

**Restricted Shares and Restricted Stock Units**

The following table summarizes information concerning restricted shares and stock units granted through December 31, 2009:

Grant Date	Type of Award	Shares or Stock Units Granted	Grant Date Fair Value	Vesting Terms	Unvested Shares Outstanding at December 31, 2009
January 2, 2008	Shares	10,000	\$ 44.32	End of 3 years	8,900 <sup>(1)</sup>
January 2, 2008	Shares	2,100	\$ 44.32	Ratably over 3 years	1,400
January 26, 2009	Shares	2,930	\$ 49.29	End of 3 years	2,680 <sup>(2)</sup>
October 1, 2009	Shares	14,375	\$ 43.86	Ratably over 5 years	14,375
November 20, 2009	Stock Units	13,900	\$ 41.43	1/3 each year in Years 5, 6 and 7	13,900

- (1) 500 shares were forfeited upon resignation of the employee holding the shares and the vesting of 600 shares was accelerated upon a change in control for an individual resulting from the sale of certain assets of Griffith.
- (2) The vesting of 250 shares was accelerated upon a change in control for an individual resulting from the sale of certain assets of Griffith.

The above shares granted were issued from CH Energy Group's treasury. In accordance with current accounting guidance related to equity based compensation (ASC 718-40), unvested restricted shares do not impact the number of common shares outstanding used in the basic EPS calculation. Shares will not be issued with respect to restricted stock units until a specified future date defined within the individual agreement. The total unvested outstanding restricted shares and stock units noted above have been included in the diluted EPS calculation as of December 31, 2009 and 2008. The total compensation expense recognized for these restricted shares and stock units was \$0.2 million and \$0.1 million for the years ended December 31, 2009 and 2008, respectively. Total recognized tax benefits related to these restricted shares and stock units was not material for the years ended December 31, 2009 and 2008.

**Phantom Shares**

CH Energy Group provides equity compensation for its non-employee Directors. The equity component of annual compensation for each non-employee Director is fixed at a number of phantom shares of CH Energy Group Common Stock. These phantom shares are deferred until the Director's termination of service. Effective January 1, 2008, CH Energy Group adopted new director stock ownership guidelines, which require each Director to accumulate within 5 years, and to hold during his or her service on the Board, at least 6,000 shares of CH Energy Group's Common Stock (which may be in the form of phantom shares). This amendment to the plan provides that if a Director satisfies this required level of stock ownership, he or she will receive the cash value of equity compensation in lieu of additional phantom shares. This value will either be paid in cash or deferred under CH Energy Group's Directors and Executives Deferred Compensation Plan, at the election of the Director.

Through June 30, 2008, the annual equity compensation for each non-employee Director was the equivalent of \$55,000. Effective July 1, 2008, this compensation was increased to \$65,000 per year. Total equity compensation expense to non-employee Directors recognized by CH Energy Group was \$0.5 million for the year ended December 31, 2009 and \$0.4 million for the years ended December 31, 2008 and 2007.

For additional discussion regarding the dilutive effects of equity-based compensation, see Note 1 - "Summary of Significant Accounting Policies" under the caption "Earnings Per Share."

## **NOTE 12 - COMMITMENTS AND CONTINGENCIES**

### **Electricity Purchase Commitments**

Central Hudson is obligated to supply electricity to its retail electric customers. Under the Settlement Agreement, Central Hudson's retail customers may elect to procure electricity from third-party suppliers or may continue to rely on Central Hudson. As part of its efforts to supply customers who continue to rely on Central Hudson for their energy supply, Central Hudson entered into an agreement with Constellation to purchase capacity and energy, comprising approximately 8% of the output of Unit No. 2 of the Nine Mile Point Nuclear Generating Station ("Nine Mile 2 Plant") at negotiated prices during the ten-year period beginning on November 7, 2001 and ending November 30, 2011. The agreement is "unit-contingent" in that Constellation is only required to supply electricity if the Nine Mile 2 Plant is operating. Following the expiration of this purchase agreement, a revenue sharing agreement with Constellation will begin, which will provide Central Hudson with a hedge against electricity price increases and could provide additional future revenue for Central Hudson through 2021. In the Constellation agreements, electricity is purchased at defined prices that escalate over the life of the contract. The capacity and energy supplied under the agreement with Constellation in 2009 was sufficient to supply approximately 14% of Central Hudson's total system requirements and cost approximately \$27.9 million. For the years 2008 and 2007, the energy supplied under this agreement cost approximately \$25.2 million and \$25.0 million, respectively.

On March 6, 2007, Central Hudson entered into an agreement with Entergy Nuclear Power Marketing, LLC to purchase electricity (but not capacity) on a unit-contingent basis at defined prices from January 1, 2008 through December 31, 2010. On an annual basis, the electricity purchased through the Entergy contract represents approximately 23% of Central Hudson's full-service customer requirements and for the year ended December 31, 2009 energy supplied under this agreement cost approximately \$55.3 million. For the years ended December 31, 2008 and 2007, the energy supplied under this agreement cost approximately \$57.5 million and \$29.9 million, respectively.

Purchases under the Entergy and Nine Mile 2 Plant contracts are supplemented by shorter-term contracts, such as the Dynegy contract discussed below, contracts for differences, and by purchases from the NYISO, which oversees the bulk electricity transmission system, and the capacity market in New York State, and other parties. On January 30, 2008, Central Hudson entered into an 11-month agreement with Dynegy Power Marketing, Inc. to purchase 589,200 MWh of electricity on a unit-contingent basis at defined prices from February 1, 2008 to December 31, 2008. The electricity purchased through the Dynegy contract represented approximately 15% of Central Hudson's full-service customer requirements for the eleven-month period and cost approximately \$50.0 million.

In the event the above noted counterparties are unable to fulfill their commitments to deliver under the terms of the agreements, Central Hudson would obtain the supply from the NYISO market, and under Central Hudson's current ratemaking treatment, recover the full cost from customers. As such, there would be no impact on earnings.

Central Hudson must also acquire sufficient peak load capacity to meet the peak load requirements of its full service customers. This capacity is made up of its own generating capacity, contracts with capacity providers, and purchases from the NYISO capacity market.

### **Operating Leases**

CH Energy Group and its subsidiaries have entered into agreements with various companies which provide products and services to be used in their normal operations. These agreements include operating leases for the use of data processing and office equipment, vehicles, office space, and bulk petroleum storage locations. The provisions of these leases generally provide for renewal options and some contain escalation clauses.

Operating lease rental payment amounts charged to expense by CH Energy Group and its subsidiaries were \$2.8 million in 2009, \$3.4 million in 2008, and \$3.5 million in 2007. Included in these amounts are payments for contingent rentals, which are operating lease agreements that contain provisions for a change in lease payments subsequent to the inception of the lease. Contingent rental payments amounted to \$563,000 in 2008 and \$555,000 in 2007. CH Energy Group did not have any payments for contingent rentals in 2009.

Operating lease rental payment amounts charged to expense by Central Hudson were \$1.5 million in 2009, \$2.1 million in 2008, and \$2.4 million in 2007. Included in these amounts are payments for contingent rentals, which amounted to \$0.6 million in 2008, and \$0.6 million in 2007. Central Hudson did not have any payments for contingent rentals in 2009.

Future minimum lease payments excluding executory costs, such as property taxes and insurance, are included in the following table of Other Commitments. All leases are non-cancelable, and rent expense is recognized on a straight-line basis over the minimum lease term.

**Other Commitments**

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

Projected Payments Due By Period

	Less than 1 year	Year Ending 2011	Year Ending 2012	Year Ending 2013	Year Ending 2014	Total
Operating Leases	\$ 2,450	\$ 2,559	\$ 2,345	\$ 2,170	\$ 2,395	\$ 11,919
Construction/Maintenance & Other Projects <sup>(1)</sup>	79,307	22,768	7,081	4,815	2,848	116,819
Purchased Electric Contracts <sup>(2)</sup>	109,732	36,356	3,999	3,999	3,999	158,085
Purchased Natural Gas Contracts <sup>(2)</sup>	55,369	31,465	21,945	11,452	11,172	131,403
Purchased Fixed Liquid Petroleum Contracts <sup>(3)</sup>	3,959	-	-	-	-	3,959
<b>Total</b>	<b>\$ 250,817</b>	<b>\$ 93,148</b>	<b>\$ 35,370</b>	<b>\$ 22,436</b>	<b>\$ 20,414</b>	<b>\$ 422,185</b>

- (1) Including Specific, Term, and Service Contracts, briefly defined as follows: Specific Contracts consist of work orders for construction; Term Contracts consist of maintenance contracts; and Service Contracts include consulting, educational, and professional service contracts.
- (2) Purchased electric and purchased natural gas costs for Central Hudson are fully recovered via their respective regulatory cost adjustment mechanisms.
- (3) Estimated based on pricing on December 31, 2009.

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

Projected Payments Due By Period

	Less than 1 year	Year Ending 2011	Year Ending 2012	Year Ending 2013	Year Ending 2014	Total
Operating Leases	\$ 1,546	\$ 1,534	\$ 1,479	\$ 1,457	\$ 1,450	\$ 7,466
Construction/Maintenance & Other Projects <sup>(1)</sup>	52,022	22,730	7,043	4,777	2,810	89,382
Purchased Electric Contracts <sup>(2)</sup>	109,732	36,356	3,999	3,999	3,999	158,085
Purchased Natural Gas Contracts <sup>(2)</sup>	55,369	31,465	21,945	11,452	11,172	131,403
<b>Total</b>	<b>\$ 218,669</b>	<b>\$ 92,085</b>	<b>\$ 34,466</b>	<b>\$ 21,685</b>	<b>\$ 19,431</b>	<b>\$ 386,336</b>

- (1) Including Specific, Term, and Service Contracts, as defined in footnote (1) of the preceding chart.
- (2) Purchased electric and purchased natural gas costs for Central Hudson are fully recovered via their respective regulatory cost adjustment mechanisms.

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.

**Contingencies**City of Poughkeepsie

On January 1, 2001, a fire destroyed a multi-family residence on Taylor Avenue in the City of Poughkeepsie, New York resulting in several deaths and damage to nearby residences. Eight separate lawsuits arising out of this incident have been commenced against Central Hudson and other defendants. The basis for the claimed liability of Central Hudson in these actions is that it was allegedly negligent in the supply of natural gas. The suits seek an aggregate of \$528 million in compensatory damages. Central Hudson has notified its insurance carrier, denied liability, and defended the lawsuits. On December 10, 2008, Central Hudson entered into a settlement agreement with the plaintiffs and one remaining defendant. Under the settlement agreement, Central Hudson has agreed to make payments to the plaintiffs that will not be material in the aggregate. The settlement agreement is subject to final approval by the Court.

**Environmental Matters**Central Hudson➤ **Air**

In October 1999, Central Hudson was informed by the New York State Attorney General (“Attorney General”) that the Danskammer Point Steam Electric Generating Station (“Danskammer Plant”) was included in an investigation by the Attorney General’s Office into the compliance of eight older New York State coal-fired power plants with federal and state air emissions rules. Specifically, the Attorney General alleged that Central Hudson “may have constructed, and continues to operate, major modifications to the Danskammer Plant without obtaining certain requisite preconstruction permits.” In March 2000, the Environmental Protection Agency (“EPA”) assumed responsibility for the investigation. Central Hudson has completed its production of documents requested by the Attorney General, the New York State Department of Environmental Conservation (“DEC”), and the EPA, and believes any permits required for these projects were obtained in a timely manner. Notwithstanding Central Hudson’s sale of the Danskammer Plant on January 30, 2001, Central Hudson could retain liability, depending on the type of remedy, if any, imposed in connection with this matter. In March 2009, Dynege notified Central Hudson that Dynege had received an information request pursuant to the Clean Air Act from the EPA for the Danskammer Plant covering the period beginning January 2000 to present. At that time, Dynege also submitted to Central Hudson a demand for indemnification for any fines, penalties or other losses that may be incurred by Dynege arising from the period that Central Hudson owned the Danskammer Plant. Central Hudson presently has insufficient information with which to predict the outcome of this matter.

➤ **Former Manufactured Gas Plant Facilities**

Like most late 19<sup>th</sup> and early 20<sup>th</sup> century utilities in the Northeastern United States, Central Hudson and its predecessors owned and operated manufactured gas plants (“MGPs”) to serve their customers’ heating and lighting needs. MGPs manufactured gas from coal and oil. This process produced certain by-products that may pose risks to human health and the environment.

The DEC, which regulates the timing and extent of remediation of MGP sites in New York State, has notified Central Hudson that it believes Central Hudson or its predecessors at one time owned and/or operated MGPs at eight sites in Central Hudson’s franchise territory. The DEC has further requested that Central Hudson investigate and, if necessary, remediate these sites under a Consent Order, Voluntary Cleanup Agreement, or Brownfield Cleanup Agreement. The DEC has placed seven of these sites on the New York State Environmental Site Remediation Database. A number of the sites are now owned by third parties and have been redeveloped for other uses. The DEC has recently begun inquiries regarding a ninth site. The status of the sites is as follows:

Site	Status
#1 Beacon, NY	Interim Remediation work complete. Final Report Approved by the DEC. Awaiting Decision Document from the DEC and an environmental easement from the property owner.
#2 Newburgh, NY	Remediation complete in one area under the terms of the DEC-approved plan. The final Construction Completion Report on this area has been filed with the DEC. For the remaining areas, remediation began in the 4 <sup>th</sup> quarter of 2009.
#3 Laurel Street Poughkeepsie, NY	Remediation work is complete. Preparing Final Report and post-remediation Site Management Plan. Additional monitoring/recovery wells requested by the DEC will be completed in the 1 <sup>st</sup> quarter of 2010.
#4 North Water Street Poughkeepsie, NY	Additional land and river investigations have been requested by the DEC. A work plan for this investigation work was submitted to the DEC on January 7, 2010. In 2009, visible oil sheens associated with this site occurred in the Hudson River. The DEC has not notified Central Hudson regarding any investigation or remediation related to these oil sheens.
#5 Kingston, NY	Brownfield Cleanup Agreement was executed and the Citizen Participation Plan (“CPP”) was submitted to the DEC. Additional land and river investigations have been approved by the DEC. This additional land and river investigation work will begin in 2010.
#6 Catskill, NY	Site investigation continues under the DEC-approved Brownfield Cleanup Agreement. Access agreements for additional investigation work have been executed and the work began on October 5, 2009.
#7 Saugerties, NY	This site has been removed from the DEC listing of sites in which Central Hudson has remedial responsibility.
#8 Bayeaux Street Poughkeepsie, NY	Central Hudson does not believe it has any further liability for this site.
#9 Broad Street Newburgh, NY	The DEC has recently made inquiries about this additional site. Central Hudson does not believe it has any liability for this site and has responded to the DEC on June 22, 2009 confirming this position.

In the second quarter of 2008, Central Hudson updated the estimate of potential remediation and future operating, maintenance and monitoring costs for sites # 2, 3, 4, 5 and 6 indicating that the total cost for the five sites could exceed \$165 million over the next 30 years. The estimates for sites # 2 and 3 are currently based on the actual completed or contracted remediation costs. However, these estimates are subject to change based on the current investigations, final remedial design (and associated engineering estimates), DEC and New York State Department of Health (“NYSDOH”) comments and requests, remedial design changes/negotiations and changed or unforeseen conditions during the remediation or additional requirements following the remediation. The estimates for sites # 4, 5 and 6 were based on partially completed remedial investigations and current DEC and NYSDOH preferences related to site remediation, and are considered conceptual and preliminary. The cost estimate involves assumptions relating to investigation expenses, remediation costs, potential future liabilities, and post-remedial operating, maintenance and monitoring costs, and is based on a variety of factors including projections regarding the amount and extent of contamination, the location, size and use of the sites, proximity to sensitive resources, status of regulatory investigations, and information regarding remediation activities at other MGP sites in New York State. This cost estimate also assumes that proposed or anticipated remediation techniques are technically feasible and that proposed remediation plans receive DEC and NYSDOH approval. Further, the updated estimate could change materially based on changes to technology relating to remedial alternatives and changes to current laws and regulations.

Prior to 2009, Central Hudson recorded a \$24.7 million estimated liability for sites # 2 and 3 based on estimates of remediation costs for the proposed clean-up plans. As of December 31, 2009, \$18.6 million of this recorded estimated liability has not been spent; \$15.9 million of this recorded estimated liability is expected to be spent over the next twelve months.

No amounts have been recorded in connection with the physical remediation of sites # 4, 5 and 6, for which Central Hudson has developed estimated future costs based on conceptual and preliminary plans. Absent DEC-approved remediation plans, management cannot reasonably estimate what cost, if any, will actually be incurred. The portion of the \$165 million referenced above that is related to these three sites is approximately \$121 million. Prior to 2009, Central Hudson had recorded a \$1.5 million estimated liability in connection with estimated costs for preliminary investigations, site testing and development of remediation plans for sites # 4, 5 and 6 through 2010. Based on the latest forecast of activities at these sites, this estimated liability has been increased in 2009 to \$1.7 million. As of December 31, 2009, none of this recorded estimated liability has been spent; \$1.1 million of this recorded estimated liability is expected to be spent over the next twelve months. This estimated amount may change in the future as additional information is obtained regarding the results of site-testing, the scope of site investigation plans approved by the DEC and NYSDOH, and the evolving development of new technologies. Central Hudson cannot predict the results of site testing, the nature, timing or extent of comments from the DEC and NYSDOH, or changes in technology. The impact of these uncertainties on the estimate cannot be determined.

With regard to sites # 7, 8 and 9, Central Hudson does not have sufficient information to estimate its potential remediation cost if any; as previously stated, Central Hudson believes that it has no liability for these sites.

Pursuant to the 2006 Rate Order, Central Hudson is permitted to defer for future recovery the differences between actual costs for MGP site investigation and remediation and the associated rate allowances, with carrying charges to be accrued on the deferred balances at the authorized pre-tax rate of return. Central Hudson spent \$5.9 million in the twelve months ended December 31, 2009 related to site investigation and remediation for sites #2, 3, 4, 5 and 6. Based on the 2006 Rate Order, on July 1, 2007, Central Hudson started the recovery of a rate allowance for MGP Site Investigation and Remediation Costs. The 2009 Rate Order provided for an increase in this rate allowance to an amount of \$2.8 million during the July 2009 through June 2010 rate year. Additionally, the 2009 Rate Order authorized recovery of amounts spent over the rate allowance from the net electric regulatory liability balance and authorizes continued deferral for all other MGP site remediation expenditures. The total MGP Site Investigation and Remediation costs recovered from July 1, 2007 through December 31, 2009 was approximately \$6.1 million, with \$3.6 million recovered in 2009.

Central Hudson has put its insurers on notice and intends to seek reimbursement from its insurers for the costs of any liabilities. Certain of these insurers have denied coverage.

Future remediation activities, including operating, maintenance and monitoring and related costs may vary significantly from the assumptions used in Central Hudson's current cost estimates, and these costs could have a material adverse effect (the extent of which cannot be reasonably determined) on the financial condition, results of operations and cash flows of CH Energy Group and Central Hudson if Central Hudson were unable to recover all or a substantial portion of these costs via collection in rates from customers and/or through insurance.

➤ **Little Britain Road**

In December 1977, Central Hudson purchased property at 610 Little Britain Road, New Windsor, New York. In 1992, the DEC informed Central Hudson that the DEC was preparing to conduct a Preliminary Site Assessment ("PSA") of the site and in 1995, the DEC issued an Order of Consent in which Central Hudson agreed to conduct the PSA. In 2000, following completion of the PSA, Central Hudson and the DEC entered into a Voluntary Cleanup Agreement ("VCA") whereby Central Hudson removed approximately 3,100 tons of soil and conducted groundwater sampling. Central Hudson believes that it has fulfilled its obligations under the VCA and should receive the release provided for in the VCA, but DEC has proposed that additional ground water work be done to address groundwater sampling results that showed the presence of certain contaminants at levels exceeding DEC criteria. Central Hudson believes that such work is not necessary and has completed a soil vapor intrusion study showing that indoor air at the facility met Occupational Safety and Health Administration ("OSHA") and NYSDOH standards and in addition, in 2008, it also installed an indoor air vapor mitigation system (that continues to operate). At this time Central Hudson does not have sufficient information to estimate the need for additional remediation or potential remediation costs. Central Hudson has put its insurers on notice regarding this matter and intends to seek reimbursement from its insurers for amounts, if any, for which it may become liable. Central Hudson cannot predict the outcome of this matter.

➤ **Newburgh Consolidated Iron Works**

In 2001, Central Hudson was served by USEPA with a Request For Information pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) regarding shipments of scrap or waste materials that Central Hudson may have made to Consolidated Iron and Metal Co., Inc. (“Consolidated Iron”), a Superfund site located in Newburgh, New York. In December 2008 Central Hudson entered into a settlement agreement with the Joint Defense Group (“JDG”) and joined as a party to the consent decree. The consent decree has now been signed and entered by the court. Central Hudson does not anticipate any further activity on this matter.

➤ **Asbestos Litigation**

Since 1987, Central Hudson, along with many other parties, has been joined as a defendant or third-party defendant in 3,319 asbestos lawsuits commenced in New York State and federal courts. The plaintiffs in these lawsuits have each sought millions of dollars in compensatory and punitive damages from all defendants. The cases were brought by or on behalf of individuals who have allegedly suffered injury from exposure to asbestos, including exposure which allegedly occurred at two formerly owned electric generating plants; the Roseton Electric Generating Plant and the Danskammer Point Steam Electric Generating Station.

As of December 31, 2009, of the 3,319 asbestos cases brought against Central Hudson, 1,188 remain pending. Of the cases no longer pending against Central Hudson, 1,979 have been dismissed or discontinued without payment by Central Hudson, and Central Hudson has settled 152 cases. Central Hudson is presently unable to assess the validity of the remaining asbestos lawsuits; accordingly, it cannot determine the ultimate liability relating to these cases. Based on information known to Central Hudson at this time, including Central Hudson’s experience in settling asbestos cases and in obtaining dismissals of asbestos cases, Central Hudson believes that the costs which may be incurred in connection with the remaining lawsuits will not have a material adverse effect on the financial position, results of operations or cash flows of either CH Energy Group or Central Hudson.

CHEC

During the twelve months ended December 31, 2009, Griffith spent \$0.1 million on remediation efforts in Maryland, Virginia and Connecticut.

Griffith has a reserve for environmental remediation which is \$3.5 million as of December 31, 2009, of which \$0.4 million is expected to be spent in the next twelve months.

As part of the divestiture of operations in certain geographic locations, Griffith provided an indemnification of \$5.7 million to the purchaser for any claims, losses, expenses, or legal proceedings arising out of or resulting from any inaccuracy of representation, non-fulfillment of covenants, breach of warranty, environmental remediation, certain expenses incurred for the repair of buildings and vehicles, or events prior to the date of divestiture. Of this indemnification, the Company has reserved \$2.6 million specifically for environmental remediation costs. Excluding environmental remediation costs, the indemnification is subject to a \$0.8 million deductible. Such claims could include, but not be limited to, certain truck repairs incurred up to 60 days from the date of divestiture, certain building repairs, and product warranty claims. Management believes that no payment will be required as a result of the indemnification beyond the environmental reserve of \$2.6 million.

**Other Matters**

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

**NOTE 13 - SEGMENTS AND RELATED INFORMATION**

CH Energy Group's reportable operating segments are the regulated electric utility business and regulated natural gas utility business of Central Hudson and the unregulated fuel distribution business of Griffith. Other activities of CH Energy Group, which do not constitute a business segment include the investment, financing, and business development activities of CH Energy Group and the renewable energy and investment activities of CHEC, including its ownership interests in ethanol, wind, landfill gas and biomass energy projects and are reported under the heading "Other Businesses and Investments."

Central Hudson purchases, sells at wholesale, and distributes electricity and natural gas at retail in New York State's Mid-Hudson River Valley. Electric service is available throughout the territory and natural gas service is provided in and about the cities of Poughkeepsie, Beacon, Newburgh, and Kingston, New York and certain outlying and intervening territories. Central Hudson also generates a small portion of its electricity requirements.

Griffith is engaged in fuel distribution including heating oil, gasoline, diesel fuel, kerosene, and propane, and the installation and maintenance of heating, ventilating, and air conditioning equipment in Virginia, West Virginia, Maryland, Delaware, Pennsylvania, and Washington, D.C. Management regularly reviews Griffith's operating results as a standalone component of CH Energy Group and assesses its performance as a basis for allocating resources.

Certain additional information regarding these segments is set forth in the following tables. General corporate expenses, Central Hudson property common to both electric and natural gas segments, and the depreciation of Central Hudson's common property have been allocated in accordance with practices established for regulatory purposes.

Central Hudson's and Griffith's operations are seasonal in nature and weather-sensitive. Demand for electricity typically peaks during the summer, while demand for natural gas and heating oil typically peaks during the winter.

