120	1,285	1,919
Deferred federal income tax	14,951	12,403	4,636
Deferred state income tax	563	1,530	713
Income before taxes	$ 71,659	$ 57,983	$ 65,383
Computed federal tax at 35% statutory rate	$ 25,081	$ 20,294	$ 22,884
State income tax net of federal tax benefit	3,559	2,137	1,812
Depreciation flow-through	2,906	2,738	2,437
Cost of Removal	(1,524)	(1,432)	(1,185)
Production tax credits	(1,402)	(1,606)	(1,366)
Other	(1,239)	(302)	(2,684)
Total income tax	$ 27,381	$ 21,829	$ 21,898
Effective tax rate - federal	31.7%	32.8%	29.5%
Effective tax rate - state	6.5%	4.8%	4.0%
Effective tax rate - combined	38.2%	37.6%	33.5%

In 2009, the effective state income tax rate increase was due to Griffith's sale of operations in certain geographic locations. This state tax increase resulted in a federal tax benefit contributing to the decrease of the effective federal tax income rate. Additional favorable federal tax impacts included the Medicare Act of 2003, property tax, and tax-exempt interest. Unfavorable federal impacts included depreciation and reserves.

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The following is a summary of the components of deferred taxes as reported in CH Energy Group's Consolidated Balance Sheet (In Thousands):

	December 31, 2009	December 31, 2008
Accumulated Deferred Income Tax Asset:		
Excess depreciation reserve	$ 12,780	$ 12,801
Unbilled revenues	10,711	16,778
Plant-related	10,742	10,393
OPEB expense	23,165	21,721
Other	40,842	48,162
Accumulated Deferred Income Tax Asset:	98,240	109,855
Accumulated Deferred Income Tax Liability:		
Depreciation	165,491	147,982
Repair Allowance	11,292	11,856
Pension expense	5,691	12,641
Residual deferred gas balance	8,041	10,083
Other	65,508	73,898
Accumulated Deferred Income Tax Liability	256,023	256,460
Net Deferred Income Tax Liability	157,783	146,605
Net Current Deferred Income Tax Asset	300	7,498
Net Long-term Deferred Income Tax Liability	$ 158,083	$ 154,103

The following is a summary of the components of state and federal income taxes for Central Hudson as reported in its Consolidated Statement of Income (In Thousands):

	Year Ended December 31, 2009	2008	2007
Federal income tax	$ (3)	$ 6,186	$ 13,944
State income tax	1,135	1,712	3,277
Deferred federal income tax	18,538	10,496	2,814
Deferred state income tax	1,472	879	291
Total income tax	$ 21,142	$ 19,273	$ 20,326

Reconciliation

The following is a reconciliation between the amount of federal income tax computed on income before taxes at the statutory rate and the amount reported in Central Hudson's Consolidated Statement of Income (In Thousands):

	Year Ended December 31, 2009	2008	2007
Net income	$ 32,776	$ 27,238	$ 33,436
Federal income tax	(3)	6,186	13,944
State income tax	1,135	1,712	3,277
Deferred federal income tax	18,538	10,496	2,814
Deferred state income tax	1,472	879	291
Income before taxes	$ 53,918	$ 46,511	$ 53,762
Computed federal tax at 35% statutory rate	$ 18,871	$ 16,279	$ 18,817
State income tax net of federal tax benefit	2,210	1,992	2,421
Depreciation flow-through	2,906	2,738	2,437
Cost of Removal	(1,524)	(1,432)	(1,185)
Other	(1,321)	(304)	(2,164)
Total income tax	$ 21,142	$ 19,273	$ 20,326
Effective tax rate - federal	34.4%	35.8%	31.2%
Effective tax rate - state	4.8%	5.6%	6.6%
Effective tax rate - combined	39.2%	41.4%	37.8%

In 2009, the effective federal income tax rate decrease was due primarily to the net effect of favorable tax impacts of the Medicare Act of 2003, property tax, tax exempt interest, and unfavorable tax impacts of depreciation and reserves.

The following is a summary of the components of deferred taxes as reported in Central Hudson's Consolidated Balance Sheet (In Thousands):

	December 31, 2009	December 31, 2008
Accumulated Deferred Income Tax Asset:		
Unbilled revenues	$ 10,711	$ 16,778
Plant-related	10,742	10,393
OPEB expense	23,165	21,721
Excess depreciation reserve	12,780	12,801
Other	38,660	45,350
Accumulated Deferred Income Tax Asset:	96,058	107,043
Accumulated Deferred Income Tax Liability:		
Depreciation	164,904	145,721
Repair Allowance	11,293	11,856
Pension expense	5,691	12,641
Residual deferred gas balance	8,041	10,083
Other	55,107	60,131
Accumulated Deferred Income Tax Liability	245,036	240,432
Net Deferred Income Tax Liability	148,978	133,389
Net Current Deferred Income Tax Liability (Asset)	(1,883)	4,685
Net Long-term Deferred Income Tax Liability	$ 147,095	$ 138,074

NOTE 5 - ACQUISITIONS, DIVESTITURES AND INVESTMENTS

Acquisitions

During the years ended December 31, 2009, 2008 and 2007, Griffith acquired fuel distribution companies as follows (In Millions):

Year Ended	# of Acquired Companies	Purchase Price	Total Intangible Assets (1)	Goodwill	Total Tangible Assets
December 31, 2009	-	$ -	$ -	$ -	$ -
December 31, 2008	4	$ 9.3	$ 8.5	$ 4.0	$ 0.8
December 31, 2007	13	$ 25.6	$ 22.1	$ 10.6	$ 3.5
Total	17	$ 34.9	$ 30.6	$ 14.6	$ 4.3

(1) Including goodwill.

Six of the above noted acquisition transactions had agreements containing clauses (known as "earn out provisions") for a possible additional payment provided certain conditions are met. These provisions increase the purchase price if certain sales volumes are attained. In 2009 there were no earn outs paid, while 2008 and 2007 payments were not material. As of December 31, 2009, there are no remaining earn out provisions.

In 2008, Griffith acquired four fuel distribution and service companies consisting of one located in Connecticut and Delaware and two located in Pennsylvania for a total of $9.3 million.

Of the seventeen acquisitions noted above, only three were retained after the divestiture in December 2009 discussed below.