**CH Energy Group Segment Disclosure**  
(In Thousands)

	Year Ended December 31, 2009					
	Segments			Other		Total
	Central Hudson			Businesses and		
	Electric	Natural Gas	Griffith	Investments	Eliminations	
Revenues from external customers						
Intersegment revenues	12	308	-	-	(320)	-
Total revenues	536,182	174,445	211,229	10,053	(320)	931,589
Depreciation and amortization	25,269	6,825	4,488	1,121	-	37,703
Operating income	60,289	16,049	5,587	(1,526)	-	80,399
Interest and investment income	3,303	1,727	15	4,996	(4,117) <sup>(1)</sup>	5,924
Interest charges	19,806	5,079	2,405	2,623	(4,117) <sup>(1)</sup>	25,796
Earnings before income taxes	41,703	12,215	3,456	(2,555)	-	54,819
Income tax expense	15,743	5,399	1,332	(2,082)	-	20,392
Net income attributable to CH Energy Group	25,217	6,589	11,975 <sup>(3)</sup>	(297)	-	43,484
Segment assets at December 31	1,132,341	353,259	103,915	109,930	(1,562) <sup>(2)</sup>	1,697,883
Goodwill	-	-	35,651	-	-	35,651
Capital expenditures	78,585	18,255	1,920	5,192	-	103,952

(1) This represents the elimination of inter-company interest income (expense) generated from temporary lending activities between CH Energy Group (the holding company), and its subsidiaries (CHEC and Griffith).

(2) Includes non-controlling owner's interest of \$1,385 related to Lyonsdale.

(3) Includes income from discontinued operations of \$9,777.

**CH Energy Group Segment Disclosure**  
(In Thousands)

	Year Ended December 31, 2008					
	Segments			Other		Total
	Central Hudson			Businesses and		
	Electric	Natural Gas	Griffith	Investments	Eliminations	
Revenues from external customers						
Intersegment revenues	16	323	-	-	(339)	-
Total revenues	608,177	189,869	330,204	11,290	(339)	1,139,201
Depreciation and amortization	23,592	6,220	4,609	837	-	35,258
Operating income	53,396	13,948	3,655	(47)	-	70,952
Interest and investment income	1,605	1,566	82	5,929	(4,515) <sup>(1)</sup>	4,667
Interest charges	19,975	5,451	2,890	491	(4,515) <sup>(1)</sup>	24,292
Earnings before income taxes	36,056	10,455	1,138	4,274	-	51,923
Income tax expense	14,334	4,939	515	(474)	-	19,314
Net income attributable to CH Energy Group	20,977	5,291	4,169 <sup>(3)</sup>	4,644	-	35,081
Segment assets at December 31	1,106,505	385,691	190,464	47,494	29 <sup>(2)</sup>	1,730,183
Goodwill	-	-	67,455	-	-	67,455
Capital expenditures	58,827	19,503	2,706	2,562	-	83,598

(1) This represents the elimination of inter-company interest income (expense) generated from temporary lending activities between CH Energy Group (the holding company), and its subsidiaries (CHEC and Griffith).

(2) Includes non-controlling owner's interest of \$1,449 related to Lyonsdale.

(3) Includes income from discontinued operations of \$3,449.

**CH Energy Group Segment Disclosure**  
(In Thousands)

	Year Ended December 31, 2007					
	Segments			Other		
	Central Hudson			Businesses and		
	Electric	Natural Gas	Griffith	Investments	Eliminations	Total
Revenues from external customers	\$ 616,839	\$ 165,449	\$ 287,763	\$ 8,716	\$ -	\$ 1,078,767
Intersegment revenues	15	301	-	-	(316)	-
Total revenues	616,854	165,750	287,763	8,716	(316)	1,078,767
Depreciation and amortization	22,251	6,148	4,694	809	-	33,902
Operating income	57,135	14,271	5,065	(812)	-	75,659
Interest and investment income	3,770	1,973	115	7,082	(4,534) <sup>(1)</sup>	8,406
Interest charges	17,535	5,372	2,901	443	(4,534) <sup>(1)</sup>	21,717
Earnings before income taxes	42,898	10,864	2,752	6,450	-	62,964
Income tax expense	16,018	4,308	1,067	(433)	-	20,960
Net income attributable to CH Energy Group	26,141	6,325	3,166 <sup>(3)</sup>	7,004	-	42,636
Segment assets at December 31	926,223	326,471	197,425	44,655	(26) <sup>(2)</sup>	1,494,748
Goodwill	-	-	63,433	-	-	63,433
Capital expenditures	65,548	17,215	2,253	1,060	-	86,076

(1) This represents the elimination of inter-company interest income (expense) generated from temporary lending activities between CH Energy Group (the holding company), and its subsidiaries (CHEC and Griffith).

(2) Includes non-controlling owner's interest of \$1,345 related to Lyonsdale.

(3) Includes income from discontinued operations of \$2,053.

**Central Hudson Segment Disclosure**  
(In Thousands)

	Year Ended December 31, 2009			
	Electric	Natural Gas	Eliminations	Total
Revenues from external customers	\$ 536,170	\$ 174,137	\$ -	\$ 710,307
Intersegment revenues	12	308	(320)	-
Total revenues	536,182	174,445	(320)	710,307
Depreciation and amortization	25,269	6,825	-	32,094
Operating income	60,289	16,049	-	76,338
Interest and investment income	3,303	1,727	-	5,030
Interest charges	19,806	5,079	-	24,885
Income tax expense	15,743	5,399	-	21,142
Income available for common stock	25,217	6,589	-	31,806
Segment assets at December 31	1,132,341	353,259	-	1,485,600
Capital expenditures	78,585	18,255	-	96,840

**Central Hudson Segment Disclosure**  
(In Thousands)

	Year Ended December 31, 2008			
	Electric	Natural Gas	Eliminations	Total
Revenues from external customers	\$ 608,161	\$ 189,546	\$ -	\$ 797,707
Intersegment revenues	16	323	(339)	-
Total revenues	608,177	189,869	(339)	797,707
Depreciation and amortization	23,592	6,220	-	29,812
Operating income	53,396	13,948	-	67,344
Interest and investment income	1,605	1,566	-	3,171
Interest charges	19,975	5,451	-	25,426
Income tax expense	14,334	4,939	-	19,273
Income available for common stock	20,977	5,291	-	26,268
Segment assets at December 31	1,106,505	385,691	-	1,492,196
Capital expenditures	58,827	19,503	-	78,330

**Central Hudson Segment Disclosure**  
(In Thousands)

	Year Ended December 31, 2007			
	Electric	Natural Gas	Eliminations	Total
Revenues from external customers	\$ 616,839	\$ 165,449	\$ -	\$ 782,288
Intersegment revenues	15	301	(316)	-
Total revenues	616,854	165,750	(316)	782,288
Depreciation and amortization	22,251	6,148	-	28,399
Operating income	57,135	14,271	-	71,406
Interest and investment income	3,770	1,973	-	5,743
Interest charges	17,535	5,372	-	22,907
Income tax expense	16,018	4,308	-	20,326
Income available for common stock	26,141	6,325	-	32,466
Segment assets at December 31	926,223	326,471	-	1,252,694
Capital expenditures	65,548	17,215	-	82,763

**NOTE 14 - ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES****Purpose of Derivatives**

CH Energy Group and its subsidiaries enter into derivative contracts in conjunction with the Company's energy risk management program to hedge certain risk exposure related to its business operations. The derivative contracts are typically either exchange-traded or over-the-counter ("OTC") instruments. The primary risks the Company seeks to manage by using derivative instruments are interest rate risk and commodity price risk. Central Hudson uses derivative contracts to hedge exposure to volatility in the prices of natural gas and electricity and to hedge exposure to volatility in interest rates for its variable rate long-term debt. Griffith uses derivative instruments to hedge volatility in the price of heating oil purchased for delivery to its customers. All hedging transactions are associated with commodity purchases and are not used for speculative purposes. CH Energy Group and its subsidiaries cash flow hedging programs are as follows:

- Interest rate caps are used to hedge interest rate risks and to improve the matching of assets and liabilities. An interest rate cap is an interest rate option agreement in which payments are made by the seller of the option when the reference rate exceeds the specified strike rate (or the set rate at which the option contract can be exercised). The purpose of these agreements is to hedge against rising interest rates while still having the ability to take advantage of falling interest rates by putting a "cap" on the interest rate Central Hudson pays on debt for which such caps are purchased.
- Natural gas futures are used to hedge natural gas purchases. A natural gas futures contract is a standardized contract to buy or sell a specified commodity (natural gas) of standardized quality at a certain date in the future, at a market determined price (the futures price). Central Hudson's reason for purchasing these contracts is to hedge against the risk of price fluctuations related to natural gas and to reduce the impact of volatility in the commodity markets on its customers.
- Natural gas swaps and contracts for differences (electricity swaps) are used to hedge natural gas and electricity purchases. A swap contract or a contract for difference is the exchange of two payment streams between two counterparties where the cash flows are dependant on the price of the underlying commodity. One party's payment stream is based on a fixed price and the other party's payment stream is based on a floating (market) price. The purpose of these types of contracts is to hedge against the risk of price fluctuations related to purchasing natural gas and electricity supplies for Central Hudson's customers. In an effort to moderate volatility by locking in prices, Central Hudson always takes the fixed side of the transaction, agreeing to pay the counterparty a fixed payment stream. In return, Central Hudson receives payments based on the market price for the commodity involved.

At December 31, 2009, Central Hudson had open derivative contracts to hedge natural gas prices during January 2010 - March 2010, covering approximately 40.4% of Central Hudson's projected total natural gas supply requirements during this period. In 2009, derivative transactions were used to economically hedge 37.4% of Central Hudson's total natural gas supply requirements as compared to 34.6% in 2008.

Additionally, Central Hudson had open derivative contracts at December 31, 2009 to hedge the price of approximately 20.9%, 21.6% and 22.1% of its projected electricity requirements in each of the years 2010, 2011, and 2012, respectively. In 2009, Central Hudson economically hedged approximately 24.8% of its total electricity supply requirements with OTC derivative contracts as compared to 8.1% in 2008.

- Option contracts on heating oil are used to establish ceiling prices to limit Griffith's exposure to changes in heating oil prices for forecasted heating oil supply requirements for capped price programs that are not hedged by firm purchase commitments. An option contract is the right, but not the obligation, to buy (for a call option) or sell (for a put option) a specific amount of the given commodity, at a specified price (the strike price) during a specified period of time.

At December 31, 2009, Griffith had open OTC call option positions covering approximately 1.0% of its anticipated fuel oil supply requirements for the period January 2010 – April 2010. The percentage of anticipated fuel oil supply requirements that were hedged at December 31, 2008, for the period January 2009 through June 2009 was 4.3%. In 2009, derivative instruments were used to hedge 3.6% of total fuel oil requirements as compared to 5.2% in 2008.

- Weather derivative contracts are used to limit the effect on earnings of significant variances in weather conditions from normal patterns. Weather derivatives are financial instruments that can be used as part of a risk management strategy to reduce risk associated with adverse or unexpected weather conditions. The difference from other derivatives is that the underlying asset (rain/temperature/snow) has no direct value to price the weather derivative.

**Accounting for Derivatives**

Current accounting guidance for derivative instruments and hedging activities (ASC 815) requires that an entity recognize the fair value of all derivative instruments as either assets or liabilities on the balance sheet with the corresponding unrealized gains or losses recognized in earnings. The guidance notes that the change in the fair value of the derivative is allocated, in accordance with the hedge documentation, into three possible components: the "effective portion," the "ineffective portion," and "the excluded portion." Changes in the ineffective and excluded portions are always recognized immediately in earnings, regardless of the type of hedging relationship. The guidance permits the deferral of the effective portion of unrealized gains and losses on derivatives that are properly designated as hedges.

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

Griffith purchases call option contracts to establish ceiling prices to limit its earnings cash flow exposure to changes in commodity prices for meeting its heating oil supply requirements for capped price programs that are not hedged by firm purchase commitments. The change in fair value of the options is included in the cost of sales as the hedged transactions occur.

On December 11, 2009, Griffith completed the sale of operations in certain geographic locations, which serviced approximately 45,000 customers. On that date, Griffith held 38 call option contracts that were purchased to mitigate the price risk on forecasted purchases of heating oil relating to fixed cap price customers within the Northeast territory during the 2009-2010 heating season. Prior to this sale, all of Griffith's call option contracts were designated at inception and accounted for as cash flow hedges. Griffith has removed the designation of the cash flow hedge on these 38 option contracts as the underlying transactions (i.e. the purchase of heating oil for these customers) will no longer occur at Griffith and therefore Griffith is no longer exposed to the price risk associated with these transactions. The effective date of this de-designation is October 1, 2009 for those contracts entered into prior to that date. Any contracts that were purchased on or after October 1, 2009, were designated at inception as derivatives not accounted for as hedges. Current accounting guidance specific to removing the designation of a hedge (ASC 815-30-40) requires that Griffith discontinue the hedge accounting treatment prospectively for the 38 call options once it removes the designation of the cash flow hedge and retain the net unrealized gain or loss associated with these contracts in accumulated other comprehensive income until the contract settles.

Additionally, on December 11, 2009, Griffith entered into a new derivative financial instrument with the purchaser of operations in select geographic locations. Griffith agreed to pay the counterparty an amount equal to the economic benefit realized upon the settlement of the 38 call option contracts discussed above and recorded a liability on December 11, 2009, equal to the fair value of these underlying contracts. This liability will be recorded at fair value each reporting period and the change in fair value will be recognized in the income statement. This change in fair value of the liability instrument will offset the change in the fair value of the 38 underlying option contracts in an asset position, resulting in no net impact on Griffith's earnings.

As of December 31, 2009, in addition to the 38 contracts noted above, Griffith held 5 other call option contracts that were initially designated and accounted for as cash flow hedges. Effective October 1, 2009, Griffith has also removed the designation of the cash flow hedge on these remaining 5 option contracts, as it is Management's position that it is no longer cost effective to perform on-going effectiveness tests and documentation to comply with current accounting guidance for derivative instruments and hedging activities (ASC 815), based on the immateriality of these remaining contracts. In accordance with current accounting guidance specific to removing the designation of a hedge (ASC 815-30-40), Griffith will prospectively discontinue the hedge accounting treatment for these 5 call options and the net unrealized gain or loss associated with these contracts will remain in accumulated other comprehensive income until the contract settles.

## **Derivative Risks**

The basic types of risks associated with derivatives are market risk (that the value of the derivative will be adversely impacted by changes in the market, primarily the change in interest and exchange rates) and credit risk (that the counterparty will not perform according to the terms of the contract). The market risk of the derivatives generally offset the market risk associated with the hedged commodity. For more information regarding considerations of credit risk in determining the fair value of derivative contracts, see Note 15 – "Fair Value Measurements."

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

To help limit the credit exposure of their derivatives, Central Hudson and Griffith enter into master netting agreements with counterparties whereby contracts in a gain position can be offset against contracts in a loss position. Central Hudson and Griffith both hold contracts for derivative instruments under master netting agreements. Of the fifteen total agreements held by both companies, eleven contain credit-risk related contingent features. As of December 31, 2009, there were 37 open derivative contracts under these eleven master netting agreements containing credit-risk related contingent features. The circumstances that could trigger these features, the aggregate fair value of the derivative contracts that contain contingent features and the amount that would be required to settle these instruments on December 31, 2009 if the contingent features were triggered, are described below.

**Contingent Contracts**  
(Dollars In Thousands)

Triggering Event	As of December 31, 2009		
	# of Contracts Containing the Triggering Feature	Gross Fair Value of Contract	Cost to Settle if Contingent Feature is Triggered (net of collateral)
<b>Central Hudson:</b>			
Change in Ownership (CHEG ownership of CHG&E falls below 51%)	6	\$ (381)	\$ (381)
Credit Rating Downgrade (to below BBB-)	2	1	1
Adequate Assurance <sup>(1)</sup>	1	(3,069)	(3,069)
Total Central Hudson	9	(3,449)	(3,449)
<b>Griffith:</b>			
Change in Ownership (CHEG ownership of CHEC falls below 51%)	10	172	172
Adequate Assurance <sup>(1)</sup>	18	176	176
Total Griffith	28	348	348
Total CH Energy Group	37	\$ (3,101)	\$ (3,101)

(1) If the counterparty has reasonable grounds to believe CHG&E's or Griffith's creditworthiness or performance has become unsatisfactory, it can request collateral in an amount determined by the counterparty, not to exceed the amount required to settle the contract.

CH Energy Group has elected gross presentation for its derivative contracts under master netting agreements. On December 31, 2009, neither Central Hudson nor Griffith had collateral posted against the fair value amount of derivatives under any of these agreements. If collateral were posted, CH Energy Group's policy is to also report the collateral positions on a gross basis.

The fair value of CH Energy Group's and Central Hudson's derivative instruments and their location in the respective Balance Sheets are described below, followed by a description of their effect on the respective Statements of Income. For additional information regarding Central Hudson's physical hedges, see the discussion following the caption "Electricity Purchase Commitments" in Note 12 - "Commitments and Contingencies." For additional information regarding the fair value of Central Hudson's and Griffith's outstanding derivative contracts, see Note 15 - "Fair Value Measurements."

**Gross Fair Value of Derivative Instruments**  
(In Thousands)

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
<u>Derivatives in an Asset Position:</u>		
Not Designated as Hedging Instruments: <sup>(1)</sup>		
Central Hudson electricity swap contracts	\$ 314	\$ -
Central Hudson natural gas swap contracts	79	-
Central Hudson interest rate cap contract	-	-
Total Central Hudson Derivatives in an Asset Position	<u>393</u>	<u>-</u>
Griffith heating oil call option contracts	<u>348</u>	<u>-</u>
Total CH Energy Group Derivatives in Asset Position	<u>\$ 741</u>	<u>\$ -</u>
<u>Derivatives in a Liability Position:</u>		
Not Designated as Hedging Instruments: <sup>(1)</sup>		
Central Hudson electricity swap contracts	\$ (12,297)	\$ (5,538)
Central Hudson natural gas swap contracts	<u>(1,256)</u>	<u>(10,221)</u>
Total Central Hudson Derivatives in a Liability Position	<u>(13,553)</u>	<u>(15,759)</u>
Griffith other derivative financial instrument	<u>(284)</u>	<u>-</u>
Total CH Energy Group Derivatives in Liability Position	<u>\$ (13,837)</u>	<u>\$ (15,759)</u>

(1) See discussion following tables for additional information regarding regulatory treatment of gains and losses on Central Hudson's derivative contracts.

**The Effect of Derivative Instruments on the Statements of Income**  
(In Thousands)CH Energy Group

Designated as Hedging Instruments:

Cash Flow Hedge Derivative Instruments	Amount of Gain/(Loss) Recognized in OCI on Derivative		Amount of Gain/(Loss) Reclassified from Accumulated OCI into Income		Location of Gain/(Loss) Reclassified from Accumulated OCI into Income
	Year Ended December 31,		Year Ended December 31,		
	2009	2008	2009	2008	
Griffith heating oil call option contracts	\$ (10)	\$ 477	\$ 44	\$ (1,208)	Purchased petroleum
Total	\$ (10)	\$ 477	\$ 44	\$ (1,208)	

For the years ended December 31, 2009 and 2008, the amount of loss recognized in income for Griffith heating oil call option contracts designated as hedging instruments was \$0.3 million and \$0.7 million, respectively. The loss reclassified from Accumulated OCI into income for Griffith's heating oil call option contracts for all periods presented is located in purchased petroleum.

Not Designated as Hedging Instruments:

	Amount of Gain/(Loss) Recognized as Increase/ (Decrease) in the Income Statement		Location of Gain/(Loss)
	Year Ended December 31,		
	2009	2008	
Central Hudson electricity swap contracts	\$ (26,018)	\$ (6,553)	Regulatory asset <sup>(1)</sup>
Central Hudson natural gas swap contracts	(13,758)	(6,500)	Regulatory asset <sup>(1)</sup>
Central Hudson interest rate cap contract	-	-	Regulatory asset <sup>(1)</sup>
Griffith heating oil call option contracts	54	-	Purchased petroleum
Griffith other derivative financial instrument	(73)	-	Purchased petroleum
Total	\$ (39,795)	\$ (13,053)	

Central Hudson

Designated as Hedging Instruments:

None

Not Designated as Hedging Instruments:

	Amount of Gain/(Loss) Recognized as Increase/ (Decrease) in Purchased Electric and Purchased Natural Gas		Location of Gain/(Loss)
	Year Ended December 31,		
	2009	2008	
Electricity swap contracts	\$ (26,018)	\$ (6,553)	Regulatory asset <sup>(1)</sup>
Natural gas swap contracts	(13,758)	(6,500)	Regulatory asset <sup>(1)</sup>
Interest rate cap contract	-	-	Regulatory asset <sup>(1)</sup>
Total	\$ (39,776)	\$ (13,053)	

(1) Realized gains and losses on Central Hudson's derivative instruments are conveyed to or recovered from customers through PSC authorized deferral accounting mechanisms, with an offset in revenue and on the balance sheet, and no impact on results of operations.

Central Hudson recorded actual net losses of \$39.8 million on such hedging activities for the year ended December 31, 2009, as compared to net losses of \$13.1 million in the same period in 2008.

In the years ended December 31, 2009 and 2008, Griffith's call options were effective with immaterial gains or losses from ineffectiveness. The assessment of hedge effectiveness for these hedges excludes the change in the fair value of the premium paid for these derivative instruments. The total fair value of open derivative instruments at December 31, 2009 was approximately \$0.1 million. The total fair value at December 31, 2008 was less than \$0.1 million. These amounts were recorded in each period as part of the cost or price of the related commodity transactions. The fair values of call options are determined based on the market value of the underlying commodity. The total net loss including premium expense was \$0.3 million in the year ended December 31, 2009. Unrealized losses expected to be reclassified into earnings over the next twelve months are not material. A total net gain including premium expense of \$0.7 million was recorded in the year ended December 31, 2008.

In addition to the above, Griffith uses weather derivative contracts to hedge the effect on earnings of significant variances in weather conditions from normal patterns, if such contracts can be obtained on reasonable terms. Weather derivative contracts are accounted for in accordance with guidance specific to accounting for weather derivatives (ASC 815-45). In the year ended December 31, 2009, Griffith made a settlement payment of \$0.2 million to a counterparty. In the year ended December 31, 2008, Griffith did not make or receive settlement payments to or from counterparties.

**NOTE 15 - FAIR VALUE MEASUREMENTS****Assets and Liabilities Recorded at Fair Value**

Current accounting guidance related to fair value measurements (ASC 820) establishes a fair value hierarchy to prioritize the inputs used in valuation techniques based on observable and unobservable data, but not the valuation techniques themselves. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or a liability. Classification of inputs is determined based on the lowest level input that is significant to the overall valuation. The fair value hierarchy prioritizes the inputs to valuation techniques into the three categories described below:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs: Directly or indirectly observable (market-based) information. This includes quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3 Inputs: Unobservable inputs for the asset or liability for which there is either no market data, or for which asset and liability values are not correlated with market value.

On December 31, 2009, CH Energy Group reported one major category of assets and liabilities at fair value; derivative contracts. Derivative contracts are measured on a recurring basis. The fair value of CH Energy Group's reportable assets and liabilities at December 31, 2009 and December 31, 2008 by category and hierarchy level follows (In Thousands):

Asset or Liability Category	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2009				
<u>Assets</u>				
Derivative Contracts:				
Central Hudson - electric	\$ 314	\$ -	\$ -	\$ 314
Central Hudson - natural gas	79	79	-	-
Griffith - heating oil	348	348	-	-
Central Hudson - interest rate cap	-	-	-	-
Total Assets	\$ 741	\$ 427	\$ -	\$ 314
<u>Liabilities</u>				
Derivative Contracts:				
Central Hudson - electric	\$ (12,297)	\$ -	\$ -	\$ (12,297)
Central Hudson - natural gas	(1,256)	(1,256)	-	-
Griffith - other derivative financial instrument	(284)	-	(284)	-
Total Liabilities	\$ (13,837)	\$ (1,256)	\$ (284)	\$ (12,297)
As of December 31, 2008				
<u>Liabilities</u>				
Derivative Contracts:				
Central Hudson - electric	\$ (5,538)	\$ -	\$ -	\$ (5,538)
Central Hudson - natural gas	(10,221)	(10,221)	-	-
Central Hudson - interest rate cap	-	-	-	-
Total Liabilities	\$ (15,759)	\$ (10,221)	\$ -	\$ (5,538)

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	December 31, 2008
Balance at Beginning of Period	\$ (5,538)	\$ 77
Unrealized gains/(losses)	(6,445)	(5,615)
Realized losses	(26,018)	(6,553)
Purchases, issuances, sales and settlements	26,018	6,553
Transfers in and/or out of Level 3	-	-
Balance at End of Period	\$ (11,983)	\$ (5,538)
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to derivatives still held at end of period	\$ -	\$ -

Derivative Contracts - CH Energy Group's derivative contracts are typically either exchange-traded or over-the-counter ("OTC") instruments. Exchange-traded and OTC derivatives are valued based on listed market prices. On December 31, 2009, Central Hudson's derivative contracts were comprised of swap contracts for electricity and natural gas. Electric swap contracts are valued using the New York Independent System Operator ("NYISO") Swap Futures Closing Price as posted on NYMEX Clearport and have been classified as Level 3 assets in the fair value hierarchy, since Clearport uses unobservable inputs in its determination of the futures closing price. Management believes these prices approximate fair value for these instruments. Natural gas swap contracts are valued using the NYMEX Natural Gas Futures Closing Price plus the NYMEX Clearport Natural Gas Basis Swap Futures Closing Price for Tennessee, Columbia and Dawn pipeline locations, and have been classified within Level 1 of the fair value hierarchy. For natural gas swap contracts valued using the NYMEX Natural Gas Futures Closing Price plus the NYMEX Clearport Natural Gas Basis Swap Futures Closing Price, the latter component is immaterial. As of December 31, 2009, 10 of Central Hudson's open derivative contracts were in a liability position totaling \$13.6 million while 8 contracts were in an asset position totaling \$0.4 million. The credit risk considered in the fair value assessment of contracts in a liability position is that associated with Central Hudson. Based on Central Hudson's current senior unsecured debt ratings by Moody's, S&P and Fitch, Management has concluded that the credit risk associated with Central Hudson's non-performance related to these instruments is not significant, and therefore, no adjustment was made to the fair value. For those contracts in an asset position, Management believes the credit risk of non-performance by counterparties is not significant due to the fact that Central Hudson utilizes multiple counterparties, all of which have ratings by Moody's, S&P and Fitch, which denote expectations of a low default risk. Additionally, unrealized gains and losses on Central Hudson's derivative contracts have no impact on earnings. Therefore, no adjustment related to credit risk has been made to the fair value of contracts in an asset position. Realized gains and losses on Central Hudson's derivative instruments are conveyed to or recovered from customers through PSC authorized deferral accounting mechanisms, with no material impact on cash flows, results of operations or liquidity. Realized gains and losses on Central Hudson's Level 3 energy derivative assets are reported as part of purchased electricity and fuel used in electric generation in Central Hudson's Consolidated Statement of Income as the corresponding amounts are either recovered from or returned to customers through electric cost adjustment clauses in revenues.