Divestitures

On December 11, 2009, Griffith closed on the sale of operations in certain geographic locations, which included approximately 45,000 customers. This divestiture followed an approximate year-long strategic review and is expected to reduce the volatility of both earnings and cash flow of the fuel delivery business segment. At closing, Griffith received approximately $74.4 million, which resulted in a pre-tax gain of $10.8 million. The assets sold include intangible assets of $39.2 million, accounts receivable of $11.5 million, net fixed assets of $8.4 million, inventory of $2.6 million, and other current assets of $0.5 million in addition to another $3.6 million in notes receivable sold. The liabilities totaled $16.3 million. In accordance with current accounting guidance related to property, plant, equipment (ASC 350), Griffith ceased depreciation and amortization of its assets held for sale on November 4, 2009. This resulted in a reduction of depreciation and amortization in 2009 of approximately $0.6 million. In accordance with current accounting guidance related to goodwill (ASC 350), when a portion of a reporting unit that constitutes a business is disposed of, goodwill associated with that business shall be included in the carrying amount of the business in determining the gain or loss on disposal. As a result of a required goodwill allocation that was performed upon the sale of the Griffith holdings, $10 million of goodwill in addition to the goodwill recorded when the divested assets were purchased, was removed from the balance sheet and included in the calculation of the gain on the sale. For additional information regarding goodwill, see Note 6 - "Goodwill and Other Intangible Assets".

The results of operations for 2009 reflect activity only through the closing date of the sale of December 11, 2009. The table below summarizes financial results of the discontinued operations (In Thousands):

	Year Ended December 31,		
	2009	2008	2007
Revenues from discontinued operations	$ 122,675	$ 193,650	$ 117,990
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

Investments

On April 12, 2006, CHEC purchased a 75% interest in Lyonsdale from Catalyst Renewables Corporation ("Catalyst") for $10.8 million, including a working capital adjustment of $1.0 million. Catalyst remains the owner of a minority share of Lyonsdale. Lyonsdale owns and operates a 19-megawatt, wood-fired, biomass electric generating plant, which began operation in 1992. The plant is located in Lyonsdale, New York. The energy and capacity of the plant is being sold at a fixed price to an investment grade rated counterparty pursuant to a contract beginning May 1, 2006 and ending December 31, 2014. Beginning January 1, 2010, Lyonsdale is no longer eligible to receive production tax credits as previously received under the Internal Revenue Code's five year tax credit period. Lyonsdale was eligible and received $1.2 million and $1.3 million of production tax credits in 2009 and 2008. The operating results of Lyonsdale have been consolidated in the Consolidated Financial Statements of CH Energy Group.

CHEC holds a 12% interest in preferred equity units plus subordinated notes issued by Cornhusker Holdings. Cornhusker Holdings is the owner of Cornhusker Energy Lexington, LLC ("CEL"), a corn-ethanol production facility located in Nebraska that began operation as of the end of January 2006. This investment is accounted for under the equity method. As of December 31, 2009, CHEC's total investment in Cornhusker consisted of subordinated notes totaling $10.2 million, including interest, and an equity investment of $2.4 million. In response to the continuation of lower than expected margins, Management stopped accruing interest income on the subordinated debt and will record such interest on a cash basis until the current outstanding balance of interest has been paid. The recoverability of the Company's total investment in Cornhusker Holdings is predicated on CEL achieving sufficient positive cash flow to repay the notes receivable. If CEL does not achieve sufficient positive cash flow, the investment and notes receivable may become impaired. CEL has a requirement as part of its senior note agreement for completing 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, 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.

On March 10, 2006, CHEC made a $4.9 million investment in CH-Community Wind Energy, LLC, a joint venture between CHEC and Community Energy, Inc. that owns an 18% interest in two wind farm projects in the Mid-Atlantic region. The 24-megawatt Bear Creek wind project is located near Wilkes-Barre, Pennsylvania and the 7.5-megawatt New Jersey Atlantic project is built at a wastewater treatment plant in Atlantic City, New Jersey. Both are commercially operational. CHEC's ownership represents a minority interest in each project. This investment is accounted for under the equity method.

In the fourth quarter of 2007, CHEC's subsidiary, CH-Auburn entered into a 15-year Energy Services Agreement ("ESA") to supply the City of Auburn, NY (the "City") with a portion of its electricity needs by constructing and operating a 3-megawatt electric generating plant in the City that will burn gas derived from a landfill to generate renewable power. Under the ESA as renegotiated on March 31, 2009, the project will utilize methane gas generated by the City landfill to produce and sell electricity to the City. The project began operation in January 2010. CH-Auburn has incurred approximately $5.5 million of design and construction costs related to this investment.

In June 2007, CHEC made a $1.2 million loan to Buckeye for development of a corn-ethanol plant. Since receipt of the loan from CHEC, the developers entered into a lease for a site, and a Letter of Intent to provide engineering, procurement and construction for the plant. In June 2008, the developers paid CHEC all interest owed on the loan for the initial term and extended the term of the loan for one additional year. Low margins for corn-to-ethanol plants and credit market conditions made the arrangement of construction financing difficult. In the first quarter of 2009, CHEC's Management notified the developers that the loan was past due and recorded a reserve. Due to Management's assessment of the developer's ability to pay the outstanding balance, the full balance of the loan was written-off in the fourth quarter of 2009.

In April 2009, CHEC's subsidiary, CH-Greentree, entered into an agreement to invest $5.5 million in the acquisition, construction and installation of a molecular gate for lease to Greentree Landfill Gas Company, LLC ("Greentree") at Greentree's currently operating landfill gas processing plant at the Greentree landfill in western Pennsylvania. The molecular gate is used to remove nitrogen from the landfill gas produced by the Greentree facility thereby increasing its energy content and quality, thus allowing Greentree to sell more of its landfill gas output. The term of the lease is seven years. Lease payments total approximately $1.2 million per year through the end of the lease term. Construction was substantially complete on June 30, 2009 and final testing was completed during December 2009.

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. This project carries a 20-year power purchase agreement contract at pre-determined 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. As of December 31, 2009, CH Shirley has invested approximately $13.3 million.

NOTE 6 - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, customer relationships, trademarks and covenants not to compete associated with acquisitions are included in intangible assets. 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. The balances reflected on CH Energy Group's Consolidated Balance Sheet at December 31, 2009 and 2008, for "Goodwill" and "Other intangible assets - net" relate to Griffith. In accordance with current accounting guidance related to goodwill and other intangible assets (ASC 350), goodwill and other intangible assets that have indefinite useful lives no longer are amortized, but instead are periodically reviewed for impairment. Griffith tests the goodwill remaining on the balance sheet for impairment annually in the fourth quarter, and retests goodwill between annual tests and tests intangible assets if an event should occur or circumstances arise that would more likely than not reduce the fair value below its carrying amount for all periods presented. No impairment existed during the annual test for any of the periods presented. At the time of the 2009 annual impairment test, fair value of Griffith exceeded its carrying value by approximately $49.6 million. Impairment testing compares the fair value of Griffith to its carrying amount. Fair value of the reporting unit is estimated using a discounted cash flow measurement. For tax purposes, goodwill is amortized ratably over a 15-year period, beginning in the month of acquisition.

In accordance with current accounting guidance related to good-will (ASC 350), Griffith allocated its goodwill based on the fair values of the divested region and the portion of the business retained. As a result of the divestiture discussed in Note 5 - "Acquisitions, Divestitures and Investments", Griffith reduced its goodwill by approximately $10 million in addition to the goodwill recorded when the divested assets were purchased.

Intangible assets include separate, identifiable, intangible assets such as customer relationships, trademarks, and covenants not to compete. Intangible assets with finite lives are 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 year 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 of its trademarks as part of the sale of select operations discussed further below.

On December 11, 2009, CH Energy Group announced the sale of operations of Griffith in certain geographic locations. In connection with this sale, Griffith transferred certain amortizable intangible assets associated with this region. The following chart reflects adjustments recorded to the cost and accumulated amortization balances of the intangible assets sold (In Thousands):

	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 21,420	$ 6,850	$ 14,570
Trademarks	2,956	624	2,332
Covenants not to compete	1,505	1,097	408
Total	$ 25,881	$ 8,571	$ 17,310

The components of amortizable intangible assets of CH Energy Group are summarized as follows (In Thousands):

	December 31, 2009		December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	$ 33,745	$ 18,957	$ 55,171	$ 22,248
Trademarks	-	-	2,956	372
Covenants not to compete	100	75	1,605	983
Total Amortizable Intangibles	$ 33,845	$ 19,032	$ 59,732	$ 23,603

The chart below provides a rollforward of goodwill balances of CH Energy Group (In Thousands):

	December 31, 2009	December 31, 2008
Balance at Beginning of Period	$ 67,455	$ 63,433
Acquisitions	-	4,022
Divestitures	(31,804) [1]	-
Balance at End of Period	$ 35,651	$ 67,455

(1) Includes $10 million in goodwill in addition to the goodwill recorded when the divested assets were purchased.

NOTE 7 - SHORT-TERM BORROWING ARRANGEMENTS

CH Energy Group maintains a $150 million revolving credit facility with several commercial banks to provide committed liquidity. This facility expires in February 2013. As of December 31, 2009 and December 31, 2008, there were no borrowings under this facility. The notes payable balances reported in the CH Energy Group Consolidated Balance Sheet reflect the borrowings of CH Energy Group's subsidiaries as of December 31, 2009 and December 31, 2008, as discussed below.

Central Hudson maintains a revolving credit facility with several commercial banks, pursuant to PSC authorization, in the amount of $125 million, for a five-year term ending January 2, 2012. As of December 31, 2009 and December 31, 2008, there were no borrowings under this agreement.

Both the CH Energy Group and Central Hudson credit facilities reflect commitments from JPMorgan Chase Bank, N.A., Bank of America, N.A., HSBC Bank USA, N.A. and KeyBank National Association. If any of these lenders are unable to fulfill their commitments under these facilities, funding may not be available as needed.

Central Hudson also maintains certain uncommitted lines of credit that diversify its sources of cash and provide competitive options to minimize its cost of short-term debt. As of December 31, 2009, Central Hudson had no borrowings under these lines of credit. As of December 31, 2008, Central Hudson's outstanding balance on these lines of credit, in aggregate, was $25.5 million.

On September 22, 2009, the PSC issued an order authorizing Central Hudson to increase its multi-year committed credit to $175 million through December 31, 2012. The higher level of committed credit could provide Central Hudson with greater liquidity to support construction forecasts, seasonality of the business, volatile energy markets, adverse borrowing environments, and other unforeseen events.

On January 18, 2008, Griffith established an uncommitted line of credit of up to $25 million with a commercial bank for the purpose of funding seasonal working capital and for general corporate purposes. As of December 31, 2008, there were borrowings under this agreement of $10.0 million. On April 30, 2009, Griffith Management elected to allow this uncommitted line of credit to expire. The obligations of Griffith under the line of credit were guaranteed by CH Energy Group and CHEC. Griffith's short-term financing needs are currently provided by CH Energy Group through intercompany debt agreements.

Debt Covenants

CH Energy Group's $150 million credit facility and Central Hudson's $125 million credit facility both require compliance with certain restrictive covenants, including maintaining a ratio of total consolidated debt to total consolidated capitalization of no more than 0.65 to 1.00. Currently, both CH Energy Group and Central Hudson are in compliance with all of their respective debt covenants.

NOTE 8 - CAPITALIZATION - COMMON AND PREFERRED STOCK

For a schedule of activity related to common stock, paid-in capital, and capital stock, see the Consolidated Statements of Equity for CH Energy Group and Central Hudson.

Cumulative Preferred Stock

Central Hudson, $100 par value; 210,300 shares authorized, not subject to mandatory redemption:

Series	Redemption Price 12/31/09	Shares Outstanding December 31, 2009	2008
4.50%	$ 107.00	70,285	70,285
4.75%	106.75	19,980	19,980
4.35%	102.00	60,000	60,000
4.96%	101.00	60,000	60,000
		210,265	210,265

There were no repurchases in 2007, 2008 or 2009.

In the event of a liquidation of Central Hudson, the holders of the Cumulative Preferred Stock are entitled to receive the redemption price (in the case of a voluntary liquidation) or the par value (in the case of an involuntary liquidation) plus, in either case, accrued dividends.

Capital Stock Expense

Expenses incurred on issuance of capital stock are accumulated and reported as a reduction in common equity.

Repurchase Program

On July 25, 2002, the Board of Directors of CH Energy Group authorized a Common Stock Repurchase Program (“Repurchase Program”) to repurchase up to 4 million shares, or approximately 25% of its outstanding Common Stock, over the five-year period ending July 31, 2007. Effective July 31, 2007, the Board of Directors of CH Energy Group extended and amended the Repurchase Program. As amended, the Repurchase Program authorizes the repurchase of up to 2,000,000 shares (excluding shares purchased before July 31, 2007) or approximately 13% of the Company's outstanding common stock, from time to time, over the five-year period ending July 31, 2012. No shares were repurchased under the Repurchase Program during the years ended December 31, 2009, 2008, and 2007. CH Energy Group reserves the right to modify, suspend, renew, or terminate the Repurchase Program at any time without notice.