Griffith has open call options purchased from two counterparties that were in an asset position on December 31, 2009 totaling \$0.3 million, while its other derivative financial instrument was in a liability position totaling \$0.3 million. Based on the credit ratings by Moody's, S&P and Fitch of the two counterparties, Management has concluded that the credit risk associated with the counterparties' non-performance on call options in an asset position is not significant and no adjustment was made to fair value. Griffith's other derivative financial instrument resulted from a contractual obligation entered into as a result of the sale of operations in select geographic locations on December 11, 2009. The adjustment to fair value from credit risk associated with Griffith's non-performance on the derivative financial instrument in a liability position is not material at December 31, 2009.

For additional information about CH Energy Group's derivative contracts, see Note 14 - "Accounting for Derivative Instruments and Hedging Activities."

#### **Other Fair Value Disclosures**

Financial instruments are recorded at carrying value in the financial statements, however, the fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments (ASC 825).

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

Cash and Cash Equivalents: The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term Debt: The fair value is estimated based on the quoted market prices for the same or similar issues or to current rates offered to CH Energy Group or Central Hudson for debt of the same remaining maturities and credit quality.

Notes Payable: The carrying amount approximates fair value because of the short maturity of those instruments.

Notes Receivable: To estimate the fair value of debt instruments, CH Energy Group performed a discounted cash flow analysis, specifically the Gross Yield Method ("GYM"). The GYM discounts the contractual cash flows at an estimated market or risk-adjusted yield. The cash flows from the note receivable include the estimated quarterly payments based on the contractual cash coupon payment and payment-in-kind ("PIK") feature. The estimated risk adjusted yield was based on the following: (i) the total contractual coupon payment, (ii) the change in option adjusted spreads ("OAS") between the amendment date and year-end, and (iii) a risk adjustment to account for the additional risk due to the PIK feature. The estimated fair value of the note receivable was calculated as the sum of the present value of all quarterly payments and the final principal repayment. Based on the assumptions and methodologies described, the fair value of the note receivable as of December 31, 2009 is \$10.3 million. The carrying amount of this note receivable as of December 31, 2009 that is reported in the balance sheet is \$10.2 million.

**CH Energy Group****Long-term Debt Maturities and Fair Value***(Dollars in Thousands)***December 31, 2009**

	Expected Maturity Date						Total	Fair Value
	2010	2011	2012	2013	2014	Thereafter		
Fixed Rate:	\$ 24,000	\$ 941	\$ 37,007	\$ 31,076	\$ 41,650	\$ 237,373	\$ 372,047	\$ 385,527
Estimated Effective Interest Rate	4.38%	6.86%	6.71%	6.92%	6.02%	5.94%	6.01%	
Variable Rate:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,850	\$ 115,850	\$ 115,850
Estimated Effective Interest Rate						0.82%	0.82%	
Total Debt Outstanding							<u>\$ 487,897</u>	<u>\$ 501,377</u>
Estimated Effective Interest Rate							<u>4.78%</u>	

**December 31, 2008**

	Expected Maturity Date						Total	Fair Value
	2009	2010	2011	2012	2013	Thereafter		
Fixed Rate:	\$ 20,000	\$ 24,000	\$ -	\$ 36,000	\$ 30,000	\$ 208,044	\$ 318,044	\$ 296,086
Estimated Effective Interest Rate	6.06%	4.38%	-%	6.71%	6.92%	5.79%	5.91%	
Variable Rate:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,850	\$ 115,850	\$ 115,850
Estimated Effective Interest Rate						4.10%	4.10%	
Total Debt Outstanding							<u>\$ 433,894</u>	<u>\$ 411,936</u>
Estimated Effective Interest Rate							<u>5.43%</u>	

**December 31, 2007**

	Expected Maturity Date						Total	Fair Value
	2008	2009	2010	2011	2012	Thereafter		
Fixed Rate:	\$ -	\$ 20,000	\$ 24,000	\$ -	\$ 36,000	\$ 208,042	\$ 288,042	\$ 287,308
Estimated Effective Interest Rate	-%	6.07%	4.38%	-%	6.64%	5.48%	6.30%	
Variable Rate:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,850	\$ 115,850	\$ 115,850
Estimated Effective Interest Rate						3.69%	3.69%	
Total Debt Outstanding							<u>\$ 403,892</u>	<u>\$ 403,158</u>
Estimated Effective Interest Rate							<u>5.49%</u>	

**Central Hudson****Long-term Debt Maturities and Fair Value***(Dollars in Thousands)***December 31, 2009**

	Expected Maturity Date						Total	Fair Value
	2010	2011	2012	2013	2014	Thereafter		
Fixed Rate:	\$ 24,000	\$ -	\$ 36,000	\$ 30,000	\$ 14,000	\$ 218,047	\$ 322,047	\$ 332,908
Estimated Effective Interest Rate	4.38%	-%	6.71%	6.93%	4.81%	5.86%	5.90%	
Variable Rate:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,850	\$ 115,850	\$ 115,850
Estimated Effective Interest Rate						0.82%	0.82%	
	Total Debt Outstanding						\$ 437,897	\$ 448,758
	Estimated Effective Interest Rate						4.56%	

**December 31, 2008**

	Expected Maturity Date						Total	Fair Value
	2009	2010	2011	2012	2013	Thereafter		
Fixed Rate:	\$ 20,000	\$ 24,000	\$ -	\$ 36,000	\$ 30,000	\$ 208,044	\$ 318,044	\$ 296,086
Estimated Effective Interest Rate	6.06%	4.38%	-%	6.71%	6.92%	5.79%	5.91%	
Variable Rate:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,850	\$ 115,850	\$ 115,850
Estimated Effective Interest Rate						4.10%	4.10%	
	Total Debt Outstanding						\$ 433,894	\$ 411,936
	Estimated Effective Interest Rate						5.43%	

**December 31, 2007**

	Expected Maturity Date						Total	Fair Value
	2008	2009	2010	2011	2012	Thereafter		
Fixed Rate:	\$ -	\$ 20,000	\$ 24,000	\$ -	\$ 36,000	\$ 208,042	\$ 288,042	\$ 287,308
Estimated Effective Interest Rate	-%	6.07%	4.38%	-%	6.64%	5.48%	6.30%	
Variable Rate:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,850	\$ 115,850	\$ 115,850
Estimated Effective Interest Rate						3.69%	3.69%	
	Total Debt Outstanding						\$ 403,892	\$ 403,158
	Estimated Effective Interest Rate						5.49%	

**NOTE 16 - SUBSEQUENT EVENTS**

CH Energy Group has performed an evaluation of subsequent events through February 10, 2010, the date the financial statements were issued, and noted one event occurring subsequent to December 31, 2009 and through the date of our evaluation requiring disclosure. On January 22, 2010, Central Hudson contributed \$30 million to its Retirement Plan.

**SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) - CH ENERGY GROUP <sup>(1)</sup>**

Selected financial data for each quarterly period within 2009 and 2008 are presented below (In Thousands, except per share data):

Quarter Ended:	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Net Income/ (Loss) from Continuing Operations</u>	<u>Net Income/ (Loss) from Discontinued Operations, Net of Tax</u>	<u>Earnings Per Average Share of Common Stock (Diluted) Outstanding</u>
<b>2009</b>					
March 31	\$ 322,096	\$ 36,900	\$ 18,955	\$ 4,376	\$ 1.46
June 30	178,619	4,064	(988)	(384)	(0.09)
September 30	195,947	17,651	6,633	(991)	0.34
December 31	234,927	21,784	9,827	6,850	1.03
<b>2008</b>					
March 31	\$ 334,079	\$ 31,857	\$ 17,545	\$ 2,082	\$ 1.22
June 30	273,045	9,036	2,772	(882)	0.11
September 30	270,371	10,944	4,323	(1,127)	0.18
December 31	261,706	19,115	7,969	3,472	0.71

(1) Amounts differ from those previously reported as a result of the presentation of discontinued operations due to meeting certain criteria requiring this presentation in the fourth quarter 2009.

**SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) - CENTRAL HUDSON**

Selected financial data for each quarterly period within 2009 and 2008 are presented below (In Thousands):

Quarter Ended:	<u>Operating Revenues</u>	<u>Operating Income</u>	<u>Income Available for Common Stock</u>
<b>2009</b>			
March 31	\$ 246,876	\$ 27,231	\$ 12,351
June 30	139,653	7,368	975
September 30	154,928	20,920	8,629
December 31	168,850	20,819	9,851
<b>2008</b>			
March 31	\$ 220,033	\$ 24,710	\$ 11,505
June 30	190,119	11,680	3,949
September 30	200,774	15,691	5,885
December 31	186,781	15,263	4,929

**SC HEDUL E I - CONDENSED FINANCIAL INFORMATION  
CH ENERGY GROUP - (PARENT COMPANY ONLY)****STATEMENT OF INCOME***(In Thousands, except per share amounts)*

	Year Ended December 31,		
	2009	2008	2007
Business development costs	\$ (2,012)	\$ (1,589)	\$ (1,451)
Interest income	4,131	4,543	6,045
Other income (deductions)	(2,380)	(185)	(93)
Income before equity in earnings of subsidiaries and income taxes	(261)	2,769	4,501
Equity in earnings of subsidiaries	44,298	32,859	38,275
Income before income taxes	44,037	35,628	42,776
Income taxes	553	547	140
<b>Net Income</b>	<b>\$ 43,484</b>	<b>\$ 35,081</b>	<b>\$ 42,636</b>
<b>Common Stock:</b>			
Average shares outstanding			
Basic	15,775	15,768	15,762
Diluted	15,881	15,805	15,779
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

**SCHEDULE I - CONDENSED FINANCIAL INFORMATION  
CH ENERGY GROUP - (PARENT COMPANY ONLY)****STATEMENT OF CASH FLOWS***(In Thousands)*

	Year Ended December 31,		
	2009	2008	2007
<b>Operating Activities:</b>			
Net income	\$ 43,484	\$ 35,081	\$ 42,636
Equity in earnings of subsidiary companies	(45,092)	(32,859)	(38,275)
<b>Changes in current assets and liabilities:</b>			
Cash dividends received from subsidiaries	5,000	3,250	18,500
Accrued taxes	(493)	3,001	(2,999)
Other - net	220	378	539
<b>Net cash flows provided by operating activities</b>	<b>3,119</b>	<b>8,851</b>	<b>20,401</b>
<b>Investing Activities:</b>			
Investment in subsidiaries	30,950	29,854	(40,060)
Purchase of short-term investments	-	-	(69,293)
Proceeds from issuance of long-term debt	50,000	-	-
Proceeds from sale of short-term investments	-	3,545	108,359
<b>Net cash flows provided by/(used in) investing activities</b>	<b>80,950</b>	<b>33,399</b>	<b>(994)</b>
<b>Financing Activities:</b>			
Cash dividends on common shares	(34,107)	(34,081)	(34,046)
<b>Net cash flows used in financing activities</b>	<b>(34,107)</b>	<b>(34,081)</b>	<b>(34,046)</b>
<b>Net change in cash and cash equivalents</b>	<b>49,962</b>	<b>8,169</b>	<b>(14,639)</b>
Cash and cash equivalents - beginning of the year	11,329	3,160	17,799
<b>Cash and cash equivalents - end of the year</b>	<b>\$ 61,291</b>	<b>\$ 11,329</b>	<b>\$ 3,160</b>

**SCHEDULE I - CONDENSED FINANCIAL INFORMATION  
CH ENERGY GROUP - (PARENT COMPANY ONLY)****BALANCE SHEET***(In Thousands)*

	<u>December 31,</u> 2009	<u>December 31,</u> 2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 61,291	\$ 11,329
Prepaid income tax	1,863	-
Prepayments	808	266
Accounts receivable from subsidiaries	362	775
Other	26	13
Total Current Assets	<u>64,350</u>	<u>12,383</u>
<b>Other Assets</b>		
Investments in subsidiaries	528,743	520,150
Total Other Assets	<u>528,743</u>	<u>520,150</u>
Total Assets	<u>\$ 593,093</u>	<u>\$ 532,533</u>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization</b>		
Common stock	\$ 1,686	\$ 1,686
Paid-in capital	350,483	350,873
Retained earnings	225,999	216,634
Treasury stock	(44,406)	(45,386)
Accumulated other comprehensive income	184	55
Capital stock expense	(328)	(328)
Total Capitalization	<u>533,618</u>	<u>523,534</u>
<b>Current Liabilities</b>		
Dividends payable	8,534	8,523
Accounts payable	511	36
Accrued taxes	-	440
Accrued interest	430	-
Total Current Liabilities	<u>9,475</u>	<u>8,999</u>
<b>Long Term Liabilities</b>		
Private Placement Debt	50,000	-
Total Long Term Liabilities	<u>50,000</u>	<u>-</u>
Total Capitalization and Liabilities	<u>\$ 593,093</u>	<u>\$ 532,533</u>

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**NOTE 1 - BASIS OF PRESENTATION**

CH Energy Group (Parent Company only) has accounted for wholly owned subsidiaries using the equity method. These financial statements are presented on a condensed basis. Additional disclosures relating to the parent company financial statements are included under the combined notes to our financial statements under Part II, Item 8, of this report.

**SCHEDULE II - RESERVES - CH ENERGY GROUP***(In Thousands)*

Description	Balance at Beginning of Period	Charged to Cost and Expenses	Charged to Other Accounts	Payments and Other Reductions to Reserves	Balance at End of Period
<b>YEAR ENDED DECEMBER 31, 2009</b>					
Operating Reserves	\$ 5,155	\$ 1,265	\$ 125	\$ 1,789	\$ 4,756
Reserve for Uncollectible Accounts	\$ 8,816	\$ 11,515	\$ 2,453	\$ 15,048	\$ 7,736
<b>YEAR ENDED DECEMBER 31, 2008</b>					
Operating Reserves	\$ 5,212	\$ 1,834	\$ 165	\$ 2,056	\$ 5,155
Reserve for Uncollectible Accounts	\$ 4,829	\$ 12,470	\$ -	\$ 8,483	\$ 8,816
<b>YEAR ENDED DECEMBER 31, 2007</b>					
Operating Reserves	\$ 4,906	\$ 1,879	\$ 65	\$ 1,638	\$ 5,212
Reserve for Uncollectible Accounts	\$ 5,761	\$ 5,853	\$ -	\$ 6,785	\$ 4,829

**SCHEDULE II - RESERVES - CENTRAL HUDSON***(In Thousands)*

Description	Balance at Beginning of Period	Charged to Cost and Expenses	Charged to Other Accounts	Payments and Other Reductions to Reserves	Balance at End of Period
<b>YEAR ENDED DECEMBER 31, 2009</b>					
Operating Reserves	\$ 3,898	\$ 713	\$ 125	\$ 1,233	\$ 3,503
Reserve for Uncollectible Accounts	\$ 4,000	\$ 8,833	\$ 3,327	\$ 10,360	\$ 5,800
<b>YEAR ENDED DECEMBER 31, 2008</b>					
Operating Reserves	\$ 4,243	\$ 921	\$ 165	\$ 1,431	\$ 3,898
Reserve for Uncollectible Accounts	\$ 2,761	\$ 7,892	\$ -	\$ 6,653	\$ 4,000
<b>YEAR ENDED DECEMBER 31, 2007</b>					
Operating Reserves	\$ 3,936	\$ 991	\$ 65	\$ 749	\$ 4,243
Reserve for Uncollectible Accounts	\$ 3,800	\$ 4,850	\$ -	\$ 5,889	\$ 2,761

**ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A - CONTROLS AND PROCEDURES**

The Chief Executive Officer and Chief Financial Officer of CH Energy Group and Central Hudson evaluated the effectiveness of the disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Annual Report on Form 10-K and based on the evaluation, concluded that, as of the end of the period covered by this Annual Report on Form 10-K, the Registrants' controls and procedures are effective.

For additional discussion, see the Report of Independent Registered Public Accounting Firm and the Report of Management on Internal Control Over Financial Reporting included in this 10-K Annual Report.

**ITEM 9B - OTHER INFORMATION**

None.

**PART III****ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF CH ENERGY GROUP**

Other information required hereunder for Directors and executive officers of CH Energy Group is incorporated by reference to the CH Energy Group's definitive proxy statement ("Proxy Statement"), which will be filed with the SEC.

The information on those Directors of CH Energy Group standing for election by shareholders at the Annual Meeting of Shareholders to be held on April 27, 2010, is incorporated by reference to the caption "Election of Directors" in the Proxy Statement.

The information on the executive officers of CH Energy Group required hereunder is incorporated by reference to Item 1 - "Business" of this 10-K Annual Report under the caption "Executive Officers."

CH Energy Group has adopted a Code of Business Conduct and Ethics ("Code"). Section II of the Code, in accordance with Section 406 of the Sarbanes-Oxley Act and Item 406 of Regulation S-K, constitutes CH Energy Group's Code of Ethics for Senior Financial Officers. This section, in conjunction with the remainder of the Code, is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters. A copy of the Code is available on CH Energy Group's Internet website at [www.CHEnergyGroup.com](http://www.CHEnergyGroup.com).

If CH Energy Group's Board of Directors materially amends or grants any waivers to Section II of the Code relating to issues concerning the need to resolve ethically any actual or apparent conflicts of interest, and to comply with all generally accepted accounting principles, laws and regulations designed to produce full, fair, accurate, timely, and understandable disclosure in CH Energy Group's periodic reports filed with the SEC, CH Energy Group will post such information on its Internet website at [www.CHEnergyGroup.com](http://www.CHEnergyGroup.com).

CH Energy Group's governance guidelines, Code, and the charters of its Audit, Compensation, Governance and Nominating, and Strategy and Finance Committees are available on CH Energy Group's Internet website at [www.CHEnergyGroup.com](http://www.CHEnergyGroup.com).

The governance guidelines, the Code, and the charters may also be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

**ITEM 11 - EXECUTIVE COMPENSATION**

The information required hereunder for Directors and executive officers of CH Energy Group is incorporated by reference to the section captioned "Executive Compensation" of the Proxy Statement.

**ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS****Equity-Based Compensation Plan Information**

The following table sets forth information concerning CH Energy Group's compensation plans (including individual compensation arrangements) as of December 31, 2009, under which equity securities of CH Energy Group are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity-based compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	35,980 <sup>(1)</sup>	\$ 46.27	143,619 <sup>(2)</sup>
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>35,980</b>	<b>\$ 46.27</b>	<b>143,619</b>

(1) This includes only stock options granted under the 2000 Plan.

(2) Pertains to the 2006 Plan only, and excludes 112,210 performance shares and 44,171 restricted shares and share units (including re-invested dividends) granted under the 2006 Plan through December 31, 2009. Effective April 25, 2006, securities can no longer be issued under the 2000 Plan.

The information required hereunder regarding equity ownership in CH Energy Group by its Directors and executive officers is incorporated by reference to the section captioned "Beneficial Ownership" of the Proxy Statement.

**ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

See Note 1 - "Summary of Significant Accounting Policies" under the caption "Related Party Transactions." The information required hereunder regarding Director independence is incorporated by reference to the section captioned "Director Independence" of the Proxy Statement.

**ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item regarding CH Energy Group's Audit Committee's policies and procedures and annual fees rendered to CH Energy Group's principal accountants is incorporated by reference to the Report of the Audit Committee and to the caption "Principal Accountant Fees and Services," both of which are included in the Proxy Statement.

The following information is provided for Central Hudson:

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

PricewaterhouseCoopers LLP	2009	2008
Audit Fees	\$ 785,969	\$ 758,441
Tax Fees		
Includes review of federal and state income tax returns and tax research	10,700	14,200
All Other Fees		
Includes software licensing fee for accounting research tool	-	750
<b>TOTAL</b>	<b>\$ 796,669</b>	<b>\$ 773,391</b>

**PART IV**

**ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as part of this 10-K Annual Report

1. and 2. All Financial Statements and Financial Statement Schedules filed as part of this 10-K Annual Report are included in Item 8 - "Financial Statements and Supplementary Data" of this 10-K Annual Report and reference is made thereto.

3. Exhibits

Incorporated herein by reference to the Exhibit Index for this 10-K Annual Report, which is located immediately after the signature pages to this report.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, CH Energy Group, Inc. and Central Hudson Gas & Electric Corporation have duly caused this 10-K Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CH ENERGY GROUP, INC.

By           /s/ Steven V. Lant            
          Steven V. Lant  
          Chairman of the Board,  
          President and  
          Chief Executive Officer

Dated: February 10, 2010

CENTRAL HUDSON GAS &  
ELECTRIC CORPORATION

By           /s/ Steven V. Lant            
          Steven V. Lant  
          Chairman of the Board and  
          Chief Executive Officer

Dated: February 10, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this 10-K Annual Report has been signed below by the following persons on behalf of CH Energy Group, Inc. and Central Hudson Gas & Electric Corporation and in the capacities and on the date indicated:

Signature	Title	Date
(a) Principal Executive Officer:		
<u>/s/ Steven V. Lant</u> (Steven V. Lant)	Chairman of the Board, President and Chief Executive Officer of CH Energy Group, Inc. and Chairman of the Board and Chief Executive Officer of Central Hudson Gas & Electric Corporation	February 10, 2010
(b) Principal Accounting Officer:		
<u>/s/ Kimberly J. Wright</u> (Kimberly J. Wright)	Vice President - Accounting and Controller of CH Energy Group, Inc.; Controller of Central Hudson Gas & Electric Corporation	February 10, 2010
(c) Principal Financial Officer:		
<u>/s/ Christopher M. Capone</u> (Christopher M. Capone)	Executive Vice President and Chief Financial Officer of CH Energy Group, Inc. and Central Hudson Gas & Electric Corporation	February 10, 2010



EXHIBIT INDEX

Following is the list of Exhibits, as required by Item 601 of Regulation S-K, filed as a part of this Annual Report on Form 10-K, including Exhibits incorporated herein by reference:

Exhibit No.  
(Regulation S-K  
Item 601  
Designation)

Exhibits

- 
- (2) Plan of Acquisition, reorganization, arrangement, liquidation or succession:
- (i) Certificate of Exchange of Shares of Central Hudson Gas & Electric Corporation, subject corporation, for shares of CH Energy Group, Inc., acquiring corporation, under Section 913 of the Business Corporation Law of the State of New York. (Incorporated herein by reference to Energy Group's Annual Report, on Form 10-K, for the fiscal year ended December 31, 2000; Exhibit 2(i))
  - (ii) Agreement and Plan of Exchange by and between Central Hudson Gas & Electric Corporation and CH Energy Group, Inc. (Incorporated herein by reference to Central Hudson's Current Report on Form 8-K dated December 15, 1999; Exhibit 2.1)
- (3) Articles of Incorporation and Bylaws:
- (i) Restated Certificate of Incorporation of CH Energy Group, Inc. under Section 807 of the Business Corporation Law, filed November 12, 1998. (Incorporated herein by reference to Central Hudson's Current Report on Form 8-K filed on November 18, 2009; Exhibit 3(i).1)
  - (ii) By-laws of CH Energy Group, Inc. in effect on the date of this Report. (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K filed on November 18, 2009; Exhibit 3(ii).1)
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- (iii) Composite Restated Certificate of Incorporation of Central Hudson Gas & Electric Corporation, as amended, through October 8, 1993 dated May 2, 2008 (Incorporated herein by reference to Central Hudson's Quarterly Report on 10-Q for the fiscal quarter ended March 31, 2008; Exhibit 3(iii)(1)).
  - (iv) By-laws of Central Hudson Gas & Electric Corporation in effect on the date of this Report. (Incorporated herein by reference to Central Hudson's Current Report on Form 8-K filed on January 5, 2010; Exhibit 3(ii).1)
- (4) Instruments defining the rights of security holders, including indentures (see also Exhibits (3)(i) and (ii) above):
- (i) 1-- Indenture, dated as of April 1, 1992, between Central Hudson and U.S. Bank Trust National Association (formerly known as First Trust of New York, National Association) (as successor trustee to Morgan Guaranty Trust Company of New York), as Trustee related to unsecured Medium-Term Notes.
  - (ii) 2-- Prospectus Supplement dated March 20, 2002 (to Prospectus dated March 14, 2002) relating to \$100,000,000 principal amount of Medium-Term Notes, Series D, and the Prospectus Dated March 14, 2002, relating to \$100,000,000 principal amount of Central Hudson's debt securities attached thereto, as filed pursuant to Rule 424(b) in connection with Registration Statement No. 33-83542, and, as applicable to a tranche of such Medium-Term Notes, each of the following:
    - (a) Pricing Supplement No. 2, dated March 25, 2002, as filed pursuant to Rule 424(b).
    - (b) Pricing Supplement No. 3, dated September 17, 2003, as filed pursuant to Rule 424(b).
    - (c) Pricing Supplement No. 4, dated February 24, 2004, as filed pursuant to Rule 424(b).
-

- (ii) 3-- Prospectus Supplement dated October 28, 2004 (to Prospectus dated October 22, 2004) relating to \$85,000,000 principal amount of Medium-Term Notes, Series E, and the Prospectus dated October 22, 2004, relating to \$85,000,000 principal amount of Central Hudson's debt securities attached thereto, as filed pursuant to Rule 424(b) in connection with Registration Statement No. 333-116286, and, as applicable to a tranche of such Medium-Term Notes, each of the following:
    - (a) Pricing Supplement No. 1, dated October 29, 2004, as filed pursuant to Rule 424(b).
    - (b) Pricing Supplement No. 2, dated November 2, 2004, as filed pursuant to Rule 424(b).
    - (c) Pricing Supplement No. 3, dated November 30, 2005, as filed pursuant to Rule 424(b).
    - (d) Pricing Supplement No. 4, dated November 17, 2006, as filed pursuant to Rule 424(b).
  
  - (ii) 4-- Prospectus Supplement dated March 20, 2007 (to Prospectus dated December 1, 2006) relating to \$140,000,000 principal amount of Medium-Term Notes, Series F, and the Prospectus dated December 1, 2006 relating to \$140,000,000 principal amount of Central Hudson's debt securities attached thereto, as filed on March 20, 2007, pursuant to Rule 424(b) in connection with Registration Statement No. 333-138510, and, as applicable to a tranche of such Medium-Term Notes, each of the following:
    - (a) Pricing Supplement No. 1, Dated March 20, 2007 filed on March 21, 2007, pursuant to Rule 424(b).
    - (b) Pricing Supplement No. 2, Dated September 14, 2007 filed on September 14, 2007, pursuant to Rule 424(b).
    - (c) Pricing Supplement No. 3, Dated November 18, 2008 filed on November 18, 2008, pursuant to Rule 424(b).
    - (d) Pricing Supplement No. 4, Dated September 30, 2009 filed on October 1, 2009, pursuant to Rule 424(b).
-

- (ii) 5 – Note Purchase Agreement, dated as of April 17, 2009, between CH Energy Group and the purchasers of its 6.58% Senior Notes, Series A, due April 17, 2014 (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K, filed April 20, 2009; Exhibit 10.1)
- (ii) 6 – Guaranty Agreement by Central Hudson Enterprises Corporation dated as of April 17, 2009 (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K, filed April 20, 2009; Exhibit 10.2)
- (ii) 7 – Supplemental Note Purchase Agreement, dated as of December 15, 2009, between CH Energy Group and the purchasers of its 6.8% Senior Notes, Series B, due December 11, 2025 (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K, filed December 16, 2009; Exhibit 10.2)
- (ii) 8 -- Central Hudson and another subsidiary of Energy Group have entered into certain other instruments with respect to long-term debt. No such instrument relates to securities authorized thereunder which exceed 10% of the total assets of Energy Group and its other subsidiaries or Central Hudson, as the case may be, each on a consolidated basis. Energy Group and Central Hudson agree to provide the Commission, upon request, copies of any instruments defining the rights of holders of long-term debt of Central Hudson and such other subsidiary.

(10)

Material contracts:

- (i) 1-- General Joint Use Pole Agreement between Central Hudson and the New York Telephone Company effective January 1, 1986 (not including the Administrative and Operating Practices provisions thereof). (Incorporated herein by reference to Central Hudson's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1992; Exhibit (10)(i)37)
  - (i) 2-- Amended and Restated Credit Agreement effective as of January 2, 2007 among Central Hudson, certain lenders described therein and JPMorgan Chase Bank, N.A., as arranger and administrative agent. (Incorporated herein by reference to Central Hudson's Current Report on Form 8-K filed on December 20, 2006; Exhibit 1)
-

- (i) 3-- Second Amendment with Respect to the Amended and Restated Credit Agreement among Central Hudson, certain lenders described therein and JPMorgan Chase Bank, N.A., as arranger and administrative agent. (Incorporated herein by reference to Central Hudson's Current Report on Form 8-K filed on February 6, 2008; Exhibit 10.1)
  - (i) 4-- Distribution Agreement dated March 19, 2007 between the Company, and Banc of America Securities LLC, J.P. Morgan Securities Inc. and McDonald Investments Inc., as agents. (Incorporated herein by reference to Central Hudson's Current Report on Form 8-K filed on March 19, 2007; Exhibit 1)
  - (i) 5-- Amended and Restated Credit Agreement among CH Energy Group, Inc., Central Hudson Enterprises Corporation and Certain Lending Institutions (Keybank National Association, JP Morgan Chase Bank, N.A., Bank of America, N.A., and HSBC Bank USA) dated February 21, 2008. (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K filed on February 26, 2008; Exhibit 10.1)
  - (i) 6-- Amendment No. 1 to the Amended and Restated Credit Agreement among CH Energy Group, Inc., Central Hudson Enterprises Corporation and Certain Lending Institutions (Keybank National Association, JP Morgan Chase Bank, N.A., Bank of America, N.A., and HSBC Bank USA) dated February 4, 2009. (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K filed on February 6, 2009; Exhibit 10.1)
  - (i) 7-- Promissory Note of Central Hudson Gas & Electric Corporation, dated April 23, 2008, payable to the order of JPMorgan Chase Bank, N.A. (Incorporated herein by reference to CH Energy Group's Annual Report on Form 10-K for the year ended December 31, 2008; Exhibit (10)(i)7)
  - (i) 8 -- Promissory Note of Central Hudson Gas & Electric Corporation, dated February 20, 2008, payable to the order of Bank of America, N.A. (Incorporated herein by reference to CH Energy Group's Annual Report on Form 10-K for the year ended December 31, 2008; Exhibit (10)(i)8)
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- (iii) <sup>1</sup> 1-- Trust and Agency Agreement, dated December 15, 1999 and effective January 1, 2000, between the Corporation and First America Trust Company for the Corporation's Directors and Executives Deferred Compensation Plan. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the fiscal year ended December 31, 1999; Exhibit (10)(iii)26)
- (iii) 2-- Amendment to CH Energy Group, Inc. Directors and Executives Deferred Compensation Plan Trust Agreement (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the fiscal year ended December 31, 2003; Exhibit (10)(iii)29)
- (iii) 3-- Amended and Restated CH Energy Group, Inc. Directors and Executives Deferred Compensation Plan (Part One), Effective September 26, 2003. (Incorporated herein by reference to Energy Group's Form S-8 filed on October 30, 2003; Exhibit (10)(iii)26)
- (iii) 4-- Amendment to CH Energy Group, Inc. Directors and Executives Deferred Compensation Plan. (Incorporated herein by reference to Energy Group's Current Report on Form 8-K filed on June 1, 2006; Exhibit (10)(iii)44)
- (iii) 5-- Amended and Restated CH Energy Group, Inc. Directors and Executives Deferred Compensation Plan (Part Two), effective as of January 1, 2008, (dated December 31, 2007). (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)31)
- (iii) 6-- Amendment and Restatement of Central Hudson Gas & Electric Corporation Retirement Benefit Restoration Plan (Part One) effective June 22, 2001. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K, for the fiscal year ended December 31, 2001; Exhibit (10)(iii)24)
- (iii) 7-- Amendment to Central Hudson Gas & Electric Corporation Retirement Benefit Restoration Plan. (Incorporated herein by reference to Energy Group's Current Report on Form 8-K filed on December 21, 2005; Exhibit (10)(iii)42)

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<sup>1</sup> Exhibits in Part (iii) of this Section 10 are management contracts and compensatory plans and arrangements.

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- (iii) 8-- Amended and Restated Central Hudson Gas & Electric Corporation Retirement Benefit Restoration Plan (Part Two) effective as of January 1, 2008. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)39)
  - (iii) 9-- Amended and Restated CH Energy Group, Inc. Supplemental Executive Retirement Plan effective as of January 1, 2008. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)37)
  - (iii) 10-- Amendment to CH Energy Group, Inc. Supplemental Executive Retirement Plan. (Incorporated herein by reference to CH Energy Group's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008; Exhibit (10)(iii)1)
  - (iii) 11-- Amendment No. 1, effective January 1, 2001, to Energy Group's Long-Term Performance-Based Incentive Plan. (Incorporated herein by reference to Energy Group's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001; Exhibit (10)(iii)1)
  - (iii) 12-- Amendment No. 2, effective January 1, 2002, to Energy Group's Long-Term Performance-Based Incentive Plan. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K, for the fiscal year ended December 31, 2001; Exhibit (10)(iii)20)
  - (iii) 13-- Amendment to CH Energy Group, Inc. Long-Term Performance-Based Incentive Plan, dated October 24, 2003, effective as of September 26, 2003. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K, for the fiscal year ended December 31, 2003; Exhibit (10)(iii)28)
  - (iii) 14-- Amendment to CH Energy Group, Inc. Long-Term Performance-Based Incentive Plan effective as of December 31, 2007. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)35)
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- (iii) 15-- CH Energy Group, Inc. Long-Term Equity Incentive Plan, effective as of April 25, 2006. (Incorporated herein by reference to Appendix A to Energy Group's proxy statement filed on March 10, 2006; Appendix A)
  - (iii) 16-- Amendment to CH Energy Group, Inc. Long-Term Equity Incentive Plan effective as of December 31, 2007. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)36)
  - (iii) 17-- Form of CH Energy Group, Inc. Performance Shares Agreement. (Incorporated herein by reference to Energy Group's Current Report on Form 8-K filed on April 28, 2006; Exhibit (10)(iii)43)
  - (iii) 18-- Amendment to CH Energy Group, Inc. Performance Shares Agreements, effective as of January 1, 2008. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)41)
  - (iii) 19-- Form of CH Energy Group, Inc. Performance Shares Agreement. (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K filed on January 30, 2008; Exhibit 10.1)
  - (iii) 20-- Form of CH Energy Group, Inc. Performance Shares Agreement. (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K filed on January 26, 2009; Exhibit 10.1)
  - (iii) 21-- Form of CH Energy Group, Inc. Restricted Shares Agreement (for employees of Griffith Energy Services, Inc.) (Incorporated herein by reference to CH Energy Group's Quarterly Report on 10-Q for the fiscal quarter ended March 31, 2008; Exhibit (10)(iii)3)
  - (iii) 22-- Form of CH Energy Group, Inc. Restricted Shares Agreement (for officers of Central Hudson Enterprises Corporation) (Incorporated herein by reference to CH Energy Group's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008; Exhibit (10)(iii)4)
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- (iii) 23-- Form of CH Energy Group, Inc. Restricted Stock Unit Agreement (Long-Term Equity Incentive Plan) (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K filed on November 17, 2009; Exhibit 10.1)
  - (iii) 24-- Amended and Restated Employment Agreement between CH Energy Group, Inc. and the Chief Executive Officer effective as of January 1, 2008. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)32)
  - (iii) 25-- Amended and Restated Employment Agreement between CH Energy Group, Inc. and the three most senior executives (after Chief Executive Officer) effective as of January 1, 2008. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)33)
  - (iii) 26-- Amended and Restated Employment Agreement between CH Energy Group, Inc. and the other executive officers effective as of January 1, 2008. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)34)
  - (iii) 27-- Amended and Restated Employment Agreement between CH Energy Group, Inc. and Griffith Energy Services, Inc. executive effective as of January 1, 2008. (Incorporated herein by reference to CH Energy Group's Annual Report on Form 10-K for the year ended December 31, 2007; Exhibit (10)(iii)42)
  - (iii) 28-- Employment Agreement between CH Energy Group, Inc. and James P. Laurito, dated as of November 16, 2009. (Incorporated herein by reference to CH Energy Group's Annual Report on Form 10-K for the year ended December 31, 2009, Exhibit (10)(iii)28)
  - (iii) 29-- Form of Amendment to Employment Agreement with executive officers, effective December 31, 2008. (Incorporated herein by reference to CH Energy Group's Annual Report on Form 10-K for the year ended December 31, 2008; Exhibit (10)(iii)28)
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- (iii) 30-- Employment Agreement, dated October 1, 2009, between CH Energy Group, Inc. and John E. Gould. (Incorporated herein by reference to CH Energy Group's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009; Exhibit (10)(iii)1)
  - (iii) 31-- Amended and Restated CH Energy Group, Inc. Short-Term Incentive Plan. (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K filed on May 27, 2009; Exhibit 10.1)
  - (iii) 32-- Form of CH Energy Group, Inc. Indemnification Agreement (for officers of CH Energy Group, Inc.) (Incorporated herein by reference to CH Energy Group's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009; Exhibit (10)(iii)1)
  - (iii) 33-- Form of Central Hudson Gas & Electric Corporation Indemnification Agreement (for officers of Central Hudson Gas & Electric Corporation) (Incorporated herein by reference to CH Energy Group's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009; Exhibit (10)(iii)2)
  - (iii) 34-- Form of Central Hudson Enterprises Corporation Indemnification Agreement (for officers of Central Hudson Enterprises Corporation) (Incorporated herein by reference to CH Energy Group's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009; Exhibit (10)(iii)3)
  - (iii) 35-- Agreement, dated as of April 27, 2009, by and between CH Energy Group, Inc. and GAMCO Asset Management Inc. (Incorporated herein by reference to CH Energy Group's Current Report on Form 8-K, filed April 29, 2009; Exhibit 10.1)
- (12) (i)-- CH Energy Group Statement showing the computation of the ratio of earnings to fixed charges.
- (ii)-- Central Hudson Statement showing the computation of the ratio of earnings to fixed charges and ratio of earnings to fixed charges and preferred dividends.
- (21)-- Subsidiaries of Energy Group and Central Hudson as of December 31, 2008.
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(23)-- Consents of Independent Registered Public Accounting Firm.

1-- Consents of Independent Registered Public Accounting Firm for incorporation by reference of Energy Group Inc.'s Registration Statements on Form S-3 and S-8.

2-- Consents of Independent Registered Public Accounting Firm for incorporation by reference of Central Hudson Gas & Electric Corporation's Registration Statement on Form S-3.

(24)-- Powers of Attorney:

(i) 1-- Powers of Attorney for each of the directors comprising a majority of the Board of Directors of Energy Group authorizing execution and filing of this Annual Report on Form 10-K by Steven V. Lant.

(i) 2-- Powers of Attorney for each of the directors comprising a majority of the Board of Directors of Central Hudson authorizing execution and filing of this Annual Report on Form 10-K by Steven V. Lant.

(31)-- Rule 13a-14(a)/15d-14(a) Certifications.

(32)-- Section 1350 Certifications.

(99)-- Additional Exhibits:

(i) 1-- Order on Consent signed on behalf of the New York State Department of Environmental Conservation and Central Hudson relating to Central Hudson's former manufactured gas site located in Newburgh, New York. (Incorporated herein by reference to Central Hudson's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1995; Exhibit (99)(i)5)

(i) 2-- Summary of principal terms of the Amended and Restated Settlement Agreement, dated January 2, 1998, among Central Hudson, the Staff of the Public Service Commission of the State of New York and the New York State Department of Economic Development. (Incorporated herein by reference to Central Hudson's Current Report on Form 8-K, dated January 7, 1998; Exhibit (99)2)

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- (i) 3-- Order of the Public Service Commission of the State of New York, issued and effective February 19, 1998, adopting the terms of Central Hudson's Amended Settlement Agreement, subject to certain modifications and conditions. (Incorporated herein by reference to Central Hudson's Current Report on Form 8-K, dated February 10, 1998; Exhibit (10)1)
  
  - (i) 4-- Order of the Public Service Commission of the State of New York, issued and effective June 30, 1998, explaining in greater detail and reaffirming its Abbreviated Order, issued and effective February 19, 1998, which February 19, 1998 Order modified, and as modified, approved the Amended and Restated Settlement Agreement, dated January 2, 1998, entered into among Central Hudson, the PSC Staff and others as part of the PSC's "Competitive Opportunities" proceeding (ii) the Order, dated June 24, 1998, of the Federal Energy Regulatory Commission conditionally authorizing the establishment of an Independent System Operator by the member systems of the New York Power Pool and (iii) disclosing, effective August 1, 1998, Paul J. Ganci's appointment by Central Hudson's Board of Directors as President and Chief Executive Officer and John E. Mack III's formerly Chairman of the Board and Chief Executive Officer) continuation as Chairman of the Board. (Incorporated herein by reference to Central Hudson's Current Report on Form 8-K, dated July 24, 1998; Exhibit (10)1)
  
  - (i) 5-- Order of the Public Service Commission of the State of New York, issued and effective October 3, 2002, authorizing the implementation of the Economic Development Program. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K, for the fiscal year ended December 31, 2002; Exhibit (99)(i)10)
  
  - (i) 6-- Order of the Public Service Commission of the State of New York, issued and effective October 25, 2002, authorizing the establishment of a deferred accounting plan for site identification and remediation costs relating to Central Hudson's seven former manufactured gas plants. (Incorporated herein by reference to Energy Group's Annual Report on Form 10-K, for the fiscal year ended December 31, 2002; Exhibit (99)(i)11)
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## EMPLOYMENT AGREEMENT

AGREEMENT by and between CH Energy Group Inc. ("Energy Group"), a New York corporation, and James P. Laurito (the "Executive"), dated as of the 16th day of November, 2009.

The Board of Directors of Energy Group (the "Board") has determined that it is in the best interests of Energy Group and its shareholders to assure that Energy Group will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of Energy Group. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to Energy Group currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused Energy Group to enter into this Agreement with the Executive.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. This Employment Agreement shall be between Energy Group and the Executive named above for all periods during which the Executive serves in the capacity as an officer of Energy Group or any of its affiliated companies.

2. Certain Definitions.

(a) As used in this Agreement, "Energy Group" shall mean CH Energy Group, Inc. as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(b) As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with Energy Group.

(c) "Effective Date" means the first date during the Change of Control Period (as defined in Section 2(d)) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if (i) the Executive's employment with Energy Group is terminated by Energy Group, (ii) the Date of Termination is prior to the date on which a Change of Control occurs, and (iii) it is reasonably demonstrated by the Executive that such termination of employment (A) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement, the "Effective Date" means the date immediately prior to such Date of Termination, and the Executive shall be entitled to all payments and benefits under this Agreement as though the Executive had been terminated without Cause (as defined herein) during the Employment Period.

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(d) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the following July 31, which July 31 and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date". Unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate one year from such Renewal Date. Notwithstanding the foregoing, this Agreement may be terminated by either the Executive or Energy Group or any of its affiliated companies at any time prior to the Effective Date by providing 60 days' written notice to the other party, in which case the Executive shall have no further rights under this Agreement; provided, that such a notice shall be null and void if it is reasonably demonstrated by the Executive that such notice was given (i) at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise in connection with or anticipation of a Change of Control.

(e) The "Multiple" shall mean (i) three if the Executive's Date of Termination (as defined herein) occurs on or prior to the first anniversary of the Effective Date, (ii) two if the Executive's Date of Termination occurs after the first anniversary of the Effective Date but on or prior to the second anniversary of the Effective Date, and (iii) one if the Executive's Date of Termination occurs after the second anniversary of the Effective Date but on or prior to the third anniversary of the Effective Date.

3. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (x) the then outstanding shares of common stock of Energy Group (the "Outstanding Energy Group Common Stock") or (y) the combined voting power of the then outstanding voting securities of Energy Group entitled to vote generally in the election of directors (the "Outstanding Energy Group Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from Energy Group, (ii) any acquisition by Energy Group, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Energy Group or its affiliated companies or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 3; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Energy Group's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Energy Group (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Energy Group Common Stock and Outstanding Energy Group Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Energy Group or all or substantially all of Energy Group's assets either directly or through one or more of its affiliated companies) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Energy Group Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of Energy Group or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business combination; or

(d) Approval by the shareholders of Energy Group of a complete liquidation or dissolution of Energy Group.

4. Employment Period. Energy Group hereby agrees to continue, or cause to be continued, the Executive in its employ, or in the employ of any of its affiliated companies, and the Executive hereby agrees to remain in the employ of Energy Group or any of its affiliated companies subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of such date (the "Employment Period").

5. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, the Executive's authority, duties and responsibilities shall, in the aggregate, be at least commensurate in all material respects with the most significant of those exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, and neither a reduced scope of the Executive's responsibilities resulting from the fact that the Change of Control has created a larger organization, nor a change in the Executive's position (including status, offices, titles and reporting requirements) shall be the sole basis for determining whether the requirements of this Section 5(a)(i) are met.

(ii) During the Employment Period, the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 50 miles from such location.

(iii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of Energy Group or any of its affiliated companies and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to serve on civic or charitable boards or committees, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of Energy Group or any of its affiliated companies in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to Energy Group or any of its affiliated companies.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by Energy Group or any of its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as used in this Agreement shall refer to Annual Base Salary as so increased.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the average of the bonuses payable under Energy Group's Executive Annual Incentive Plan, if applicable, or any comparable annual bonus under any predecessor or successor plan, for the last three full fiscal years prior to the Effective Date, or if the Executive was eligible to earn such a bonus for less than the last three full fiscal years, for the fiscal years during which the Executive was eligible to earn such a bonus immediately prior to the Effective Date (annualized in the event that the Executive was not employed by Energy Group or its affiliated companies (or was not eligible to earn such a bonus) for the whole of each such fiscal year) (the "Average Annual Bonus"). If the Executive was not eligible to earn such an annual bonus for any fiscal year ending on or before the Effective Date, then the Average Annual Bonus shall be deemed to equal the Executive's target annual bonus as in effect immediately prior to the Effective Date. Each such Annual Bonus shall be paid no later than two and one-half months after the end of the fiscal year next following the fiscal year for which the Annual Bonus is awarded.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of Energy Group or its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by Energy Group or its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of Energy Group or its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by Energy Group or its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of Energy Group or its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of Energy Group or its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of Energy Group or any of its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of Energy Group or any of its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of Energy Group or any of its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of Energy Group or any of its affiliated companies.

(vii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of Energy Group or any of its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of Energy Group or any of its affiliated companies.

(viii) Certain Exclusions. In determining the benefits provided in subclauses (i) through and including (viii) of this paragraph (b), there shall be excluded from consideration any such benefits provided by any of the affiliated companies during the measuring periods, if any, referred to in such subclauses if Energy Group has elected not to enter into Employment Agreements (of this Type) with executives of such affiliated companies.

6. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If Energy Group or any of its affiliated companies determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 16(b) of this Agreement of its intention to terminate the Executive's employment; provided that such notice is provided no later than 9 months following the Executive's first day of Disability. In such event, the Executive's employment with Energy Group or any of its affiliated companies shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with Energy Group or any of its affiliated companies on a full-time basis for at least 180 consecutive business days as a result of any medically determinable physical or mental impairment resulting in the Executive's inability to perform the duties of his position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six months. The determination of Disability shall be made by a physician selected by Energy Group or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Executive's employment during the Employment Period may be terminated for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with Energy Group or any of its affiliated companies (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of Energy Group which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties;

- (ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to Energy Group or any of its affiliated companies;
- (iii) the repeated use of alcohol by the Executive that materially interferes with Executive's duties, use of illegal drugs by the Executive, or a violation by the Executive of the drug and/or alcohol policies of Energy Group or any of its affiliated companies;
- (iv) a conviction, guilty plea or plea of *nolo contendere* of the Executive for any crime involving moral turpitude or for any felony;
- (v) a breach by the Executive of his fiduciary duties of loyalty or care to Energy Group or any of its affiliated companies or a material violation of the Code of Business Conduct and Ethics, or similar policies, of Energy Group or any of its affiliated companies; or
- (vi) the breach by the Executive of the confidentiality provision set forth in Section 11(a) hereof.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of Energy Group or any of its affiliated companies. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of Energy Group or any of its affiliated companies based upon the advice of counsel for Energy Group shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of Energy Group or any of its affiliated companies. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) through and including (vi) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

- (i) any material reduction in the Executive's authority, duties or responsibilities that is not permitted by Section 5(a)(i) of this Agreement, without the Executive's written consent, excluding for this purpose an action not taken in bad faith and which is remedied by Energy Group or any of its affiliated companies promptly after receipt of notice thereof given by the Executive;

(ii) any failure by Energy Group or any of its affiliated companies to comply with any of the provisions of Section 5(b) of this Agreement, other than a failure not occurring in bad faith and which is remedied by Energy Group or any of its affiliated companies promptly after receipt of notice thereof given by the Executive;

(iii) Energy Group or any of its affiliated companies requiring the Executive to be based at any office or location other than as provided in Section 5(a)(ii) of this Agreement;

(iv) any purported termination by Energy Group or any of its affiliated companies of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by Energy Group or any of its affiliated companies to comply with and satisfy Section 12(c) of this Agreement.