NOTE 9 - CAPITALIZATION - LONG-TERM DEBT

Details of CH Energy Group's and Central Hudson's long-term debt are as follows (In Thousands):

Series	Maturity Date	December 31, 2009	December 31, 2008
CH Energy Group:			
Promissory Notes:			
2009 Series A (6.58%)	Apr. 17, 2014	$ 26,500	$ -
2009 Series B (6.80%)	Dec. 15, 2025	23,500	-
CH Energy Group Net Long-term debt		$ 50,000	$ -
Central Hudson:			
Promissory Notes:			
1999 Series C (6.00%)	Jan. 15, 2009	$ -	$ 20,000
2003 Series D (4.33%) (4)	Sep. 23, 2010	24,000	24,000
2002 Series D (6.64%) (4)	Mar. 28, 2012	36,000	36,000
2008 Series F (6.854%) (2)	Nov. 01, 2013	30,000	30,000
2004 Series D (4.73%) (4)	Feb. 27, 2014	7,000	7,000
2004 Series E (4.80%) (5)	Nov. 05, 2014	7,000	7,000
2007 Series F (6.028%) (2)	Sep. 01, 2017	33,000	33,000
2004 Series E (5.05%) (5)	Nov. 04, 2019	27,000	27,000
1999 Series A (5.45%) (1)	Aug. 01, 2027	33,400	33,400
1999 Series C (1)(3)	Aug. 01, 2028	41,150	41,150
1999 Series D (1)(3)	Aug. 01, 2028	41,000	41,000
1998 Series A (6.50%) (1)	Dec. 01, 2028	16,700	16,700
2006 Series E (5.76%) (5)	Nov. 17, 2031	27,000	27,000
1999 Series B (1)(3)	July 01, 2034	33,700	33,700
2005 Series E (5.84%) (5)	Dec. 05, 2035	24,000	24,000
2007 Series F (5.804%) (2)	Mar. 23, 2037	33,000	33,000
2009 Series F (5.80%) (2)	Oct. 1, 2039	24,000	-
		437,950	433,950
Unamortized Discount on Debt		(53)	(56)
Total Long-term debt		$ 437,897	$ 433,894
Less: Current Portion		(24,000)	(20,000)
Central Hudson Net Long-term debt		$ 413,897	$ 413,894

(1) Promissory Notes issued in connection with the sale by NYSERDA of tax-exempt pollution control revenue bonds.
(2) Issued under Central Hudson's medium-term note program, described below.
(3) Variable (auction) rate notes.
(4) Issued pursuant to a 2001 PSC Order approving the issuance by Central Hudson prior to June 30, 2004, of up to $100 million of unsecured medium-term notes.
(5) Issued pursuant to a 2004 PSC Order approving the issuance by Central Hudson prior to December 31, 2006, of up to $85 million of unsecured medium-term notes.

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 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. On November 20, 2009, Central Hudson registered a new series of notes, Series G, 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.

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"). [4] 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.

[4] 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.

Griffith had no third-party long-term debt outstanding as of December 31, 2009 or 2008.

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 completed the sale of $35 million in principal amount of the notes on April 17, 2009, and $15 million in principal amount on June 15, 2009. CH Energy Group used a portion of the proceeds from the sale of the notes to repay short-term debt and retains the remainder for general corporate purposes. On December 15, 2009, following the divestiture of select operations of Griffith, CH Energy Group entered into a supplemental note purchase agreement for the issuance of $23.5 million of new senior notes and redeemed $23.5 million of the notes placed during the second quarter of 2009. The newly issued notes bear interest at the 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 the proceeds from the sale of the supplemental notes to fund a portion of its investment in Shirley Wind.

Long-Term Debt Maturities

See Note 15 - "Fair Value Measurements" for a schedule of long-term debt maturing or to be redeemed during the next five years and thereafter.

NYSERDA

Central Hudson has five debt series that were issued 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. [5]

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 term rate of 3.0%.

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%.

[5] 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.

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 in 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 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 as 175% of the yield on an index of tax-exempt short-term debt, or its approximate equivalent. In 2009, the average maximum rate applicable on the bonds was 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. Central Hudson replaced the cap that expired on March 31, 2009 with a one-year cap, effective April 1, 2009 set at 4.375%. 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 did not exceed the cap rate and therefore no payments were received.

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.

Debt Expense

Expenses incurred in connection with CH Energy Group's or Central Hudson's debt issuance and any discount or premium on debt are deferred and amortized over the lives of the related issues. Expenses incurred on debt redemptions prior to maturity have been deferred and are usually amortized over the shorter of the remaining lives of the related extinguished issues or the new issues, as directed by the PSC.

Debt Covenants

CH Energy Group's $50 million of privately placed notes require compliance with certain restrictive covenants including maintaining a ratio of total consolidated debt to total consolidated capitalization of no more than 0.65 to 1.00 and not permitting certain debt, other than the privately placed notes, associated with the unregulated operations of CH Energy Group to exceed 10% of total consolidated assets. Currently, CH Energy Group is in compliance with all of these debt covenants.

NOTE 10 - POST-EMPLOYMENT BENEFITS

Pension Benefits

Central Hudson has a non-contributory Retirement Income Plan ("Retirement Plan") covering substantially all of its employees hired 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 all employees hired on or after May 1, 2008. The Retirement Plan's assets are held in a trust fund ("Trust Fund"). Central Hudson has provided periodic updates to the benefit formulas stated in the Retirement Plan.

In accordance with the measurement date provisions of current accounting guidance related to pensions (ASC 715-20), Central Hudson changed its measurement date for its pension plan (the "Retirement Plan") from September 30 to December 31 for its financial statements for the year ended December 31, 2008. Central Hudson elected the "15-month-transition approach" and recorded an adjustment in the first quarter of 2008 to recognize the effects of the change in measurement date. This adjustment represented 3/15ths of the net periodic pension cost determined for the period from October 1, 2007 to December 31, 2008; the remaining 12/15ths of the net periodic pension cost was recorded over the twelve months ended December 31, 2008. The recording of this adjustment increased Central Hudson's pension liability by $0.4 million, comprised of the following components (In Thousands):

Adjustment for 3/15ths of net periodic pension costs	$	2,788
Adjustment for amortization of prior service costs and actuarial losses (1)		(2,426)
Net increase to pension liability	$	362

(1) Liability recognized previously on Consolidated Balance Sheet upon initial implementation of ASC 715-20.

Decisions to fund Central Hudson's Retirement Plan are based on several factors, including corporate resources, projected investment returns, actual investment returns, inflation, the value of plan assets relative to plan liabilities, regulatory considerations, interest rate assumptions and legislative requirements. As a result of volatile conditions in the economy and financial markets over the past two years, Central Hudson's Retirement Plan assets have significantly decreased relative to the plan liabilities. Although the financial markets have seen a positive trend over the past 12 months, the liability has been increased by the lower discount rate used in the current year to determine benefit obligations and the accruing of additional benefits. Central Hudson considers the provisions of the Pension Protection Act of 2006 in determining its funding for the Retirement Plan for the near-term and future periods. Contributions to the Retirement Plan during the years ended December 31, 2009 and 2008 were $22.6 million and $12.5 million, respectively.

As noted above, the value of the plan assets have increased in 2009, however, plan liabilities increased as a result of a decline in the plan discount rate. The net impact was a reduction in the unfunded liability. Contributions for 2010 are expected to be approximately $30-$55 million. On January 22, 2010, Central Hudson contributed $30 million to its retirement plan. The actual contributions could vary significantly based upon corporate resources, projected investment returns, actual investment returns, inflation, the value of plan assets relative to plan liabilities, interest rate assumptions, regulatory considerations and legislative requirements.