For purposes of this Section 6(c), any claim by the Executive that Good Reason exists shall be presumed to be correct unless Energy Group establishes by clear and convincing evidence that Good Reason does not exist.

(d) Notice of Termination. Any termination by Energy Group or any of its affiliated companies for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 16(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or Energy Group or any of its affiliated companies to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or Energy Group or any of its affiliated companies, respectively, hereunder or preclude the Executive or Energy Group or any of its affiliated companies, respectively, from asserting such fact or circumstance in enforcing the Executive's or Energy Group's or any of its affiliated company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by Energy Group or any of its affiliated companies for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by Energy Group or any of its affiliated companies other than for Cause or Disability, the Date of Termination shall be the date on which Energy Group or any of its affiliated companies notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be. Energy Group and the Executive shall take all steps necessary (including with regard to any post-termination services by the Executive) to ensure that any termination described in this Section 6(e) constitutes a "separation from service" within the meaning of Section 409A of the Code, and the date on which such separation from service takes place shall be the "Date of Termination."

7. Obligations of Energy Group and its Affiliated Companies upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, Energy Group or any of its affiliated companies shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) Energy Group shall pay, or cause to be paid, to the Executive in a lump sum in cash the sum of: (A) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (B) the product of (x) the Average Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (C) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (A), (B), and (C) shall be hereinafter referred to as the "Accrued Obligations"). The amounts described in clauses (A) and (C) shall be paid within 30 days after the Date of Termination. The amounts described in clause (B) shall be paid within the 30-day period commencing on the 60th day following the Date of Termination, or such later date set forth in Section 17(a).

(ii) Energy Group shall pay, or cause to be paid, to the Executive in twelve (12) equal monthly installments, the product of (1) the Multiple and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Average Annual Bonus. The first installment shall commence within the 30 day period commencing on the 60th day following the Date of Termination, or such later date set forth in Section 17(a).

(iii) For a number of years after the Executive's Date of Termination equal to the Multiple, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, Energy Group or any of its affiliated companies shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 5(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of Energy Group or any of its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until the expiration of a number of years after the Date of Termination equal to the Multiple and to have retired on the last day of such period. The continued benefits described in this Section 7(a)(iii) that are taxable benefits (and that are not disability pay or death benefit plans within the meaning of Section 409A of the Code) are intended to comply, to the maximum extent possible, with the exception to Section 409A of the Code set forth in Section 1.409A-1(b)(9)(v) of the Treasury Regulations. To the extent that any of those benefits either do not qualify for that exception, or are provided beyond the applicable time periods set forth in Section 1.409A-1(b)(9)(v) of the Treasury Regulations, then they shall be subject to the following additional rules: (A) any reimbursement of eligible expenses shall be paid within 10 calendar days following Executive's written request for reimbursement, or such later date set forth in Section 17(a); provided that the Executive provides written notice no later than 15 calendar days prior to the last day of the calendar year following the calendar year in which the expense was incurred; (B) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, during any other calendar year; and (C) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(iv) Energy Group or any of its affiliated companies shall, at its sole expense as incurred, provide the Executive with outplacement services from a recognized outplacement service provider, the scope of which shall be selected by the Executive in his sole discretion; provided that (i) the cost to Energy Group shall not exceed \$30,000, and (ii) in no event shall the outplacement services be provided beyond the end of the second calendar year after the calendar year in which the Date of Termination occurs.

(v) To the extent not theretofore paid or provided, Energy Group or any of its affiliated companies shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of Energy Group or any of its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

Notwithstanding the foregoing, except with respect to payments and benefits under Sections 7(a)(i)(A), 7(a)(i)(C) and 7(a)(v), all payments and benefits shall cease in the event Executive breaches any of his obligations under Section 11 hereof.

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 7(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by Energy Group or any of its affiliated companies to the estates and beneficiaries of peer executives of Energy Group and any such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of Energy Group or any of its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate as of the Disability Effective Date, without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash at the same time as set forth in Section 7(a)(i). With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 7(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by Energy Group or any of its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of Energy Group or any of its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, and (y) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash at the same time as set forth in Section 7(a)(i).

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by Energy Group or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 16(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with Energy Group or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with Energy Group or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

9. Full Settlement

(a) Except as otherwise provided in Section 7(a) hereof, Energy Group's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Energy Group or any of its affiliated companies may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

(b) Except as otherwise provided in this Section 9 or Section 11 of this Agreement, Energy Group agrees to pay as incurred (within 10 calendar days following Energy Group's receipt of an invoice from the Executive), to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur at any time from the date of this Agreement through the Executive's remaining lifetime or, if longer, through the 20th anniversary of the date of the Change of Control, including the legal fees and expenses of any arbitration proceeding, as a result of any contest (regardless of the outcome thereof) by Energy Group or any of its affiliated companies, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, that the Executive shall have submitted an invoice for such fees and expenses at least 15 calendar days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred. Notwithstanding the foregoing, Energy Group shall not be obligated to pay any legal fees or expenses incurred by the Executive in any contest in which the trier of fact determines that the Executive's position was frivolous or maintained in bad faith. The amount of such legal fees and expenses that Energy Group is obligated to pay in any given calendar year shall not affect the legal fees and expenses that Energy Group is obligated to pay in any other calendar year, and the Executive's right to have Energy Group pay such legal fees and expenses may not be liquidated or exchanged for any other benefit. Energy Group's obligation to pay Executive's eligible legal fees and expenses under this Section 9(b) shall not be conditioned upon Executive's termination of employment.

10. Certain Additional Payments by Energy Group or its Affiliated Companies

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by Energy Group or any of its affiliated companies to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 10(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount. If a reduction in Payments is necessary pursuant to the immediately preceding sentence, then the reduction shall occur in the following order: (i) cash payments; (ii) cancellation of accelerated vesting of performance-based equity awards (based on the reverse order of the date of grant); (iii) cancellation of accelerated vesting of other equity awards (based on the reverse order of the date of grant); (iv) reduction in retirement benefits under the Supplemental Executive Retirement Plan; and (v) reduction of welfare benefits. Energy Group's obligation to make Gross-Up Payments under this Section 10 shall not be conditioned upon Executive's termination of employment.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment, whether and in what amount any Payments are to be reduced pursuant to the second sentence of Section 10(a), and the assumptions to be utilized in arriving at such determination, shall be made by a major accounting firm with expertise in such matters designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to Energy Group and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by Energy Group. Any determination by the Accounting Firm shall be binding upon Energy Group and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by Energy Group should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that Energy Group exhausts its remedies pursuant to Section 10(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid, or caused to be paid, by Energy Group to or for the benefit of the Executive, as provided in Section 10(e).

(c) The Executive shall notify Energy Group in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Energy Group of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise Energy Group of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to Energy Group (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Energy Group notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

- (i) give Energy Group any information reasonably requested by Energy Group relating to such claim,
- (ii) take such action in connection with contesting such claim as Energy Group shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Energy Group,
- (iii) cooperate with Energy Group in good faith in order effectively to contest such claim, and
- (iv) permit Energy Group to participate in any proceedings relating to such claim;

provided, however, that Energy Group shall bear and pay, or cause to be paid, directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses as provided in Section 10(e). Without limitation on the foregoing provisions of this Section 10(c), Energy Group shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Energy Group shall determine; provided, however, that if Energy Group directs the Executive to pay such claim and sue for a refund, Energy Group shall advance, or cause to be advanced, the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance, as provided in Section 10(e); and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, Energy Group's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced, or caused to be advanced, by Energy Group pursuant to Section 10(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to Energy Group's complying with the requirements of Section 10(c)) promptly pay to Energy Group the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced, or caused to be advanced, by Energy Group pursuant to Section 10(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and Energy Group does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) Any Gross-Up Payment shall be paid by Energy Group within 5 calendar days of receipt of the Accounting Firm's determination as described in this Section 10, or such later date as provided in Section 17(a), provided that Executive submits written notice of a Payment no later than 30 calendar days prior to the end of the calendar year next following the calendar year in which the Excise Tax on a Payment is remitted to the Internal Revenue Service or any other applicable taxing authority. The Gross-Up Payment, if any, shall be paid to the Executive; provided that Energy Group, in its sole discretion, may withhold and pay over to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the Executive, all or any portion of any Gross-Up Payment, and the Executive hereby consents to such withholding. Any reimbursement or payment by Energy Group of expenses incurred by the Executive in connection with a tax audit or litigation relating to the Excise Tax, as provided for in this Section 10, shall be paid within 5 calendar days of written request by the Executive, or such later date as provided in Section 17(a), provided that Executive submits the written request no later than 30 calendar days prior to the end of the calendar year following the calendar year in which the Excise Taxes that are subject to the audit or litigation are remitted to the Internal Revenue Service or any other applicable taxing authority, or where as a result of the audit or litigation, no Excise Taxes are remitted, the end of the calendar year next following the calendar year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation.

(f) All fees and expenses of the Accounting Firm for services performed pursuant to this Section 10 at any time from the date of this Agreement through the Executive's remaining lifetime or, if longer, through the 20th anniversary of the date of the Change of Control, shall be borne solely by Energy Group. Energy Group shall pay such fees and expenses not later than the end of the calendar year following the calendar year in which the related work is performed or the expenses are incurred by the Accounting Firm, subject to Section 17 (a). The amount of such fees and expenses that Energy Group is obligated to pay in any given calendar year shall not affect the fees and expenses that Energy Group is obligated to pay in any other calendar year, and the Executive's right to have Energy Group pay such fees and expenses may not be liquidated or exchanged for any other benefit.

11. Restrictive Covenants .

(a) The Executive shall hold in a fiduciary capacity for the benefit of Energy Group or any of its affiliated companies all secret or confidential information, knowledge or data relating to Energy Group or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by Energy Group or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). The Executive hereby covenants and agrees that during the Employment Period and thereafter, the Executive shall not, without the prior written consent of Energy Group, communicate or divulge any such information, knowledge or data to anyone other than Energy Group and those designated by it. Notwithstanding the foregoing, the Executive or his representatives may disclose any such information if such disclosure is compelled by subpoena or other legal process, provided that if the Executive is so compelled, he shall provide Energy Group prompt written notice of such subpoena or legal process in order to permit Energy Group to seek appropriate protective orders. The Executive agrees to contact Energy Group for written clarification if the Executive has any question regarding what information, knowledge or data would be considered by Energy Group to be confidential and subject to this provision. The Executive's obligations under this Section 11(a) are in addition to, and not in limitation of or preemption of, all other obligations of confidentiality which the Executive may have to Energy Group or any of its affiliated companies under general legal or equitable principles, and federal, state or local law.

(b) The Executive agrees that for a period of one year after his Date of Termination he will not, directly or indirectly, induce, attempt to induce, or assist others in inducing or attempting to induce, any employee of Energy Group or any of its affiliated companies to terminate such person's employment relationship with Energy Group or any of its affiliated companies.

(c) The Executive acknowledges and agrees that any breach or threatened breach of this Section 11 by him will cause injury to Energy Group and its affiliated companies for which money damages alone will not provide an adequate remedy; that if he commits or threatens to commit any such breach, Energy Group or any of its affiliated companies should have the right to have the provisions of this Section 11 specifically enforced by any court having jurisdiction. The Executive agrees that he will not assert in any such enforcement action that Energy Group or any of its affiliated companies have an adequate remedy in damages; and that such rights and remedies will be in addition to and not in lieu of any other rights or remedies available to Energy Group or any of its affiliated companies at law or in equity. The Executive agrees that if any court determines that he has breached this Section 11, he shall be liable to and will pay Energy Group its reasonable legal fees and expenses incurred in connection with such proceedings, including appeals therefrom, and Energy Group shall not be obligated to reimburse the Executive for the legal fees and expenses incurred by the Executive in connection with such proceedings, including appeals therefrom. In addition, while the duration of the covenants contained in this Section 11 will be determined generally in accordance with their terms, if the Executive violates any of these covenants, he agrees to an extension of such covenant on the same terms and conditions for an additional period of time equal to the time that elapses from the commencement of such violation to the later of (i) the termination of such violation or (ii) the final resolution of any litigation stemming from such violation.

(d) If any covenant contained in this Section 11, or any portion of such covenant, is found by a court of competent jurisdiction to be invalid or unenforceable for any reason, the Executive hereby authorizes and requests such court to exercise its discretion to reform such covenant to the end that he will be subject to covenants that are reasonable under the circumstances and enforceable by Energy Group or any of its affiliated companies. In any event, if any provision is found to be unenforceable for any reason, such provision shall remain in force and effect to the maximum extent allowable, all non-affected provisions shall remain fully valid and enforceable, and such finding shall in no way affect the subsequent enforceability of any such provision against a different employee of Energy Group.

(e) The Executive agrees that the promises and obligations made by Energy Group in this Agreement (specifically including, but not limited to, the payments and benefits provided for under Section 7(a) hereof (other than payments and benefits under Sections 7(a)(i)(A), 7(a)(i)(C) and 7(a)(v)) constitute sufficient consideration for the covenants contained in this Section 11. The Executive further acknowledges that it is not Energy Group's intention to interfere in any way with his employment opportunities, except in such situations where the same conflict with the legitimate business interests of Energy Group or any of its affiliated companies. The Executive agrees that he will notify Energy Group in writing if he has, or reasonably should have, any questions regarding the applicability of this Section 11.

12. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of Energy Group shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon Energy Group and its successors and assigns.

(c) Energy Group will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Energy Group to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Energy Group would be required to perform it if no such succession had taken place.

13. Early Termination. This agreement shall terminate as of the date Executive becomes employed by any of the affiliated companies to which Energy Group has elected not to enter into employment agreements (of this Type) with executives of such affiliated companies; provided such employment becomes effective prior to a Change of Control.

14. Arbitration. Except as otherwise provided herein, any dispute, controversy or claim between the parties arising out of or relating to this Agreement (or any subsequent amendments thereof or waivers thereto) (hereinafter, a "Claim" or "Claims") shall be submitted to final and binding arbitration. Claims which are subject to this section include, but are not limited to, the following: (i) claims relating to this Agreement's existence, enforceability, validity, interpretation, performance or breach, (ii) claims for compensation or benefits, and (iii) claims of wrongful or discriminatory termination based on any federal, state or local statute, regulation, ordinance, tort, public policy, contract or promissory estoppel theory, including any dispute as to the cause or reason for termination. All Claims submitted to arbitration pursuant to this Section 14 shall be subject to the National Rules for the Resolution of Employment Disputes of the American Arbitration Association, effective January 1, 2004, except as hereinafter provided:

- (a) A request to arbitrate a Claim must be made within 180 days of the date the Claim arose;
- (b) Energy Group shall pay any and all fees and expenses of the arbitrator;
- (c) The arbitration hearing shall be held in Poughkeepsie, New York, unless the parties mutually agree to another location;
- (d) Each party shall exchange documents to be utilized as exhibits in the arbitration hearing and each party shall be limited to five (5) pre-hearing depositions of no more than ten hours each, unless the arbitrator orders additional discovery;
- (e) The arbitrator shall be appointed in accordance with Rule 12 of the above-referenced Rules of the American Arbitration Association, except that if, for any reason, an arbitrator cannot be selected by the process described in Rule 12, subparts (i) through (iii), the American Arbitration Association shall submit the names of seven (7) additional arbitrators from its roster and the parties shall select the arbitrator by alternately striking names with the party requesting arbitration first striking; and
- (f) Either party shall be entitled to seek and obtain injunctive or other appropriate equitable relief in any federal or state court having jurisdiction in order to enforce the arbitration provisions of this Agreement; and Energy Group shall be entitled to seek and obtain such injunctive or other appropriate equitable relief in order to prevent (pending arbitration) any breach of the Restrictive Covenants set forth in Section 11 of this Agreement in any federal or state court having jurisdiction.

Subject to paragraph (f) of this Section 14, above, it is the intention of the parties to avoid litigation in any court of any and all Claims concerning this Agreement, or otherwise arising from the Executive's employment with Energy Group or its affiliate entities, and that all such claims will be subject to this arbitration agreement. Neither party shall commence or pursue any litigation on any claim that is or was the subject of arbitration under this Agreement. Each party agrees that this agreement to arbitrate, and any award arising out of any arbitration contemplated by this Agreement, are enforceable under, and subject to, the Federal Arbitration Act, 11 U.S.C. § I, *et seq*. Both parties consent that judgment upon any arbitration award may be entered in any federal or state court having jurisdiction.

15. Release. Notwithstanding anything contained herein to the contrary, Energy Group shall only be obligated to make the payments or provide any benefit under Section 7(a) hereof (other than payments and benefits under Sections 7(a)(i)(A), 7(a)(i)(C) and 7(a)(v)) if: (a) within the 50-day period after the Date of Termination, the Executive executes a release, in a form provided by Energy Group, of all current or future claims, known or unknown, against Energy Group, its affiliated companies, its officers, directors, shareholders, employees and agents arising on or before the date of the release, including but not limited to all claims arising out of the Executive's employment with Energy Group or its affiliated companies or the termination of such employment, and (b) the Executive does not revoke the release during the seven-day revocation period prescribed by the Age Discrimination in Employment Act of 1967, as amended, or any similar revocation period, if applicable. Energy Group shall be obligated to provide such release to the Executive promptly following the Date of Termination.

16. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

James P. Laurito  
3 Taylors Rise  
Rochester, NY 14618

If to Energy Group :

CH Energy Group, Inc.  
284 South Avenue  
Poughkeepsie, New York 12601-4879

Attention: Chief Executive Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) Energy Group may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or Energy Group's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or Energy Group may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 6(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and Energy Group acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and Energy Group, or any of its affiliated companies, the employment of the Executive by Energy Group or any of its affiliated companies is "at will" and, subject to Section 2(c) hereof, the Executive's employment may be terminated at any time prior to the Effective Date by either the Executive or Energy Group or any of its affiliated companies, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

17. Compliance with Section 409A of the Code.

(a) Notwithstanding anything contained in this Agreement to the contrary, if the Executive is a "specified employee," as determined under Energy Group's policy for determining specified employees on the Date of Termination, then to the extent required in order to comply with Section 409A of the Code, all payments, benefits or reimbursements paid or provided under this Agreement that constitute a "deferral of compensation" within the meaning of Section 409A of the Code, that are provided as a result of a "separation from service" within the meaning of Section 409A and that would otherwise be paid or provided during the first six months following such Date of Termination shall be accumulated through and paid or provided (together with interest at the applicable federal rate under Section 7872(f)(2)(A) of the Code in effect on the Date of Termination) within 30 days after the first business day following the six month anniversary of such Date of Termination (or, if the Executive dies during such six-month period, within 30 days after the Executive's death).

(b) It is intended that the payments and benefits provided under this Agreement shall either be exempt from the application of, or comply with, the requirements of Section 409A of the Code. This Agreement shall be construed, administered, and governed in a manner that effects such intent, and Energy Group shall not take any action that would be inconsistent with such intent. Without limiting the foregoing, the payments and benefits provided under this Agreement may not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon Executive. Although Energy Group shall use its best efforts to avoid the imposition of taxation, interest and penalties under Section 409A of the Code, the tax treatment of the benefits provided under this Agreement is not warranted or guaranteed. Neither Energy Group, its affiliates, directors, officers, employees nor its advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by the Executive or other taxpayer as a result of the Agreement. Any reference in this Agreement to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section 409A by the U.S. Department of Treasury or the Internal Revenue Service.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, Energy Group has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

---

James P. Laurito

CH Energy Group, Inc.

By

---

Steven V. Lant  
Chairman of the Board, President and  
Chief Executive Officer

**CH ENERGY GROUP, INC.**

Computation of Ratio of Earnings to Fixed Charges

**EXHIBIT 12 (i)**

	2009		2008	Year Ended December 31,				
	3 Months Ended Dec 31	12 Months Ended Dec 31	3 Months Ended Dec 31	2008	2007	2006	2005	2004
Earnings: (\$000)								
A. Net income from Continuing Operations	\$ 9,827	\$ 34,427	\$ 7,753	\$ 32,609	\$ 42,004	\$ 44,173	\$ 44,619	\$ 42,438
B. Preferred Stock Dividends	242	970	242	970	970	970	970	970
C. Federal and State Income Tax	10,231	27,383	7,727	21,829	21,898	23,769	25,819	31,256
Income from Equity Investments	227	229	109	568	1,895	1,810	1,456	922
Less Cash Distribution from Equity Investments	308	1,775	169	2,463	3,427	1,315	1,833	1,776
Plus Earnings before Income Taxes and Equity Investments	\$ 20,381	\$ 64,326	\$ 15,782	\$ 57,303	\$ 66,404	\$ 68,417	\$ 71,785	\$ 75,518
D. Fixed Charges								
Interest on Other-Long-Term Debt	5,770	20,999	5,454	20,518	18,653	16,425	13,826	11,488
Other Interest	1,447	3,996	1,229	5,054	4,379	3,622	2,577	5,517
Interest Portion of Rents (1)	251	1,043	241	1,220	1,278	1,112	1,077	1,192
Amortization of Premium & Expense on Debt	224	956	250	982	963	991	1,043	1,066
Preferred Stock Dividends Requirements of Central Hudson	458	1,659	385	1,525	1,423	1,405	1,454	1,594
Total Fixed Charges	\$ 8,150	\$ 28,653	\$ 7,559	\$ 29,299	\$ 26,696	\$ 23,555	\$ 19,977	\$ 20,857
Less Preferred Stock Dividends Requirements of Central Hudson	458	1,659	385	1,525	1,423	1,405	1,454	1,594
F. Total Earnings	\$ 28,073	\$ 91,320	\$ 22,956	\$ 85,077	\$ 91,677	\$ 90,567	\$ 90,308	\$ 94,781
G. Preferred Dividend Requirements: Allowance for Preferred Stock Dividends Under IRC Sec. 247	\$ 242	\$ 970	\$ 242	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
H. Less Allowable Dividend Deduction	(31)	(127)	(31)	(127)	(127)	(127)	(127)	(127)
I. Net Subject to Gross-Up	211	843	211	843	843	843	843	843
J. Ratio of Earnings before Income Taxes and Equity Inv. To Net Income (D/(A+B))	2.024	1.817	1.974	1.707	1.545	1.516	1.575	1.740
K. Preferred Dividend (Pre-tax) (I x J)	427	1,532	417	1,439	1,303	1,278	1,327	1,467
L. Plus Allowable Dividend Deduction	31	127	31	127	127	127	127	127
M. Preferred Dividend Factor	\$ 458	\$ 1,659	\$ 448	\$ 1,566	\$ 1,430	\$ 1,405	\$ 1,454	\$ 1,594
N. Ratio of Earnings to Fixed Charges (F/E)	3.4	3.2	3.0	2.9	3.4	3.8	4.5	4.5

(1) The percentage of rent included in the fixed charges calculation is a reasonable approximation of the interest factor.