In accordance with current accounting guidance related to pensions (ASC 715-20), Central Hudson's pension liability balance (i.e., the funded status) at December 31, 2009 and December 31, 2008 was $153.0 million, $162.2 million, respectively. These balances include recognition for the difference between the projected benefit obligation ("PBO") for pensions and the market value of the pension assets, as well as consideration for non-qualified executive plans. As a result of volatile conditions in the economy and financial markets over the past two years, Central Hudson's Retirement Plan assets have significantly decreased relative to the plan liabilities.

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

	December 31, 2009	December 31, 2008
Prefunded (accrued) pension costs prior to funding status adjustment	$ 11,661	$ 29,884
Additional liability required	(164,644)	(192,084)
Total accrued pension liability	$ (152,983)	$ (162,200)
Total offset to additional liability - Regulatory assets - Retirement Plan	$ 164,644	$ 192,084

Pursuant to current accounting guidance related to pensions (ASC 715-20), gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic pension cost would typically be recognized as a component of other comprehensive income, net of tax. However, Central Hudson records regulatory assets rather than adjusting comprehensive income to offset the additional liability. The recording of a regulatory asset is consistent with the PSC's 1993 Statement of Policy regarding pensions and OPEB ("1993 PSC Policy"). Under the 1993 PSC Policy, differences between pension expense and rate allowances covering these costs are deferred for future recovery from or return to customers with carrying charges accrued on cash differences.

The valuation of the PBO was determined as of the measurement date of December 31, 2009, using a 5.7% discount rate (as determined using the Citigroup Pension Discount Curve reflecting projected pension cash flows). The discount rate on the prior measurement date of December 31, 2008 was 6.2%. Declines in the market value of the Trust Fund's investment portfolio, which occurred from 2000 through 2002, and are amortized over a 10 year period as per PSC policy, and a reduction in the discount rate during that period used to determine the benefit obligation for pensions have resulted in a significant increase in pension costs since 2001.

Similarly, declines in the market value of the Trust Fund's investment portfolio in 2008 resulted in increased future pension costs since losses (and gains) are amortized over a 10 year period. The 2009 Rate Order includes an increase in the rate allowance for pension and OPEB expense which more closely approximates the recent cost of providing these benefits. Authorization remains in effect for the deferral of any differences between rate allowances and actual costs under the 1993 PSC Policy to counteract the volatility of these costs. The 2009 Rate Order again authorized Central Hudson to offset significant deferred balances for pension and OPEB expense for the electric department with available deferred credit balances due to customers. The 2009 Rate Order also authorized the continuation of the amortization of natural gas department deferred pension and OPEB costs. The accumulated deferred balance of these costs at June 30, 2009 is being recovered via a five-year amortization that began July 1, 2009.

The 2006 Rate Order included an increase in the rate allowances for pension and OPEB expense that more closely approximated the recent cost of providing these benefits. However, due to the expected volatility of these costs, authorization remained in effect for the deferral of any differences between rate allowances and actual costs under the 1993 PSC Policy. The 2006 Rate Order also authorized Central Hudson to offset significant deferred balances for pension and OPEB expense for the electric department with available deferred credit balances due to customers. Deferred pension and OPEB balances accumulated through June 30, 2006, for the natural gas department are being recovered via a seven-year amortization that began on July 1, 2007.

Central Hudson accounts for pension activity in accordance with PSC-prescribed provisions, which among other things, require a ten-year amortization of actuarial gains and losses.

In addition to the Retirement Plan, CH Energy Group's and Central Hudson's executives are covered under a non-qualified Supplemental Executive Retirement Plan.

Estimates of Long-Term Rates of Return

The expected long-term rate of return on Retirement Plan assets is 7.75%, 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 the Retirement Plan's target asset allocation. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets in accordance with the Retirement Plan strategy.

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Retirement Plan Policy and Strategy

The Retirement Plan seeks to match the long-term nature of its funding obligations with investment objectives for long-term growth and income. Retirement Plan assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The Retirement Plan recognizes that assets are exposed to risk and the market value of assets may vary from year to year. Potential short-term volatility, mitigated through a well-diversified portfolio structure, is acceptable in accordance with the objective of capital appreciation over the long-term.

The asset allocation strategy employed in the Retirement Plan reflects Central Hudson's return objectives and risk tolerance. Asset allocation targets, expressed as a percentage of the market value of the Retirement Plan, are summarized in the table below:

Asset Class	Minimum	Target Average	Maximum
Equity Securities	55%	60%	65%
Debt Securities	30%	35%	40%
Alternative Investments	-%	5%	7%

Due to the dynamic nature of market value fluctuations, Retirement Plan assets will require rebalancing from time-to-time to maintain the target asset allocation. The Retirement Plan recognizes the importance of maintaining a long-term strategic allocation and does not intend any tactical asset allocation or market timing asset allocation shifts.

The Retirement Plan seeks to earn a return commensurate with the risk of its underlying assets. The benchmark index is currently comprised of 33% Russell 1000 Stock Index; 12% Russell 2500 Stock Index; 15% Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) International Stock Index (Net); 5% Russell Open-End Real Estate Mean; and 35% LB Aggregate Bond Index. The Retirement Plan seeks to exceed the average annual return of this benchmark over a three to five year rolling time period and a full market cycle. It is understood that there can be no guarantees about the attainment of the Retirement Plan's return objectives.

The Retirement Plan uses outside consultants and outside investment managers to aid in the determination of asset allocation and the management of actual plan assets, respectively.

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.

Investment Valuation

The Retirement Plan assets are valued under the current fair value framework. See Note 15 - "Fair Value Measurements" for further discussion regarding the definition and levels of fair value hierarchy established by guidance (ASC 820).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Below is a listing of the major categories of plan assets held as of December 31, 2009, as well as the associated level within the fair value hierarchy in which the fair value measurements in their entirety fall (based on the lowest level input that is significant to the fair value measurement in its entirety) (Dollars in Thousands):

Investment Type	Market Value at 12/31/09	% of Total
Level 2		
Investment Funds - Equities	$ 199,442	63%
Investment Funds - Fixed Income	100,312	32%
Level 3		
Alternative Investment - Real Estate	14,498	5%
	$ 314,252	100%

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value and classified as Level 3 in the fair value hierarchy (In Thousands):

	Year Ended December 31, 2009
Balance at Beginning of Period	$ 24,129
Unrealized gains/(losses)	(8,555)
Realized losses	195
Purchases, issuances, sales and settlements	(204)
Transfers in and/or out of Level 3	(1,067)
Balance at End of Period	$ 14,498

The funds that have been determined to be Level 2 investments within the fair value hierarchy are priced using indirectly observable (market-based) information. The Level 2 funds do not have market data available; however, the underlying securities held by those funds do have published market data available.

The funds that have been determined to be Level 3 investments within the fair value hierarchy are priced using unobservable inputs. There are three valuation techniques that can be used, the market, income or cost approach. The appropriateness of each valuation technique depends on the type of asset or business being valued. Key inputs used to determine fair value include, among others, revenue and expense growth rates, terminal capitalization rates and discount rates.

Other Post-Retirement Benefits

Central Hudson provides certain health care and life insurance benefits for retired employees through its post-retirement benefit plans. Substantially all of Central Hudson's unionized employees and managerial, professional and supervisory employees ("non-union") hired prior to January 1, 2008, may become eligible for these benefits if they reach retirement age while employed by Central Hudson. Central Hudson amended its OPEB programs for existing non-union and certain retired employees effective January 1, 2008. Benefit plans for non-union active employees were similarly amended. Programs were also amended to eliminate post-retirement benefits for non-union employees hired on or after January 1, 2008. In order to reduce the total costs of these benefits, plan changes were negotiated with the IBEW Local 320 for unionized employees and certain retired employees effective May 1, 2008. Plans were also amended to eliminate post-retirement benefits for union employees hired on or after May 1, 2008. Benefits for retirees and active employees are provided through insurance companies whose premiums are based on the benefits paid during the year.

The significant assumptions used to account for these benefits are the discount rate, the expected long-term rate of return on plan assets and the health care cost trend rate. Central Hudson selects the discount rate using the Citigroup Pension Discount Curve reflecting projected cash flows. The estimates of long-term rates of return and the investment policy and strategy for these plan assets are similar to those used for pension benefits previously discussed in this Note. The estimates of health care cost trend rates are based on a review of actual recent trends and projected future trends.

Central Hudson fully recovers its net periodic post-retirement benefit costs in accordance with the 1993 PSC Policy. Under these guidelines, the difference between the amounts of post-retirement benefits recoverable in rates and the amounts of post-retirement benefits determined by an actuarial consultant in accordance with current accounting guidance related to other post employment benefits (ASC 715-60) is deferred as either a regulatory asset or a regulatory liability, as appropriate.

The effect of the Medicare Act of 2003 was reflected in 2009 and 2008, assuming that Central Hudson will continue to provide a prescription drug benefit to retirees that are at least actuarially equivalent to Medicare Act of 2003 and that Central Hudson will receive the federal subsidy.

In accordance with the current accounting guidance related to other post employment benefits (ASC 715-60), Central Hudson's liability (i.e. the funded status) for OPEB at December 31, 2009, was $46.2 million and at December 31, 2008, was $52.6 million, including recognition for the difference between the Accumulated Benefit Obligation ("ABO") and the market value of other post-retirement assets. The change to the liability for the difference between the ABO and the market value of other post-retirement assets at December 31, 2009 and 2008 was a decrease of $1.2 million and an increase of $10.4 million, respectively and was offset by recording a regulatory asset in accordance with the 1993 PSC Policy.

Central Hudson and Griffith each participate in a 401(k) retirement plan for their employees. Griffith also provides a discretionary profit-sharing benefit for their employees. The 401(k) plans provide for employee tax-deferred salary deductions for participating employees and their respective employer matches contributions made by participating employees. The matching benefit varies by employer and employee group. For Central Hudson, the cost of its matching contributions was $1.8 million for 2009, $1.7 million for 2008, and $1.6 million for 2007. For Griffith, the cost of its matching contributions was $884,000 for 2009, $869,000 for 2008, and $783,000 for 2007. Profit-sharing contributions made by Griffith were $594,000, $557,000, and $665,000, for 2009, 2008, and 2007, respectively.

Estimates of Long-Term Rates of Return

The expected long-term rate of return on OPEB assets is 8.0%, 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 the respective Plans' target asset allocation. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets as deemed appropriate in accordance with the Plan's strategy.

OPEB Policy and Strategy

The OPEB Plans adopted an investment objective of long-term capital appreciation for each VEBA. OPEB Plan assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The OPEB Plans seek to achieve a positive rate of return for each VEBA over the long-term that contributes to meeting each VEBA's current and future obligations.

The asset allocation strategy employed in the OPEB Plan reflects Central Hudson's return objectives and risk tolerance. The mix of assets shall be broadly diversified by asset class and investment styles within asset classes, based on the following asset allocation targets, expressed as a percentage of the market value of the OPEB Plan, summarized in the table below:

Asset Class	Minimum	Target Average	Maximum
Equity Securities	55%	65%	75%
Debt Securities	25%	35%	35%

Investment Valuation

The OPEB Plan assets are valued under the current fair value framework. See Note 15 - "Fair Value Measurements" for further discussion regarding the definition and levels of fair value hierarchy established by guidance (ASC 820).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Below is a listing of the major categories of plan assets held as of December 31, 2009, as well as the associated level within the fair value hierarchy in which the fair value measurements in their entirety fall (based on the lowest level input that is significant to the fair value measurement in its entirety).

401 (h) Plan Assets
(Dollars in Thousands)

Investment Type	Market Value at 12/31/09	% of Total
Level 2		
Investment Funds - Equities	$ 4,191	63%
Investment Funds - Fixed Income	2,108	32%
Level 3		
Alternative Investment - (Real Estate)	305	5%
	$ 6,604	100%

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value and classified as Level 3 in the fair value hierarchy (In Thousands):

	Year Ended December 31, 2009
Balance at Beginning of Period	$ 507
Unrealized gains/(losses)	(180)
Realized losses	4
Purchases, issuances, sales and settlements	(4)
Transfers in and/or out of Level 3	(22)
Balance at End of Period	$ 305

Management VEBA Plan Assets
(Dollars In Thousands)

Investment Type	Market Value at 12/31/09	% of Total
Level 1		
Investment Funds - Money Market Mutual Fund	$ 6	-%
Investment Funds - Fixed Income Mutual Funds	640	35%
Investment Funds - Equity Securities Mutual Funds	824	45%
Level 2		
Investment Funds - Equity Securities Commingled Fund	366	20%
	$ 1,836	100%

Union VEBA Plan Assets
(Dollars In Thousands)

Investment Type	Market Value at 12/31/09	% of Total
Level 1		
Investment Funds - Money Market Mutual Fund	$ 618	1%
Investment Funds - Fixed Income Mutual Funds	14,611	20%
Investment Funds - Equity Securities Mutual Funds	32,322	45%
Level 2		
Fixed Income Commingled Fund	10,443	14%
Investment Funds - Equity Securities Commingled Fund	14,419	20%
	$ 72,413	100%

The funds that have been determined to be Level 1 investments within the fair value hierarchy are valued on the basis of available market quotations in active markets.