**CENTRAL HUDSON GAS & ELECTRIC CORPORATION**

Computation of Ratio of Earnings to Fixed Charges  
and Ratio of Earnings to Fixed Charges and Preferred Dividends

**EXHIBIT 12 (i) (i)**

	2009		2008	Year Ended December 31,				
	3 Months Ended Dec 31	12 Months Ended Dec 31	3 Months Ended Dec 31	2008	2007	2006	2005	2004
Earnings: (\$000)								
A. Net income	\$ 10,094	\$ 32,776	\$ 5,173	\$ 27,238	\$ 33,436	\$ 34,871	\$ 35,635	\$ 38,648
Federal and State Income								
B. Tax	5,080	21,142	4,061	19,273	20,326	21,528	23,936	28,426
Earnings before Income								
C. Taxes	\$ 15,174	\$ 53,918	\$ 9,234	\$ 46,511	\$ 53,762	\$ 56,399	\$ 59,571	\$ 67,074
D. Fixed Charges								
Interest on Other-Long-Term Debt	4,967	18,830	5,454	20,518	18,653	16,425	13,826	11,488
Other Interest	1,430	5,253	1,196	4,495	4,378	3,622	2,577	5,517
Interest Portion of Rents <sup>(1)</sup>	144	635	128	788	898	818	835	954
Amortization of Premium & Expense on Debt	224	956	250	982	963	991	1,043	1,066
Total Fixed Charges	\$ 6,765	\$ 25,674	\$ 7,028	\$ 26,783	\$ 24,892	\$ 21,856	\$ 18,281	\$ 19,025
E. Total Earnings	\$ 21,939	\$ 79,592	\$ 16,262	\$ 73,294	\$ 78,654	\$ 78,255	\$ 77,852	\$ 86,099
Preferred Dividend Requirements:								
Allowance for Preferred Stock Dividends Under IRC Sec. 247	\$ 242	\$ 970	\$ 242	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Less Allowable Dividend Deduction	(31)	(127)	(31)	(127)	(127)	(127)	(127)	(127)
Net Subject to Gross-Up	211	843	211	843	843	843	843	843
Ratio of Earnings before Income Taxes to Net Income (C/A)	1.503	1.645	1.785	1.708	1.608	1.617	1.672	1.736
Preferred Dividend (Pre-tax) (H x I)	317	1,387	377	1,440	1,356	1,363	1,409	1,463
Plus Allowable Dividend Deduction	31	127	31	127	127	127	127	127
Preferred Dividend Factor	348	1,514	408	1,567	1,483	1,490	1,536	1,590
Fixed Charges (D)	6,765	25,674	7,028	26,783	24,892	21,856	18,281	19,025
Total Fixed Charges and Preferred Dividends	\$ 7,113	\$ 27,188	\$ 7,436	\$ 28,350	\$ 26,375	\$ 23,346	\$ 19,817	\$ 20,615
Ratio of Earnings to Fixed Charges (E/D)	3.2	3.1	2.3	2.7	3.2	3.6	4.3	4.5
Ratio of Earnings to Fixed Charges and Preferred Dividends (E/N)	3.1	2.9	2.2	2.6	3.0	3.4	3.9	4.2

(1) The percentage of rent included in the fixed charges calculation is a reasonable approximation of the interest factor.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-110086 and 333-134953) of CH Energy Group, Inc. of our report dated February 10, 2010 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Buffalo, New York  
February 10, 2010

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-163248) of Central Hudson Gas & Electric Corporation of our report dated February 10, 2010 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Buffalo, New York  
February 10, 2010









**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that I, *MANUEL J. IRAOLA*, a Director of CH Energy Group, Inc. ("Corporation"), have made, constituted and appointed, and by these presents do make, constitute and appoint *KIMBERLY J. WRIGHT*, *STEVEN V. LANT*, and *JOHN E. GOULD*, and each of them, my true and lawful attorneys, for me and in my name, place and stead, and in my office and capacity as aforesaid, to sign and file the Corporation's Annual Report, on Form 10-K, for the year ended December 31, 2009, with the Securities and Exchange Commission, pursuant to the applicable provisions of the Securities Exchange Act of 1934, together with any and all amendments and supplements to said Annual Report and any and all other documents to be signed and filed with the Securities and Exchange Commission in connection therewith, hereby granting to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in the premises as fully, to all intents and purposes, as I might or could do if personally present, hereby ratifying and confirming in all respects all that said attorneys or any of them may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have set my hand and seal this 10th day of February 2010.

\_\_\_\_\_  
/s/ Manuel J. Iraola L.S.

STATE OF NEW YORK            )  
  : ss.:  
COUNTY OF DUTCHESS        )

On this 10th day of February 2010, before me personally came *MANUEL J. IRAOLA* to me known and known to me to be the individual described in and who executed the foregoing instrument, and duly acknowledged to me that he executed the same.

\_\_\_\_\_  
/s/ Donna M. Giametta  
Notary Public







**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that I, *E. MICHEL KRUSE*, a Director of CH Energy Group, Inc. ("Corporation"), have made, constituted and appointed, and by these presents do make, constitute and appoint *KIMBERLY J. WRIGHT*, *STEVEN V. LANT*, and *JOHN E. GOULD*, and each of them, my true and lawful attorneys, for me and in my name, place and stead, and in my office and capacity as aforesaid, to sign and file the Corporation's Annual Report, on Form 10-K, for the year ended December 31, 2009, with the Securities and Exchange Commission, pursuant to the applicable provisions of the Securities Exchange Act of 1934, together with any and all amendments and supplements to said Annual Report and any and all other documents to be signed and filed with the Securities and Exchange Commission in connection therewith, hereby granting to said attorneys, and each of them, full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in the premises as fully, to all intents and purposes, as I might or could do if personally present, hereby ratifying and confirming in all respects all that said attorneys or any of them may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have set my hand and seal this 10th day of February 2010.

\_\_\_\_\_  
/s/ E. Michel Kruse L.S.

STATE OF NEW YORK            )  
  : ss.:  
COUNTY OF DUTCHESS        )

On this 10th day of February 2010, before me personally came *E. MICHEL KRUSE* to me known and known to me to be the individual described in and who executed the foregoing instrument, and duly acknowledged to me that he executed the same.

\_\_\_\_\_  
/s/ Donna M. Giametta  
Notary Public

\_\_\_\_\_

















**CERTIFICATIONS**

**Exhibit 31.1**

I, Steven V. Lant, certify that:

1. I have reviewed this Annual Report on Form 10-K of CH Energy Group, Inc. and Central Hudson Gas & Electric Corporation (collectively the “Registrants”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrants as of, and for, the periods presented in this report;

4. The Registrants’ other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrants and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
- c) Evaluated the effectiveness of the Registrants’ disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the Registrants’ internal control over financial reporting that occurred during the Registrants’ most recent fiscal quarter (the Registrants’ fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrants’ internal control over financial reporting; and

5. The Registrants’ other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrants’ auditors and the audit committee of the Registrants’ boards of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrants’ ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrants’ internal control over financial reporting.

Date: February 10, 2010

/s/ Steven V. Lant

Steven V. Lant  
Chairman of the Board, President and  
Chief Executive Officer  
of CH Energy Group, Inc.

/s/ Steven V. Lant

Steven V. Lant  
Chairman of the Board and Chief Executive Officer  
of Central Hudson Gas & Electric Corporation





**CERTIFICATIONS**

**Exhibit 32.1**

I, Steven V. Lant, do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report on Form 10-K of CH Energy Group, Inc. and Central Hudson Gas & Electric Corporation (the "Companies") for the period ended December 31, 2009 (the "Annual Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Companies.

Date: February 10, 2010

/s/ Steven V. Lant

---

Steven V. Lant  
Chairman of the Board, President and  
Chief Executive Officer of CH Energy Group, Inc.

/s/ Steven V. Lant

---

Steven V. Lant  
Chairman of the Board and Chief Executive Officer  
of Central Hudson Gas & Electric Corporation

---

**CERTIFICATIONS**

**Exhibit 32.2**

I, Christopher M. Capone, do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report on Form 10-K of CH Energy Group, Inc. and Central Hudson Gas & Electric Corporation (the “Companies”) for the period ended December 31, 2009 (the “Annual Report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Companies.

Date: February 10, 2010

/s/ Christopher M. Capone

Christopher M. Capone  
Executive Vice President and  
Chief Financial Officer  
of CH Energy Group, Inc.

/s/ Christopher M. Capone

Christopher M. Capone  
Executive Vice President and  
Chief Financial Officer  
of Central Hudson Gas & Electric Corporation

# CMS ENERGY CORP

## FORM 10-K (Annual Report)

Filed 03/01/10 for the Period Ending 12/31/09

Address	ONE ENERGY PLAZA JACKSON, MI 49201
Telephone	5177881031
CIK	0000811156
Symbol	CMS
SIC Code	4931 - Electric and Other Services Combined
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31



**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-K****ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended *December 31, 2009*****OR****TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_ to \_\_\_****Commission  
File Number**

1-9513

**Registrant; State of Incorporation;  
Address; and Telephone Number**CMS ENERGY CORPORATION  
(A Michigan Corporation)  
One Energy Plaza, Jackson, Michigan 49201  
(517) 788-0550**IRS Employer  
Identification No.**

38-2726431

1-5611

CONSUMERS ENERGY COMPANY  
(A Michigan Corporation)  
One Energy Plaza, Jackson, Michigan 49201  
(517) 788-0550

38-0442310

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

<u>Registrant</u>	<u>Title of Class</u>	<u>Name of Each Exchange on Which Registered</u>
<b>CMS Energy Corporation</b>	Common Stock, \$.01 par value	New York Stock Exchange
<b>Consumers Energy Company</b>	Preferred Stocks, \$100 par value: \$4.16 Series, \$4.50 Series	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:** None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

**CMS Energy Corporation:** Yes  No  **Consumers Energy Company:** Yes  No 

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

**CMS Energy Corporation:** Yes  No  **Consumers Energy Company:** Yes  No 

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

**CMS Energy Corporation:** Yes  No  **Consumers Energy Company:** Yes  No 

Indicate by check mark whether the Registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrants were required to submit and post such files).

**CMS Energy Corporation:** Yes  No  **Consumers Energy Company:** Yes  No Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 

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

**CMS Energy Corporation:** Large accelerated filer  Accelerated filer  Non-Accelerated filer  Smaller reporting company **Consumers Energy Company:** Large accelerated filer  Accelerated filer  Non-Accelerated filer  Smaller reporting company 

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

**CMS Energy Corporation:** Yes  No  **Consumers Energy Company:** Yes  No 

The aggregate market value of CMS Energy voting and non-voting common equity held by non-affiliates was \$2.728 billion for the 225,799,094 CMS Energy Common Stock shares outstanding on June 30, 2009 based on the closing sale price of \$12.08 for CMS Energy Common Stock, as reported by the New York Stock Exchange on such date.

There were 229,772,845 shares of CMS Energy Common Stock outstanding on February 25, 2010. On February 25, 2010, CMS Energy held all voting and non-voting common equity of Consumers. Documents incorporated by reference in Part III:



CMS Energy Corporation  
 Consumers Energy Company

Annual Reports on Form 10-K to the Securities and Exchange Commission for the Year Ended  
 December 31, 2009

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## GLOSSARY

Certain terms used in the text and financial statements are defined below.

2008 Energy Legislation	Comprehensive energy reform package enacted in October 2008 with the approval of Michigan Senate Bill 213 and Michigan House Bill 5524
ABATE	Association of Businesses Advocating Tariff Equity
ABO	Accumulated Benefit Obligation. The liabilities of a pension plan based on service and pay to date. This differs from the PBO that is typically disclosed in that it does not reflect expected future salary increases.
AEI	Ashmore Energy International, a non-affiliated company
AFUDC	Allowance for borrowed and equity funds used during construction
ALJ	Administrative Law Judge
AMT	Alternative minimum tax
AOC	Administrative Order on Consent
AOCL	Accumulated Other Comprehensive Loss
APB	Accounting Principles Board
ARB	Accounting Research Bulletin
ARO	Asset retirement obligation
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
Bay Harbor	A residential/commercial real estate area located near Petoskey, Michigan. In 2002, CMS Energy sold its interest in Bay Harbor.
bcf	Billion cubic feet of gas
Beeland	Beeland Group LLC, a wholly owned subsidiary of CMS Land
Big Rock	Big Rock Point nuclear power plant, formerly owned by Consumers
Board of Directors	Board of Directors of CMS Energy
Btu	British thermal unit; one Btu equals the amount of energy required to raise the temperature of one pound of water by one degree Fahrenheit
CAIR	The Clean Air Interstate Rule
CAMR	The Clean Air Mercury Rule
Cantera Gas Company	Cantera Gas Company LLC, a non-affiliated company
Cantera Natural Gas, Inc.	Cantera Natural Gas, Inc., a non-affiliated company that purchased CMS Field Services
CAO	Chief Accounting Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
C&HR Committees	The Compensation and Human Resources Committees of the Boards of Directors of CMS Energy and Consumers
Chrysler	Chrysler LLC, a non-affiliated company
City-gate arrangement	The arrangement made for the point at which a local distribution company physically receives gas from a supplier or pipeline
CKD	Cement kiln dust
Clean Air Act	Federal Clean Air Act, as amended
CMS Capital	CMS Capital, L.L.C., a wholly owned subsidiary of CMS Energy
CMS Electric & Gas	CMS Electric & Gas, L.L.C., a wholly owned subsidiary of CMS International Ventures
CMS Energy	CMS Energy Corporation, the parent of Consumers and CMS Enterprises

CMS Energy Brasil S.A.	CMS Energy Brasil S.A., a former wholly owned subsidiary of CMS Electric & Gas
CMS Energy Common Stock or common stock	Common stock of CMS Energy, par value \$0.01 per share
CMS Enterprises	CMS Enterprises Company, a wholly owned subsidiary of CMS Energy
CMS ERM	CMS Energy Resource Management Company, formerly CMS MST, a wholly owned subsidiary of CMS Enterprises
CMS Field Services	CMS Field Services, Inc., a former wholly owned subsidiary of CMS Gas Transmission
CMS Gas Transmission	CMS Gas Transmission Company, a wholly owned subsidiary of CMS Enterprises
CMS Generation	CMS Generation Co., a former wholly owned subsidiary of CMS Enterprises
CMS Generation San Nicolas Company	CMS Generation San Nicolas Company, a company in which CMS Enterprises owns a 0.1 percent interest
CMS International Ventures	CMS International Ventures LLC, a subsidiary of CMS Enterprises in which CMS Enterprises owns a 61.49 percent interest
CMS Land	CMS Land Company, a wholly owned subsidiary of CMS Capital
CMS MST	CMS Marketing, Services and Trading Company, a wholly owned subsidiary of CMS Enterprises, whose name was changed to CMS ERM effective January 2004
CMS Oil and Gas	CMS Oil and Gas Company, a former wholly owned subsidiary of CMS Enterprises
CMS Viron	CMS Viron Corporation, a wholly owned subsidiary of CMS ERM
Consumers	Consumers Energy Company, a wholly owned subsidiary of CMS Energy
Consumers Funding	Consumers Funding LLC, a wholly owned consolidated bankruptcy-remote subsidiary of Consumers and special- purpose entity organized for the sole purpose of purchasing and owning Securitization property, assuming Securitization bonds, and pledging its interest in Securitization property to a trustee to collateralize the Securitization bonds
Customer Choice Act	Customer Choice and Electricity Reliability Act, a Michigan statute
D.C.	District of Columbia
DCCP	Defined Company Contribution Plan
DC SERP	Defined Contribution SERP
Detroit Edison	The Detroit Edison Company, a non-affiliated company
DIE	Dearborn Industrial Energy, L.L.C., a wholly owned subsidiary of CMS Energy
DIG	Dearborn Industrial Generation, L.L.C., a wholly owned subsidiary of DIE
DOE	U.S. Department of Energy
DOJ	U.S. Department of Justice
Dow	The Dow Chemical Company, a non-affiliated company
DSSP	Deferred Salary Savings Plan
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EISP	Executive Incentive Separation Plan
EITF	Emerging Issues Task Force
El Chocon	A 1,200 MW hydro power plant located in Argentina, in which CMS Generation formerly held a 17.2 percent ownership interest
EnerBank	EnerBank USA, a wholly owned subsidiary of CMS Capital

Entergy	Entergy Corporation, a non-affiliated company
EPA	U.S. Environmental Protection Agency
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
Exeter	Exeter Energy Limited Partnership, a limited partnership owned directly and indirectly by HYDRA-CO
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FERC	Federal Energy Regulatory Commission
First Mortgage Bond Indenture	The indenture dated as of September 1, 1945 between Consumers and The Bank of New York Mellon, as Trustee, as amended and supplemented
Fitch	Fitch Ratings, Ltd.
FMB	First mortgage bond
FOV	Finding of Violation
FSP	FASB Staff Position
GAAP	U.S. Generally Accepted Accounting Principles
GasAtacama	GasAtacama Holding Limited, a limited liability partnership that manages GasAtacama S.A., which includes Atacama Finance Company, an integrated natural gas pipeline and electric generating plant in Argentina and Chile, in which CMS International Ventures formerly owned a 50 percent interest
GCC	Gas Customer Choice, which allows gas customers to purchase gas from alternative suppliers
GCR	Gas cost recovery
Genesee	Genesee Power Station Limited Partnership, a consolidated variable interest entity in which HYDRA-CO has a 50 percent interest
GM	General Motors Corporation, a non-affiliated company
Grayling	Grayling Generating Station Limited Partnership, a consolidated variable interest entity in which HYDRA-CO has a 50 percent interest
GWh	Gigawatt-hour (a unit of energy equal to one million kilowatt-hours)
HYDRA-CO	HYDRA-CO Enterprises, Inc., a wholly owned subsidiary of CMS Enterprises
ICSID	International Centre for the Settlement of Investment Disputes
IPP	Independent power producer or independent power production
IRS	Internal Revenue Service
ISFSI	Independent spent fuel storage installation
ITC	Income tax credit
Jamaica Power	Jamaica Private Power Company, Limited, a 63 MW diesel-fueled power plant in Jamaica, in which CMS Generation formerly owned a 42 percent interest
Jorf Lasfar	A 1,356 MW coal-fueled power plant in Morocco, in which CMS Generation formerly owned a 50 percent interest
kilovolts	Thousand volts (unit used to measure the difference in electrical pressure along a current)
kVA	Thousand volt-amperes (unit used to measure the flow rate of electrical current that is available for an electrical service)
kWh	Kilowatt-hour (a unit of energy equal to one thousand watt-hours)
LIBOR	London Interbank Offered Rate
Lucid Energy	Lucid Energy LLC, a non-affiliated company

Ludington	Ludington pumped storage plant, jointly owned by Consumers and Detroit Edison
Marathon	Marathon Oil Company, Marathon E.G. Holding, Marathon E.G. Alba, Marathon E.G. LPG, Marathon Production LTD, and Alba Associates, LLC, each a non-affiliated company
MBT	Michigan Business Tax
MCV Facility	A 1,500 MW natural gas-fueled, combined-cycle cogeneration facility operated by the MCV Partnership
MCV Partnership	Midland Cogeneration Venture Limited Partnership
MCV PPA	The PPA between Consumers and the MCV Partnership, with a 35-year term commencing in March 1990, as amended and restated in an agreement dated as of June 9, 2008 between Consumers and the MCV Partnership
MD&A	Management's Discussion and Analysis
MDL	A pending multi-district litigation case in Nevada
MDNRE	Michigan Department of Natural Resources and Environment, which, effective January 17, 2010 as a result of department reorganizations, is the successor to the Michigan Department of Environmental Quality and the Michigan Department of Natural Resources
MEI	Michigan Energy Investments LLC, an affiliate of Lucid Energy and a non-affiliated company
METC	Michigan Electric Transmission Company, LLC, a non-affiliated company owned by ITC Holdings Corporation and a member of MISO
MGP	Manufactured gas plant
Midwest Energy Market	An energy market developed by the MISO to provide day-ahead and real-time market information and centralized dispatch for market participants
MISO	Midwest Independent Transmission System Operator, Inc.
Moody's	Moody's Investor Services, Inc.
MPSC	Michigan Public Service Commission
MRV	Market-Related Value of Plan assets
MW	Megawatt (a unit of power equal to one million watts)
MWh	Megawatt-hour (a unit of energy equal to one million watt- hours)
NAV	Net asset value
NERC	North American Electric Reliability Corporation, a non-affiliated company
NMC	Nuclear Management Company, LLC, a non-affiliated company
NOV	Notice of Violation
NPDES	National Pollutant Discharge Elimination System
NREPA	Part 201 of Michigan Natural Resources and Environmental Protection Act, a statute that covers environmental activities including remediation
NSR	New Source Review
NYMEX	New York Mercantile Exchange
OPEB	Postretirement benefit plans other than pensions
Palisades	Palisades nuclear power plant, formerly owned by Consumers
Panhandle	Panhandle Eastern Pipe Line Company, including its wholly owned subsidiaries Trunkline, Pan Gas Storage, Panhandle Storage, and Panhandle Holdings, a former wholly owned subsidiary of CMS Gas Transmission
PBO	Pension benefit obligation

PCB	Polychlorinated biphenyl
PDVSA	Petroleos de Venezuela S.A., a non-affiliated company
Peabody Energy	Peabody Energy Corporation, a non-affiliated company
Pension Plan	The trustee, non-contributory, defined benefit pension plan of Panhandle, Consumers, and CMS Energy
Pension Protection Act	The Pension Protection Act of 2006, signed into law on August 17, 2006
PISP	Performance Incentive Stock Plan
PowerSmith	A 124 MW natural gas power plant located in Oklahoma, in which CMS Generation formerly held a 6.25 percent limited partner ownership interest
PPA	Power purchase agreement
Prairie State	Prairie State Energy Campus, a planned 1,600 MW power plant and coal mine in southern Illinois
PSCR	Power supply cost recovery
PSD	Prevention of Significant Deterioration
PURPA	Public Utility Regulatory Policies Act of 1978
Quicksilver	Quicksilver Resources, Inc., a non-affiliated company
QSPE	Qualifying special-purpose entity
RCP	Resource Conservation Plan
REC	Renewable energy credit established under the 2008 Energy Legislation
RMRR	Routine maintenance, repair, and replacement
ROA	Retail Open Access, which allows electric generation customers to choose alternative electric suppliers pursuant to the Customer Choice Act
S&P	Standard and Poor's Financial Services LLC, which includes Standard and Poor's Ratings Services
SEC	U.S. Securities and Exchange Commission
Securitization	A financing method authorized by statute and approved by the MPSC which allows a utility to sell its right to receive a portion of the rate payments received from its customers for the repayment of securitization bonds issued by a special-purpose entity affiliated with such utility
SENECA	Sistema Electrico del Estado Nueva Esparta C.A., a former wholly owned subsidiary of CMS International Ventures
SERP	Supplemental Executive Retirement Plan
SFAS	Statement of Financial Accounting Standards
Stranded Costs	Costs incurred by utilities in order to serve their customers in a regulated monopoly environment, which may not be recoverable in a competitive environment because of customers leaving their systems and ceasing to pay for their costs. These costs could include owned and purchased generation and regulatory assets.
Superfund	Comprehensive Environmental Response, Compensation and Liability Act
Supplemental Environmental Programs	Environmentally beneficial projects which a party agrees to undertake as part of the settlement of an enforcement action, but which the party is not otherwise legally required to perform
TAQA	Abu Dhabi National Energy Company, a subsidiary of Abu Dhabi Water and Electricity Authority, a non-affiliated company
T.E.S. Filer City	T.E.S. Filer City Station Limited Partnership, a consolidated variable interest entity in which HYDRA-CO has a 50 percent interest

TGN	A natural gas transportation and pipeline business located in Argentina, in which CMS Gas Transmission formerly owned a 23.54 percent interest
TRAC	Terminal Rental Adjustment Clause, a provision of a leasing agreement which permits or requires the rental price to be adjusted upward or downward by reference to the amount realized by the lessor under the agreement upon sale or other disposition of formerly leased property
Trunkline	Trunkline Gas Company, LLC, a former wholly owned subsidiary of CMS Panhandle Holdings, LLC
Trust Preferred Securities	Securities representing an undivided beneficial interest in the assets of statutory business trusts, the interests of which have a preference with respect to certain trust distributions over the interests of either CMS Energy or Consumers, as applicable, as owner of the common beneficial interests of the trusts
TSR	Total shareholder return
TSU	Texas Southern University, a non-affiliated entity
Union	Utility Workers Union of America, AFL-CIO
U.S.	United States
VEBA	Voluntary employees' beneficiary association trusts accounts established specifically to set aside employer-contributed assets to pay for future expenses of the OPEB plan
VIE	Variable interest entity
Wolverine	Wolverine Power Supply Cooperative, Inc., a non-affiliated company
Zeeland	A 935 MW gas-fueled power plant located in Zeeland, Michigan

## FILING FORMAT

This combined Form 10-K is separately filed by CMS Energy Corporation and Consumers Energy Company. Information in this combined Form 10-K relating to each individual registrant is filed by such registrant on its own behalf. Consumers Energy Company makes no representation regarding information relating to any other companies affiliated with CMS Energy Corporation other than its own subsidiaries. None of CMS Energy Corporation, CMS Enterprises Company, nor any of CMS Energy Corporation's other subsidiaries (other than Consumers Energy Company) has any obligation in respect of Consumers Energy Company's securities and holders of such securities should not consider the financial resources or results of operations of CMS Energy Corporation, CMS Enterprises Company, nor any of CMS Energy Corporation's other subsidiaries (other than Consumers Energy Company and its own subsidiaries (in relevant circumstances)) in making a decision with respect to Consumers Energy Company's debt securities. Similarly, none of Consumers Energy Company nor any other subsidiary of CMS Energy Corporation has any obligation in respect of debt securities of CMS Energy Corporation.

## FORWARD-LOOKING STATEMENTS AND INFORMATION

This Form 10-K and other written and oral statements that CMS Energy and Consumers make contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. The use of "might," "may," "could," "should," "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "forecasts," "predicts," "assumes," and other similar words is intended to identify forward-looking statements that involve risk and uncertainty. This discussion of potential risks and uncertainties is designed to highlight important factors that may impact CMS Energy's and Consumers' businesses and financial outlook. CMS Energy and Consumers have no obligation to update or revise forward-looking statements regardless of whether new information, future events, or any other factors affect the information contained in the statements. These forward-looking statements are subject to various factors that could cause CMS Energy's and Consumers' actual results to differ materially from the results anticipated in these statements. These factors include CMS Energy's and Consumers' inability to predict or control the following, all of which are potentially significant:

- the price of CMS Energy Common Stock, capital and financial market conditions, and the effect of these market conditions on CMS Energy's and Consumers' postretirement benefit plans, interest costs, and access to the capital markets, including availability of financing (including Consumers' accounts receivable sales program and CMS Energy's and Consumers' revolving credit facilities) to CMS Energy, Consumers, or any of their affiliates, and the energy industry;
- the impact of the continued downturn in the economy and the sharp downturn and extreme volatility in the financial and credit markets on CMS Energy, Consumers, or any of their affiliates, including their:
  - revenues;
  - capital expenditure programs and related earnings growth;
  - ability to collect accounts receivable from customers;
  - cost of capital and availability of capital; and
  - Pension Plan and postretirement benefit plans assets and required contributions;
- changes in the economic and financial viability of CMS Energy's and Consumers' suppliers, customers, and other counterparties and the continued ability of these third parties, including third parties in bankruptcy, to meet their obligations to CMS Energy and Consumers;
- population growth or decline in the geographic areas where CMS Energy and Consumers conduct business;
- changes in applicable laws, rules, regulations, principles or practices, or in their interpretation, including those related to taxes, the environment, and accounting matters, that could have an impact on CMS Energy's

and Consumers' businesses or financial results, including the impact of any future regulations or laws regarding:

- carbon dioxide and other greenhouse gas emissions, including potential future legislation to establish a cap and trade system;
- criteria pollutants, such as nitrogen oxide, sulfur dioxide, and particulate, and hazardous air pollutants;
- coal ash;
- limitations on the use or construction of coal-fueled electric power plants; and
- renewable portfolio standards and energy efficiency mandates;
- national, regional, and local economic, competitive, and regulatory policies, conditions, and developments;
- adverse regulatory or legal interpretations or decisions, including those related to environmental laws and regulations, and potential environmental remediation costs associated with these interpretations or decisions, including but not limited to those that may affect Bay Harbor or Consumers' RMRR classification under NSR regulations;
- potentially adverse regulatory treatment or failure to receive timely regulatory orders concerning a number of significant matters affecting Consumers that are presently or potentially before the MPSC, including:
  - sufficient and timely recovery of:
    - environmental and safety-related expenditures;
    - power supply and natural gas supply costs;
    - operating and maintenance expenses;
    - additional utility rate-based investments;
    - proposed retirement and decommissioning of facilities;
    - increased MISO energy and transmission costs; and
    - costs associated with energy efficiency investments and state or federally mandated renewable resource standards;
  - actions of regulators with respect to expenditures subject to tracking mechanisms;
  - actions of regulators to prevent or curtail shutoffs for non-paying customers;
  - actions of regulators with respect to the implementation of the "pilot" decoupling mechanism and an uncollectible expense tracking mechanism described in the November 2009 MPSC electric rate case order;
  - regulatory orders preventing or curtailing rights to self-implement rate requests;
  - regulatory orders potentially requiring a refund of previously self-implemented rates;
  - authorization of a new coal-fueled plant; and
  - implementation of new energy legislation or revisions of existing regulations;
- potentially adverse regulatory treatment resulting from pressure on regulators to oppose annual rate increases or to lessen rate impacts upon customers, particularly in difficult economic times;
- potential legislative changes to the ten-percent ROA limit;
- potentially adverse regulatory treatment concerning a number of significant matters affecting Consumers that are presently before the MDNRE;
- the ability of Consumers to recover its regulatory assets in full and in a timely manner;

- the ability of Consumers to recover nuclear fuel storage costs incurred as a result of the DOE's failure to accept spent nuclear fuel on schedule, and the outcome of pending litigation with the DOE;
- loss of customer load to alternative energy suppliers;
- the impact of expanded enforcement powers and investigation activities at the FERC;
- federal regulation of electric sales and transmission of electricity, including periodic re-examination by federal regulators of CMS Energy's and Consumers' market-based sales authorizations in wholesale power markets without price restrictions;
- effects of weather conditions, such as warm weather during the winter, on sales;
- the market perception of the energy industry or of CMS Energy, Consumers, or any of their affiliates;
- the credit ratings of CMS Energy or Consumers;
- the impact of credit markets, economic conditions, and new banking regulations on EnerBank;
- disruptions in the normal commercial insurance and surety bond markets that may increase costs or reduce traditional insurance coverage, particularly terrorism and sabotage insurance, performance bonds, and tax-exempt debt insurance, and stability of insurance providers;
- energy markets, including availability of capacity and the timing and extent of changes in commodity prices for oil, coal, natural gas, natural gas liquids, electricity, and certain related products due to lower or higher demand, shortages, transportation problems, or other developments, and their impact on CMS Energy's and Consumers' cash flows and working capital;
- changes in construction material prices and the availability of qualified construction personnel to implement Consumers' construction program;
- factors affecting operations, such as unusual weather conditions, catastrophic weather-related damage, unscheduled generation outages, maintenance or repairs, environmental incidents, or electric transmission or gas pipeline system constraints;
- potential disruption or interruption of facilities or operations due to accidents, war, or terrorism, and the ability to obtain or maintain insurance coverage for these events;
- technological developments in energy production, delivery, usage, and storage;
- achievement of capital expenditure and operating expense goals, including the 2010 capital expenditures forecast;
- the impact of CMS Energy's and Consumers' integrated business software system on their operations, including utility customer billing and collections;
- the effectiveness of CMS Energy's and Consumers' risk management policies and procedures;
- CMS Energy's and Consumers' ability to achieve generation planning goals and the occurrence and duration of planned or unplanned generation outages;
- adverse outcomes regarding tax positions;
- adverse consequences resulting from any past or future assertion of indemnity or warranty claims associated with assets and businesses previously owned by CMS Energy or Consumers, including the F.T. Barr matter and claims resulting from attempts by foreign or domestic governments to assess taxes on past operations or transactions;
- the outcome, cost, and other effects of legal or administrative proceedings, settlements, investigations, or claims;
- earnings volatility resulting from the application of fair value accounting to certain energy commodity contracts, such as electricity sales agreements and interest rate and foreign currency contracts;

- changes in financial or regulatory accounting principles or policies, including possible changes to rules involving fair value accounting;
- new or revised interpretations of GAAP by regulators, which could affect how accounting principles are applied, and could impact future periods' financial statements or previously filed financial statements;
- a possible future requirement to comply with International Financial Reporting Standards, which differ from GAAP in various ways, including the present lack of special accounting treatment for regulated activities; and
- other business or investment matters that may be disclosed from time to time in CMS Energy's and Consumers' SEC filings, or in other publicly issued documents.

For additional details regarding these and other uncertainties, see the "Outlook" section included in the MD&A, Note 6, Contingencies and Commitments, Note 7, Utility Rate Matters, and Item 1A. Risk Factors.

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PART I  
ITEM 1. BUSINESS

**GENERAL****CMS Energy**

CMS Energy was formed in Michigan in 1987 and is an energy company operating primarily in Michigan. It is the parent holding company of several subsidiaries, including Consumers, an electric and gas utility, and CMS Enterprises, primarily a domestic IPP. Consumers serves individuals and businesses operating in the alternative energy, automotive, chemical, metal, and food products industries as well as a diversified group of other industries. CMS Enterprises, through its subsidiaries and equity investments, is engaged primarily in IPP and owns power generation facilities fueled mostly by natural gas and biomass.

CMS Energy manages its businesses by the nature of services each provides and operates, principally in three business segments: electric utility, gas utility, and enterprises, its non-utility operations and investments. Consumers' consolidated operations account for substantially all of CMS Energy's total assets, income, and operating revenue. CMS Energy's consolidated operating revenue was \$6.2 billion in 2009, \$6.8 billion in 2008, and \$6.5 billion in 2007.

For further information about operating revenue, net operating income, and identifiable assets and liabilities attributable to all of CMS Energy's business segments and operations, see Item 8. Financial Statements and Supplementary Data, CMS Energy Corporation's Selected Financial Information, Consolidated Financial Statements, and Notes to Consolidated Financial Statements.

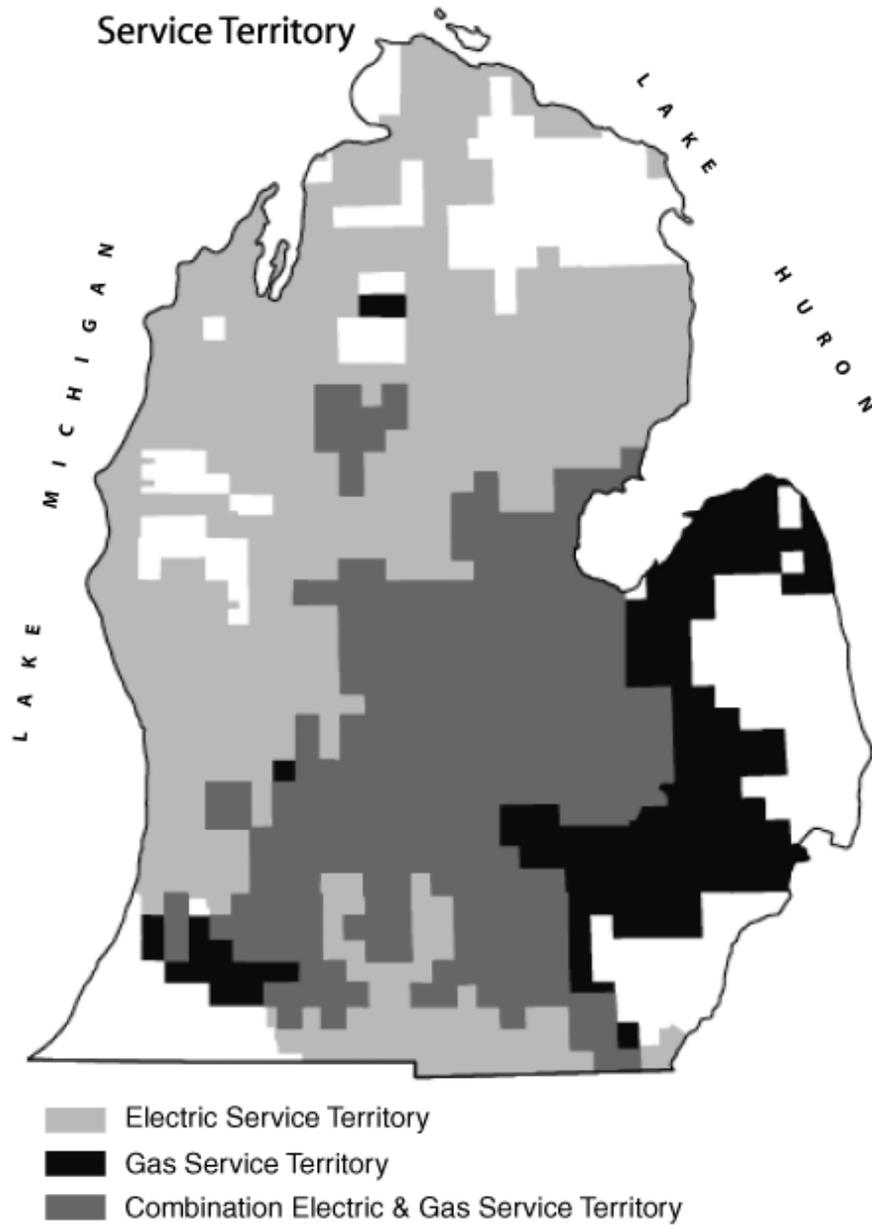
**Consumers**

Consumers was formed in Michigan in 1968 and is the successor to a corporation organized in Maine in 1910 that conducted business in Michigan from 1915 to 1968. Consumers owns and operates electric distribution and generation facilities and gas transmission, storage, and distribution facilities. It provides electricity and/or natural gas to 6.5 million of Michigan's 10 million residents. Consumers' rates and certain other aspects of its business are subject to the jurisdiction of the MPSC and the FERC, as described in "CMS Energy and Consumers Regulation" in this Item 1.

Consumers' consolidated operating revenue was \$6.0 billion in 2009, \$6.4 billion in 2008, and \$6.1 billion in 2007. For further information about operating revenue, net operating income, and identifiable assets and liabilities attributable to Consumers' electric and gas utility operations, see Item 8. Financial Statements and Supplementary Data, Consumers Energy Company's Selected Financial Information, Consolidated Financial Statements, and Notes to Consolidated Financial Statements.

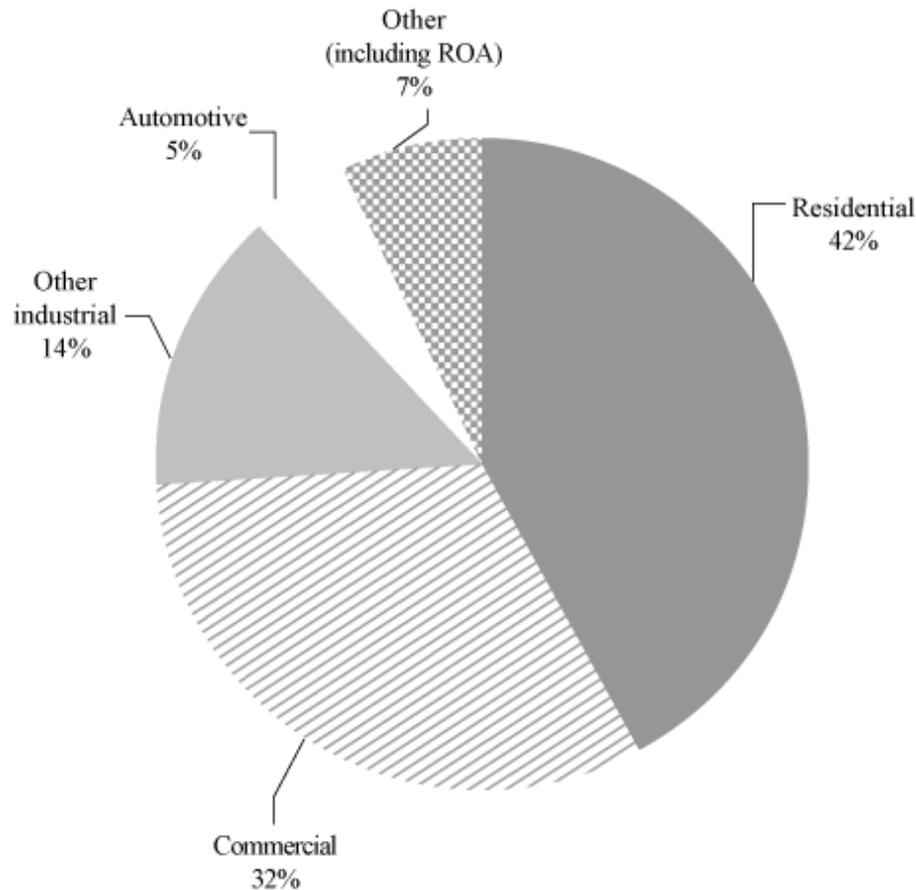
Consumers owns its principal properties in fee, except that most electric lines and gas mains are located below public roads or on land owned by others and are accessed by Consumers through easements and other rights. Almost all of Consumers' properties are subject to the lien of its First Mortgage Bond Indenture. For additional information on Consumers' properties, see the "Business Segments" section of Consumers Electric Utility, Electric Utility Properties, and "Business Segments" section of Consumers Gas Utility, Gas Utility Properties described later in this Item 1.

In 2009, Consumers served 1.8 million electric customers and 1.7 million gas customers in Michigan's Lower Peninsula. The following is a map of Consumers' service territory:



**BUSINESS SEGMENTS****Consumers Electric Utility**

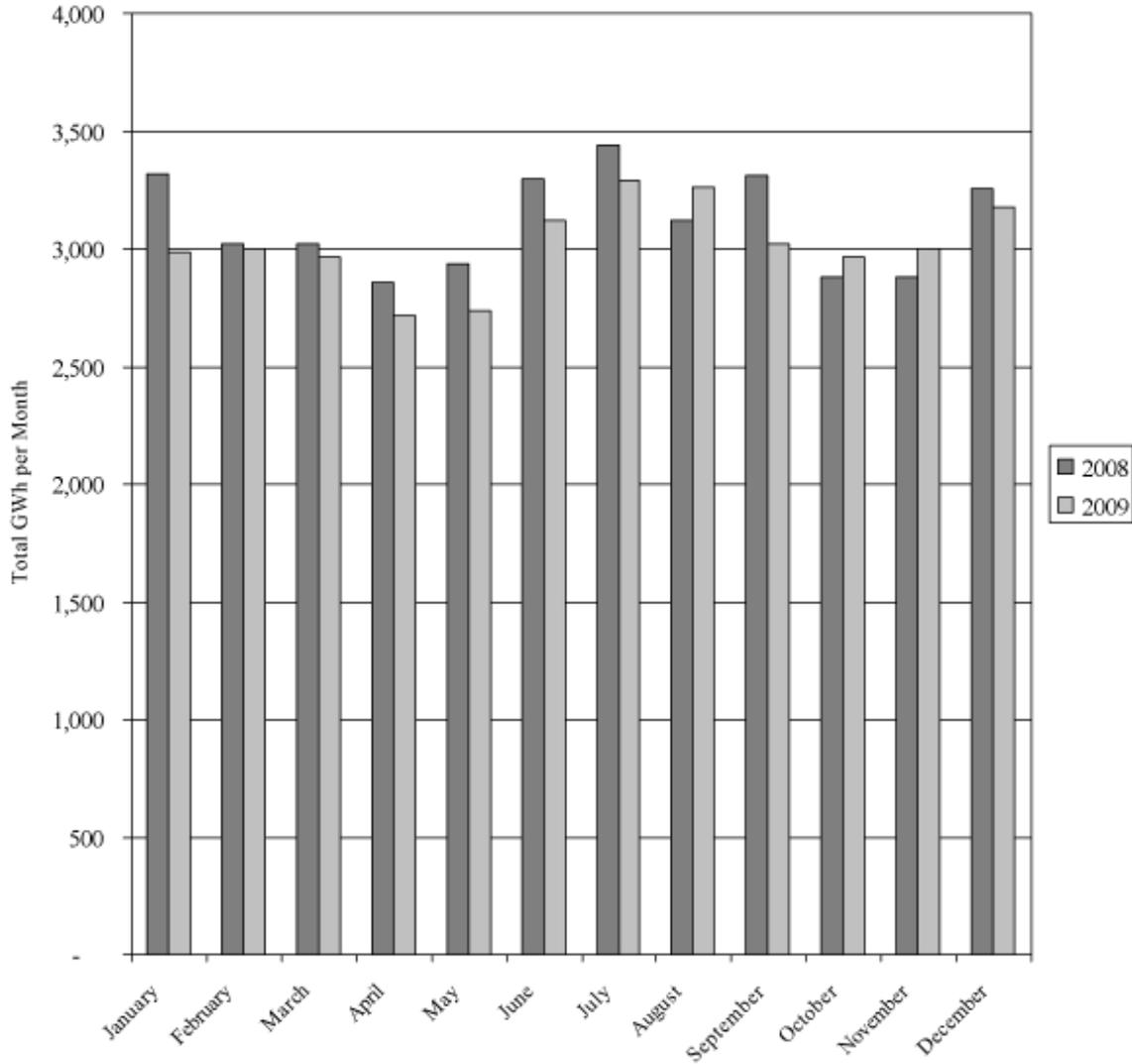
**Electric Utility Operations:** Consumers' electric utility operations, which include the generation, purchase, distribution, and sale of electricity, generated operating revenue of \$3.4 billion in 2009, \$3.6 billion in 2008, and \$3.4 billion in 2007. Consumers' electric utility customer base consists of a mix of residential, commercial, and diversified industrial customers in Michigan's Lower Peninsula. The automotive industry represented five percent of Consumers' 2009 electric utility operating revenue. The following is an illustration of Consumers' 2009 electric utility operating revenue by customer class:



Consumers' electric utility operations are not dependent on a single customer, or even a few customers, and the loss of any one or even a few of its largest customers is not reasonably likely to have a material adverse effect on its financial condition.

In 2009, Consumers' electric deliveries, excluding intersystem deliveries, were 36 million MWh, which included ROA deliveries of 2 million MWh. In 2008, Consumers' electric deliveries, excluding intersystem deliveries, were 37 million MWh, which included ROA deliveries of 2 million MWh. Consumers' electric utility operations are seasonal. The consumption of electric energy typically increases in the summer months, due primarily to the use of air conditioners and other cooling equipment.

The following is an illustration of Consumers’ monthly weather-adjusted electric deliveries to its customers, including ROA deliveries, during 2009 and 2008:



Consumers’ 2009 summer peak demand was 7,756 MW, which includes ROA loads of 335 MW. For the winter period, Consumers’ peak demand was 5,857 MW, which includes ROA loads of 244 MW. As required by MISO reserve margin requirements, Consumers owns or controls, through long-term contracts, capacity necessary to supply its projected firm peak load and necessary reserve margin for summer 2010.

**Electric Utility Properties:** At December 31, 2009, Consumers' electric generating system consisted of the following:

Name and Location (Michigan)	Number of Units and Year Entering Service	2009 Summer Net Demonstrated Capability (MW)	2009 Net Generation (GWh)
<b>Coal Generation</b>			
J H Campbell 1 & 2 — West Olive	2 Units, 1962-1967	615	3,303
J H Campbell 3 — West Olive(a)	1 Unit, 1980	770	5,893
B C Cobb — Muskegon	2 Units, 1956-1957	312	1,733
D E Karn — Essexville	2 Units, 1959-1961	515	2,743
J C Weadock — Essexville	2 Units, 1955-1958	310	1,869
J R Whiting — Erie	3 Units, 1952-1953	328	1,714
Total coal generation		2,850	17,255
<b>Oil/Gas Generation</b>			
B C Cobb — Muskegon	3 Units, 1999-2000(b)	—	—
D E Karn — Essexville	2 Units, 1975-1977	1,276	26
Zeeland — Zeeland	1 Unit, 2002	538	388
Total oil/gas generation		1,814	414
<b>Hydroelectric</b>			
Conventional hydro generation	13 Plants, 1906-1949	74	466
Ludington — Ludington	6 Units, 1973	955(c)	(303)(d)
Total hydroelectric		1,029	163
<b>Gas/Oil Combustion Turbine</b>			
Various plants	7 Plants, 1966-1971	331	37
Zeeland — Zeeland	2 Units, 2001	330	128
Total gas/oil combustion turbine		661	165
Total owned generation		6,354	17,997
<b>Purchased and Interchange Power(e)</b>		2,600(f)	18,463(g)
Total		8,954	36,460

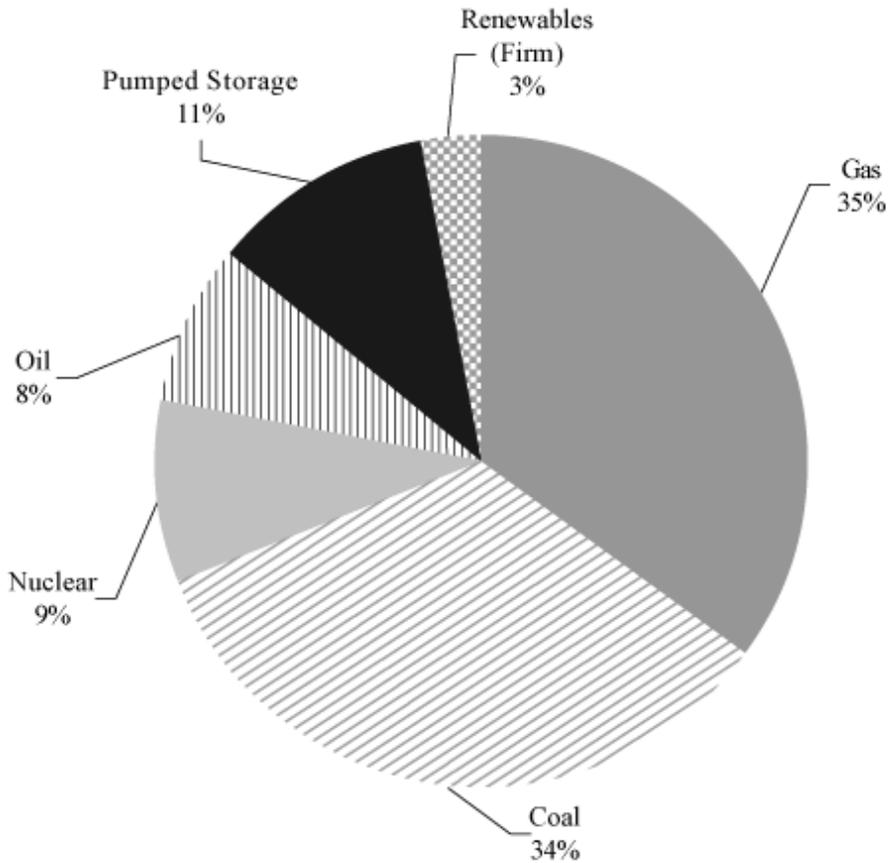
- (a) Represents Consumers' share of the capacity of the J H Campbell 3 unit, net of the 6.69 percent ownership interest of the Michigan Public Power Agency and Wolverine.
- (b) B C Cobb 1-3 are retired coal-fueled units that were converted to gas-fueled. Units were placed back into service in the years indicated. B C Cobb 1-3 were placed out-of-service beginning in April 2009. Consumers plans to return B C Cobb 1-3 to service in April 2012.
- (c) Represents Consumers' 51 percent share of the capacity of Ludington. Detroit Edison owns the remaining 49 percent.
- (d) Represents Consumers' share of net pumped storage generation. This facility electrically pumps water during off-peak hours for storage to generate electricity later during peak-demand hours.
- (e) Includes purchases from the Midwest Energy Market, long-term purchase contracts, options, spot market, and other seasonal purchases.
- (f) Includes 1,240 MW of purchased contract capacity from the MCV Facility and 778 MW of purchased contract capacity from Palisades.
- (g) Includes 2,232 GWh of purchased energy from the MCV Facility and 6,119 GWh of purchased energy from Palisades.