The funds that have been determined to be Level 2 investments within the fair value hierarchy are priced using indirectly observable (market-based) information. The Level 2 funds do not have market data available; however, the underlying securities held by those funds do have published market data available.

The funds that have been determined to be Level 3 investments within the fair value hierarchy are priced using unobservable inputs. There are three valuation techniques that can be used, the market, income or cost approach. The appropriateness of each valuation technique depends on the type of asset or business being valued. Key inputs used to determine fair value include, among others, revenue and expense growth rates, terminal capitalization rates and discount rates.

Reconciliations of Central Hudson's pension and other post-retirement plans' benefit obligations, plan assets, and funded status, as well as the components of net periodic pension cost and the weighted average assumptions are reported on the following chart (Dollars In Thousands):

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Change in Benefit Obligation:				
Benefit obligation at beginning of year	$ 423,538	$ 408,886	$ 119,001	$ 148,215
Service cost	7,825	9,645 (1)	2,125	2,415
Interest cost	25,819	31,109 (1)	6,846	7,547
Participant contributions	-	- (1)	473	492
Plan amendments	-	1,371 (1)	-	(25,771)
Benefits paid	(24,655)	(30,157) (1)	(6,455)	(6,216)
Actuarial (gain) loss	34,708	2,684 (1)	5,104	(7,681)
Benefit Obligation at End of Plan Year	$ 467,235	$ 423,538	$ 127,094	$ 119,001
Change in Plan Assets:				
Fair Value of plan assets at beginning of year	$ 261,338	$ 397,157	$ 66,356	$ 92,655
Adjustment / other	-	- (1)	(106)	36
Actual return on plan assets	56,191	(116,020) (1)	17,192	(24,576)
Employer contributions	23,124	13,027 (1)	3,485	4,200
Participant contributions	-	- (1)	473	492
Benefits paid	(24,655)	(30,157) (1)	(6,455)	(6,216)
Administrative expenses	(1,746)	(2,669) (1)	(92)	(235)
Fair Value of Plan Assets at End of Plan Year	$ 314,252	$ 261,338	$ 80,853	$ 66,356
Reconciliation of Funded Status:				
Funded Status at end of year	$ (152,983)	$ (162,200)	$ (46,241)	$ (52,645)
Employer Contributions between measurement date and fiscal year-end	-	-	-	-
Amounts Recognized on Consolidated Balance Sheet:				
Current liabilities	(600)	(526)	-	-
Noncurrent liabilities	(152,383)	(161,674)	(46,241)	(52,645)
Net amount recognized on Consolidated Balance Sheet	(152,983)	(162,200)	(46,241)	(52,645)
Regulatory asset:				
-Net loss	152,079	177,342	42,487	57,439
-Prior service costs (credit)	12,565	14,742	(51,372)	(57,240)
-Transition obligation	-	-	7,685	10,250
Components of Net Periodic Benefit Cost:				
Service cost	$ 7,825	$ 9,645	$ 2,125	$ 2,415
Interest cost	25,819	31,109	6,846	7,547
Expected return on plan assets	(19,874)	(37,889)	(5,067)	(7,006)
Amortization of prior service cost (credit)	2,177	2,658	(5,868)	(5,100)
Amortization of transitional obligation	-	-	2,566	2,566
Amortization of net (gain) loss	25,400	14,318	8,292	5,723
Net Periodic Benefit Cost	$ 41,347	$ 19,841	$ 8,894	$ 6,145

(1) Due to measurement date change for pension benefits to December 31 from September 30, amount reflects 15 months of activity.

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Other Changes in Plan Assets and Benefit Obligation Recognized in Regulatory Assets:				
Net loss (gain)	$ 137	$ 159,262	$ (6,660)	$ 23,824
Amortization of net (loss) gain	(25,400)	(14,318)	(8,292)	(5,723)
Prior service cost (credit)	-	1,371	-	(25,771)
Amortization of prior service cost	(2,177)	(2,658)	5,868	5,100
Transitional obligation	-	-	-	-
Amortization of transitional obligation	-	-	(2,566)	(2,566)
Regulatory asset attributable to change from prior year	-	-	-	-
Total recognized in regulatory asset	(27,440)	143,657	(11,650)	(5,136)
Total recognized in net periodic benefit cost and regulatory asset	$ 13,907	$ 163,498	$ (2,756)	$ 1,009
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	5.70%	6.20%	5.70%	6.20%
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%
Measurement date	12/31/09	12/31/08	12/31/09	12/31/08
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:				
Discount rate	6.20%	6.20%	6.20%	6.40%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%	7.75%
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%
Assumed health care cost trend rates at December 31:				
Health care cost trend rate assumed for next year	N/A	N/A	8.57%	9.00%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.50%	5.00%
Year that the rate reaches the ultimate trend rate	N/A	N/A	2029	2018
Pension plans with accumulated benefit obligations in excess of plan assets:				
Projected benefit obligation	$ 467,234	$ 423,538	N/A	N/A
Accumulated benefit obligation	426,255	389,144	N/A	N/A
Fair Value of plan assets	314,252	261,338	N/A	N/A

The ABO for defined benefit pension plans was $426.3 million and $389.1 million at December 31, 2009 and 2008, respectively.

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from regulatory assets into net periodic benefit cost over the next fiscal year are $29.5 million and $2.2 million, respectively. The estimated net loss, prior service cost (credit) and transitional obligation for the other defined benefit post-retirement plans that will be amortized from regulatory assets into net periodic benefit cost over the next fiscal year is $10.4 million, $(5.9) million, and $2.6 million, respectively.

Central Hudson's pension and other post-retirement plans' weighted average asset allocations at December 31, 2009 and 2008, by asset category are as follows:

	Pension Plan		Other Plans	
	2009	2008	2009	2008
Equity Securities	62.8%	48.7%	64.5%	65.6%
Debt Securities	31.9%	41.3%	34.7%	34.1%
Alternate Investment	4.6%	9.2%	0.0%	0.0%
Other	0.7%	0.8%	0.8%	0.3%
Total	100.0%	100.0%	100.0%	100.0%

For the pension plan and other benefit plans, equity securities do not include CH Energy Group Common Stock at December 31, 2009, and 2008, respectively.

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)

Employer contributions for OPEB totaled $3.5 million and $4.2 million during the year ended December 31, 2009, and December 31, 2008, respectively. Contribution levels are determined by various factors including the discount rate, expected return on plan assets, medical claims assumptions used, mortality assumptions used, benefit changes, and corporate resources.

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Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid (In Thousands):

Year	Pension Benefits - Gross	Other Benefits - Gross	Other Benefits - Net (1)
2010	$ 28,064	$ 7,272	$ 6,722
2011	28,379	7,791	7,211
2012	29,056	8,181	7,563
2013	29,689	8,454	7,792
2014	30,024	8,887	8,191
2015 - 2019	160,096	47,329	43,274

(1) Estimated benefit payments reduced by estimated gross amount of Medicare Act of 2003 subsidy receipts expected.

NOTE 11 - EQUITY-BASED COMPENSATION

CH Energy Group's Long-Term Performance-Based Incentive Plan ("2000 Plan"), adopted in 2000 and amended in 2001 and 2003, reserves 500,000 shares of CH Energy Group's Common Stock for awards to be granted under the 2000 Plan. The 2000 Plan provides for the granting of stock options, stock appreciation rights, restricted stock awards, performance shares, and performance units. No participant may be granted total awards in excess of 150,000 shares over the life of the 2000 Plan. Stock options granted to officers of CH Energy Group and its subsidiaries are exercisable over a period of ten years, with 40% of the options vesting after two years and 20% of the options vesting each year thereafter for the following three years. Stock options granted to non-employee Directors are immediately exercisable.

The 2000 Plan was amended in the third quarter of 2003. The amendment allows executives to defer receipt of performance shares and performance units in accordance with the terms of CH Energy Group's Directors and Executives Deferred Compensation Plan. Also, an amendment to the previously effective Stock Plan for Outside Directors provided for shares of stock previously accrued for retired Directors to be paid in the form of cash and provides that active Directors could elect to transfer previously accrued shares payable to them to CH Energy Group's Directors and Executives Deferred Compensation Plan. In addition, the amendment freezes future participation and future accruals under the 2000 Plan.

In 2006, CH Energy Group adopted a Long-Term Equity Incentive Plan ("2006 Plan") to replace the 2000 Plan. The 2006 Plan was approved by CH Energy Group's shareholders on April 25, 2006. The 2000 Plan has been terminated, with no new awards to be granted under such plan. Outstanding awards granted under the 2000 Plan will continue in accordance with their terms and the provisions of the 2000 Plan.

The 2006 Plan reserves up to a maximum of 300,000 shares of CH Energy Group's Common Stock for awards to be granted under the 2006 Plan. Awards may consist of stock option rights, stock appreciation rights, performance shares, performance units, restricted shares, restricted stock units, and other awards that CH Energy Group's Compensation Committee of its Board of Directors ("Compensation Committee") may authorize. The Compensation Committee may also, from time-to-time and upon such terms and conditions as it may determine, authorize the granting to non-employee Directors of stock option rights, stock appreciation rights, restricted shares, and restricted stock units.

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In addition to the aggregate limit in the awards described above, the 2006 Plan imposes various sub-limits on the number of shares of CH Energy Group's Common Stock that may be issued or transferred under the 2006 Plan. The aggregate number of shares of Common Stock actually issued or transferred by CH Energy Group upon the exercise of incentive stock options shall not exceed 300,000 shares. No participant may be granted stock option rights and stock appreciation rights, in aggregate, for more than 15,000 shares of Common Stock during any calendar year. No participant in any calendar year may receive an award of performance shares or restricted shares that specify management objectives, in the aggregate, for more than 20,000 shares of Common Stock, or performance units having an aggregate maximum value as of their respective date of grant in excess of $1 million. The number of shares of Common Stock issued as stock appreciation rights, restricted shares, and restricted stock units (after taking forfeitures into account) may not exceed, in the aggregate, 100,000 shares of common stock.

As of December 31, 2009, CH Energy Group had stock options outstanding, which were issued under the 2000 Plan, as well as performance shares, restricted shares and restricted stock units outstanding, which were issued under the 2006 Plan.

Stock Options

The following table summarizes information concerning stock options granted through December 31, 2009:

Date of Grant	Exercise Price	Number of Options Granted	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
January 1, 2000	$ 31.94	30,300	-	-	-
January 1, 2001	$ 44.06	59,900	18,560	1.00	18,560
January 1, 2003	$ 48.62	36,900	17,420	3.00	17,420
		127,100	35,980	1.97	35,980

All options were fully vested as of December 31, 2007. The fair market values per option of CH Energy Group stock options granted in 2003, 2001, and 2000 are $6.51, $4.41, and $4.46, respectively. These fair market values were estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2003	2001	2000
Risk-free interest rate	4.40%	4.78%	6.36%
Expected life - in years	10	5	5
Expected stock volatility	17.50%	20.06%	15.59%
Dividend yield	4.4%	5.4%	5.4%

A summary of the status of stock options awarded to executives and non-employee Directors of CH Energy Group and its subsidiaries under the 2000 Plan is as follows:

	Stock Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
Outstanding at 12/31/08	40,300	$ 46.05	3.91
Granted	-	-	
Exercised	4,320	44.22	
Expired / Forfeited	-	-	
Outstanding at 12/31/09	35,980	$ 46.27	1.97
Total CH Energy Group Shares Outstanding		15,804,562	
Potential Dilution		0.2%	

Compensation expense related to stock options for the years ended December 31, 2009, 2008 and 2007 was not material. The balance accrued for outstanding options was $0.1 million as of December 31, 2009 and 2008. The intrinsic value of outstanding options was not material as of December 31, 2009 and 2008.

Performance Shares

A summary of the status of performance shares granted to executives under the 2006 Plan is as follows:

Grant Date	Grant Date Fair Value	Performance Shares Granted	Performance Shares Outstanding at December 31, 2009
January 25, 2007	$ 50.56	21,330	19,380
January 24, 2008	$ 35.76	33,440	31,900
January 26, 2009	$ 49.29	36,730	36,730

The ultimate number of shares earned under the awards is based on metrics established by the Compensation Committee at the beginning of the award cycle. Compensation expense is recorded as performance shares are earned over the relevant three-year life of the performance share grant prior to its award. The portion of the compensation expense related to an employee who retires during the performance period is the amount recognized up to the date of retirement.

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.

The total compensation expense recognized for performance shares was $1.1 million for the year ended December 31, 2009, $0.5 million for the year ended December 31, 2008, and $0.5 million for the year ended December 31, 2007.

The determination of compensation expense for performance shares in prior years was based on the use of the binomial method, which reflected the following assumptions:

	For the year ended December 31,	
	2008	2007
Stock price	$ 51.39	$ 44.54
Dividend yield	4.2%	4.8%
Performance period (in years)	3	3
Risk-free rates of return:		
One year	0.37%	3.34%
Two year	0.76%	3.05%
Three year	1.00%	3.07%

Other considerations in the determination of compensation expense for performance shares included the grant price for each individual grant, estimated forfeitures, and historical percentile performance rank.

Commencing in 2009, CH Energy Group ceased using a binomial model and recorded compensation expense for performance shares based on the fair value of the awards at the end of each reporting period. This fair value is determined based on the shares' current market value at the end of each reporting period, estimated forfeitures for each grant, expected payout based on historical performance in accordance with the defined metrics of each grant, and the time elapsed within each grant's performance period.