Consumers' distribution system includes:

- 409 miles of high-voltage distribution radial lines operating at 120 kilovolts or above;
- 4,244 miles of high-voltage distribution overhead lines operating at 23 kilovolts and 46 kilovolts;
- 17 subsurface miles of high-voltage distribution underground lines operating at 23 kilovolts and 46 kilovolts;
- 55,816 miles of electric distribution overhead lines;
- 9,976 miles of underground distribution lines; and
- substations having an aggregate transformer capacity of 24 million kVA.

Consumers is interconnected to METC. METC owns an interstate high-voltage electric transmission system in Michigan and is interconnected with neighboring utilities as well as other transmission systems.

**Fuel Supply:** As shown in the following illustration, Consumers' 2009 generation capacity of 8,954 MW, including capacity of 2,600 MW purchased under PPAs, came from a variety of sources:



Consumers' generation came from the following sources:

<u>Power Generated</u>	<u>GWh</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Coal	17,255	17,701	17,903	17,744	19,711
Gas	565	804	129	161	356
Hydro	466	454	416	485	387
Oil	14	41	112	48	225
Nuclear	—	—	1,781	5,904	6,636
Net pumped storage	(303)	(382)	(478)	(426)	(516)
Total owned generation	17,997	18,618	19,863	23,916	26,799
Non-utility generation	11,538	13,643	12,502	8,594	8,999
Net interchange power	6,925	6,653	8,009	7,244	1,772
Net purchased and interchange power	18,463	20,296	20,511	15,838	10,771
Total Net Power Supply	36,460	38,914	40,374	39,754	37,570

The cost of all fuels consumed, shown in the following table, fluctuates with the mix of fuel used.

<u>Fuel Consumed</u>	<u>Cost per Million Btu</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Coal	\$2.37	\$ 2.01	\$ 2.04	\$2.09	\$1.78
Gas	6.57	10.94	10.29	8.92	9.76
Oil	9.59	11.54	8.21	8.68	5.98
Nuclear	—	—	0.42	0.24	0.34
All Fuels(a)	\$2.56	\$ 2.47	\$ 2.07	\$1.72	\$1.64

(a) Weighted average fuel costs

Consumers' electric generating system is heavily dependent upon the availability of coal. In 2009, Consumers' four coal-fueled generating sites burned 9 million tons of coal and produced a combined total of 17,255 GWh of electricity, which represented 96 percent of the energy generated by Consumers.

In order to obtain its coal requirements, Consumers enters into long-term and short-term physical coal supply contracts. At December 31, 2009, Consumers had six long-term and three spot-price contracts to purchase low-sulfur western coal through 2012; these contracts total \$233 million. Consumers also had four long-term and three spot-price contracts to purchase Appalachian coal through 2012; these contracts totaled \$215 million. All of Consumers' long-term contracts have fixed prices. Over the last ten years, Consumers has purchased 60 to 90 percent of its annual coal requirements through long-term contracts. At December 31, 2009, Consumers had 93 percent of its 2010 expected coal requirements under contract, as well as a 47-day supply of coal on-hand.

In conjunction with its coal supply contracts, Consumers leases a fleet of rail cars and has long-term transportation contracts with various companies to provide rail and vessel services for delivery of purchased coal to Consumers' generating facilities. Consumers' coal transportation contracts expire from 2010 through 2014.

Consumers participates in the Midwest Energy Market. Consumers offers its generation into the market on a day-ahead and real-time basis and bids for power in the market to serve its load. Consumers is a net purchaser of power and supplements its generation capability with purchases from the market to meet its customers needs during peak demand periods.

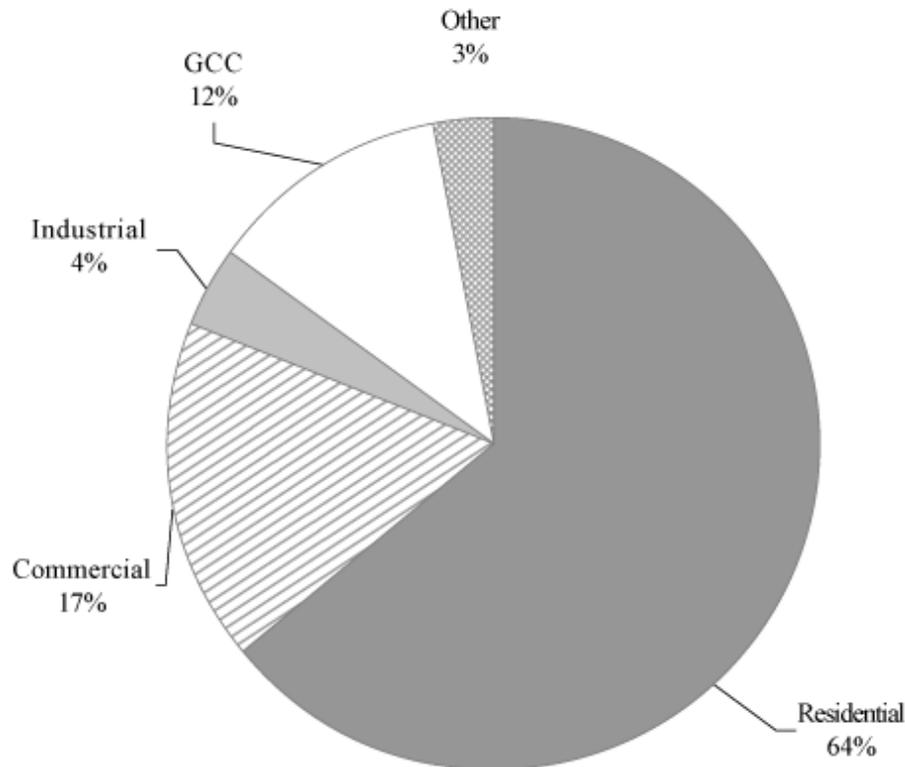
At December 31, 2009, Consumers had unrecognized future commitments to purchase capacity and energy under long-term PPAs with various generating plants. These contracts require monthly capacity payments based on the plants' availability, whether or not power is delivered to Consumers, or deliverability. These payments for 2010 through 2030 total \$13.2 billion and range from \$780 million to \$870 million annually for each of the next five

years. These amounts may vary depending on plant availability and fuel costs. For further information about Consumers’ future capacity and energy purchase obligations, see Item 7. MD&A, “Capital Resources and Liquidity — Obligations and Commitments — Contractual Obligations.”

**Consumers Gas Utility**

**Gas Utility Operations:**

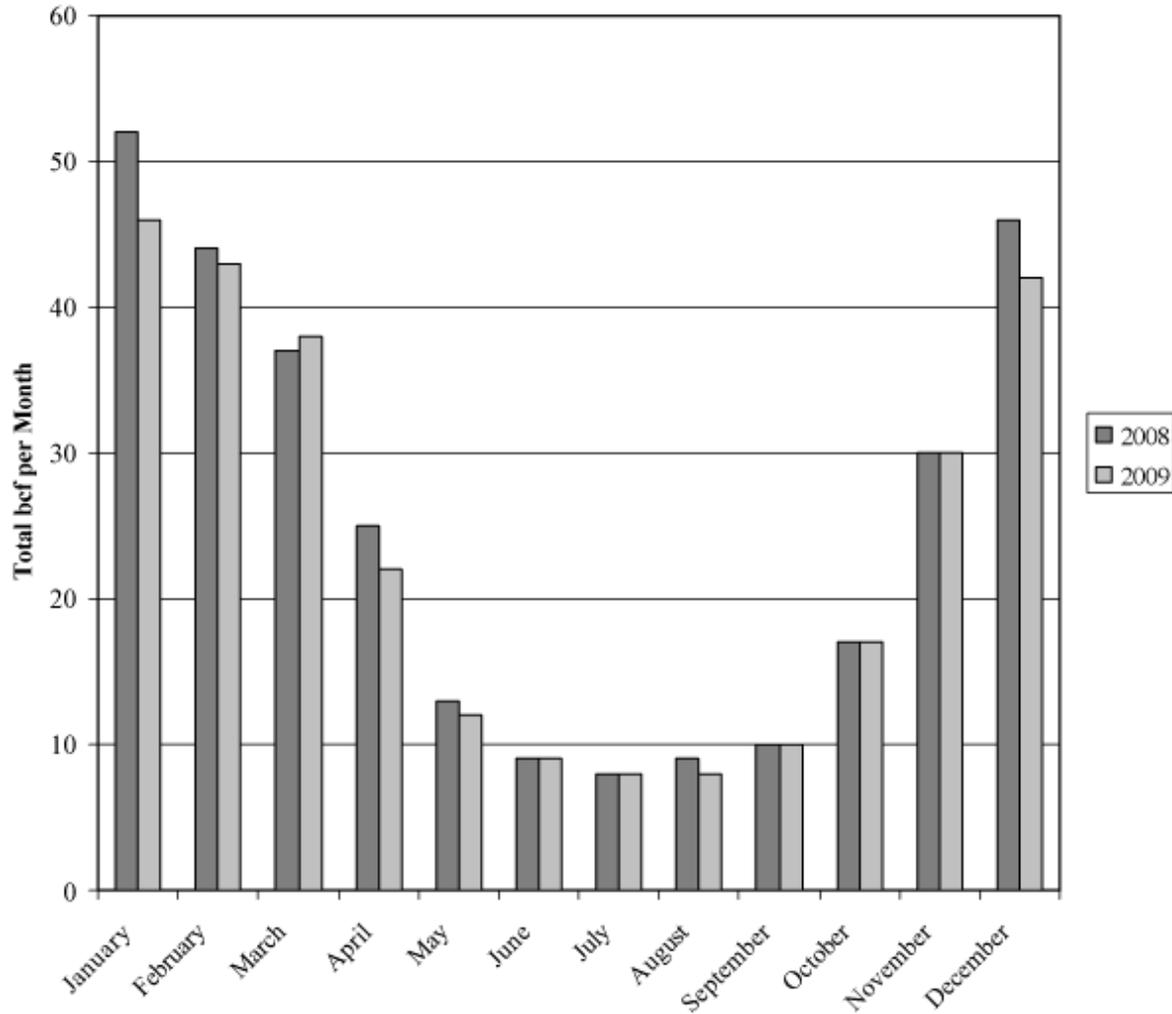
Consumers’ gas utility operations, which include the purchase, transmission, storage, distribution, and sale of natural gas, generated operating revenue of \$2.6 billion in 2009, \$2.8 billion in 2008, and \$2.6 billion in 2007. Consumers’ gas utility customer base consists of a mix of residential, commercial, and diversified industrial customers in Michigan’s Lower Peninsula. The following is an illustration of Consumers’ 2009 gas utility operating revenue by customer class:



Consumers’ gas utility operations are not dependent on a single customer, or even a few customers, and the loss of any one or even a few of its largest customers is not reasonably likely to have a material adverse effect on its financial condition.

In 2009, deliveries of natural gas sold through Consumers’ pipeline and distribution network totaled 326 bcf, which included GCC deliveries of 27 bcf. In 2008, Consumers’ deliveries of natural gas sold through its pipeline and distribution network totaled 344 bcf, which included GCC deliveries of 25 bcf. Consumers’ gas utility operations are seasonal. Consumers injects natural gas into storage during the summer months for use during the winter months when the demand for natural gas is higher. During 2009, 43 percent of the natural gas supplied to all customers during the winter months was supplied from storage. Peak demand occurs in the winter due to colder temperatures

and the resulting use of heating fuels. The following is an illustration of Consumers’ monthly weather-adjusted gas deliveries to its customers, including GCC deliveries, during 2009 and 2008:

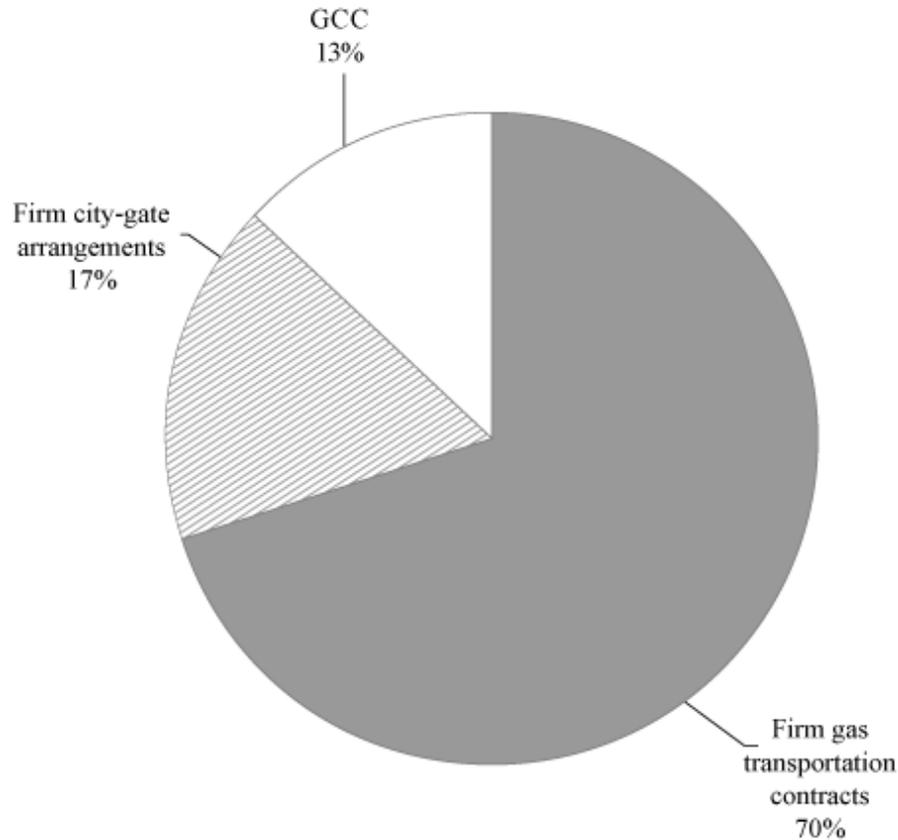


**Gas Utility Properties:** Consumers’ gas distribution and transmission system located in Michigan’s Lower Peninsula consists of:

- 26,526 miles of distribution mains;
- 1,652 miles of transmission lines;
- 7 compressor stations with a total of 136,180 installed and available horsepower; and
- 15 gas storage fields with an aggregate storage capacity of 307 bcf and a working storage capacity of 142 bcf.

**Gas Supply:** In 2009, Consumers purchased 69 percent of the gas it delivered from United States producers and 18 percent from Canadian producers. Authorized suppliers in the GCC program supplied the remaining 13 percent of the gas that Consumers delivered.

The following illustration shows the sources of Consumers' gas supply during 2009:



Consumers' firm gas transportation contracts are with ANR Pipeline Company, Great Lakes Gas Transmission, L.P., Panhandle, Trunkline, and Vector Pipeline L.P. Consumers uses these contracts to deliver gas to Michigan for ultimate delivery to its customers. Consumers' firm gas transportation contracts expire through 2017 and are capable of delivering 80 percent of its total gas supply requirements.

Consumers purchases the balance of its required gas supply transportation under firm city-gate arrangements, incremental firm transportation contracts, and interruptible transportation contracts. The amount of interruptible transportation service and its use vary primarily with the price for this service and the availability and price of purchased and transported spot supplies. Consumers' use of interruptible transportation is generally in off-peak summer months and after Consumers has fully utilized the services under the firm transportation agreements.

### Enterprises — Non-Utility Operations and Investments

CMS Energy's enterprises segment, through various subsidiaries and certain equity investments, is engaged primarily in domestic IPP and the marketing of IPP. In 2007, enterprises made a significant change in business strategy by exiting the international marketplace and refocusing to concentrate on its independent power business in the United States.

The enterprises segment's operating revenue included in Income (Loss) From Continuing Operations in CMS Energy's consolidated financial statements was \$216 million in 2009, \$365 million in 2008, and \$370 million in 2007. The enterprises segment's operating revenue included in Income (Loss) From Discontinued Operations in CMS Energy's consolidated financial statements was \$7 million in 2009, \$14 million in 2008, and \$248 million in 2007.

**IPP:** CMS Generation invested in and operated non-utility power generation plants in the United States and abroad. In 2007, CMS Enterprises sold CMS Generation and all of CMS Enterprises' international assets to third parties and transferred its domestic independent power plant operations to its subsidiary, HYDRA-CO. For more information on the asset sales, see Item 8. Financial Statements and Supplementary Data, Notes to Consolidated Financial Statements, Note 22, Asset Sales, Discontinued Operations, and Impairment Charges, "Asset Sales."

The operating revenue from IPP included in Income (Loss) From Continuing Operations in CMS Energy's consolidated financial statements was \$18 million in 2009, \$22 million in 2008, and \$28 million in 2007. The operating revenue from IPP included in Income (Loss) From Discontinued Operations in CMS Energy's consolidated financial statements was \$7 million in 2009, \$14 million in 2008, and \$137 million in 2007.

**IPP Properties:** At December 31, 2009, CMS Energy had ownership interests in independent power plants totaling 1,202 gross MW or 1,079 net MW. (Net MW reflects that portion of the gross capacity relating to CMS Energy's ownership interests.)

The following table details CMS Energy's interests in independent power plants at December 31, 2009:

Location	Primary Fuel Type	Ownership Interest (%)	Gross Capacity (MW)	Percentage of Gross Capacity Under Long-Term Contract (%)
California	Biomass	37.8	36	100
Connecticut(a)	Scrap tire	100	31	—
Michigan	Natural gas	100	710	92
Michigan	Natural gas	100	224	—
Michigan	Coal	50	73	100
Michigan	Biomass	50	40	100
Michigan	Biomass	50	38	100
North Carolina	Biomass	50	50	—
<b>Total</b>			<b>1,202</b>	

(a) Represents Exeter, whose assets and liabilities were reclassified as held for sale in 2009.

**Energy Resource Management:** CMS ERM purchases and sells energy commodities in support of CMS Energy's generating facilities. In 2004, CMS ERM discontinued its natural gas retail program as customer contracts expired, and changed its name from CMS MST to CMS ERM.

In 2009, CMS ERM marketed 23 bcf of natural gas and 1,726 GWh of electricity. CMS ERM's operating revenue included in Income (Loss) From Continuing Operations in CMS Energy's consolidated financial statements was \$198 million in 2009, \$343 million in 2008, and \$342 million in 2007.

**Natural Gas Transmission:** CMS Gas Transmission owned, developed, and managed domestic and international natural gas facilities. In March 2007, CMS Gas Transmission sold a portfolio of its businesses in Argentina and its northern Michigan non-utility natural gas assets to Lucid Energy. In August 2007, CMS Gas Transmission sold its investment in GasAtacama to Endesa S.A. In June 2008, CMS Gas Transmission completed the sale of its investment in TGN. For more information on these asset sales, see Item 8. Financial Statements and Supplementary Data, Notes to Consolidated Financial Statements, Note 22, Asset Sales, Discontinued Operations, and Impairment Charges, "Asset Sales."

CMS Gas Transmission's operating revenue included in Income (Loss) From Continuing Operations in CMS Energy's consolidated financial statements was less than \$1 million in 2009, 2008, and 2007. CMS Gas Transmission's operating revenue included in Income (Loss) From Discontinued Operations in CMS Energy's consolidated financial statements was \$3 million in 2007.

**International Energy Distribution:** In April 2007, CMS Energy sold its ownership interest in SENECA, and in June 2007, CMS Energy sold CMS Energy Brasil S.A. For more information on these asset sales, see Item 8.

Financial Statements and Supplementary Data, Notes to Consolidated Financial Statements, Note 22, Asset Sales, Discontinued Operations, and Impairment Charges, “Asset Sales.”

The international energy distribution’s operating revenue, reflected in Income (Loss) From Discontinued Operations in CMS Energy’s consolidated financial statements, was \$108 million in 2007.

## **CMS ENERGY AND CONSUMERS REGULATION**

CMS Energy, Consumers, and their subsidiaries are subject to regulation by various federal, state, local, and foreign governmental agencies, including those described in the following sections.

### **MPSC**

Consumers is subject to the jurisdiction of the MPSC, which regulates public utilities in Michigan with respect to retail utility rates, accounting, utility services, certain facilities, corporate mergers, and other matters.

The Michigan Attorney General, ABATE, the MPSC staff, and certain other parties typically participate in MPSC proceedings concerning Consumers. The Michigan Attorney General, ABATE, and others often appeal significant MPSC orders.

**Rate Proceedings:** For information regarding open rate proceedings, see Item 8. Financial Statements and Supplementary Data, Notes to Consolidated Financial Statements, Note 7, Utility Rate Matters.

### **Michigan Energy Legislation**

The 2008 Energy Legislation requires that at least ten percent of Consumers’ electric sales volume come from renewable energy sources by 2015, and includes requirements for specific capacity additions. The 2008 Energy Legislation also requires Consumers to prepare an energy optimization plan and achieve annual sales reduction targets beginning in 2009 through at least 2015. The targets are incremental with the goal of achieving a six percent reduction in customers’ electricity use and a four percent reduction in customers’ natural gas use by December 31, 2015. In 2009, Consumers filed, and the MPSC approved, its renewable energy and energy optimization plans. For additional information regarding Consumers’ renewable energy and energy optimization plans, see Item 7. MD&A, Outlook, “Consumers’ Electric Utility Business Outlook and Uncertainties.”

The 2008 Energy Legislation also reformed the Customer Choice Act to limit alternative energy suppliers to supplying no more than ten percent of Consumers’ weather-adjusted sales. In September 2009, the MPSC approved procedures for the administration and allocation of electric load allowed to be served by alternative electric suppliers under the 2008 Energy Legislation. The MPSC further clarified that electric choice customers that are served presently by an alternative electric supplier will not be returned automatically to utility service in the event that the ten percent of weather-adjusted sales cap is exceeded due to a reduction in utility sales during the year. The MPSC also required utilities to make available on their websites an electric choice cap tracking system that allows customers to check on the status of the program.

### **FERC**

The FERC has exercised limited jurisdiction over several independent power plants and exempt wholesale generators in which CMS Enterprises has ownership interests, as well as over CMS ERM, CMS Gas Transmission, and DIG. Among other things, the FERC has jurisdiction over acquisitions, operations, and disposals of certain assets and facilities, services provided and rates charged, conduct among affiliates, and limited jurisdiction over holding company matters with respect to CMS Energy. The FERC, in connection with the NERC and with regional reliability organizations, also regulates generation owners and operators, load serving entities, purchase and sale entities, and others with regard to reliability of the bulk power system. Certain aspects of Consumers’ gas business are also subject to regulation by the FERC, including a blanket transportation tariff under which Consumers may transport gas in interstate commerce.

The FERC also regulates certain aspects of Consumers' electric operations, including compliance with the FERC accounting rules, wholesale rates, operation of licensed hydro electric generating plants, transfers of certain facilities, corporate mergers, and issuances of securities.

### Other Regulation

The Secretary of Energy regulates imports and exports of natural gas and has delegated various aspects of this jurisdiction to the FERC and the DOE's Office of Fossil Fuels.

Consumers' pipelines are subject to the Natural Gas Pipeline Safety Act of 1968 and the Pipeline Safety Improvement Act of 2002, which regulate the safety of gas pipelines.

EnerBank is regulated by the FDIC.

## CMS ENERGY AND CONSUMERS ENVIRONMENTAL COMPLIANCE

CMS Energy, Consumers, and their subsidiaries are subject to various federal, state, and local regulations for environmental quality, including air and water quality, solid waste management, and other matters. For additional information concerning environmental matters, see Item 1A. Risk Factors and Item 8. Financial Statements and Supplementary Data, Notes to Consolidated Financial Statements, Note 6, Contingencies and Commitments.

CMS Energy has recorded a significant liability for its affiliates' obligations associated with Bay Harbor. For additional information, see Item 1A. Risk Factors and Item 8. Financial Statements and Supplementary Data, Notes to Consolidated Financial Statements, Note 6, Contingencies and Commitments.

**Air:** Consumers continues to install state-of-the-art emissions control equipment at its electric generating plants and to convert electric generating units to burn cleaner fuels. Consumers estimates that it will incur expenditures of \$1.4 billion from 2010 through 2017 to comply with current and future federal and state regulations that will require extensive reductions in nitrogen oxides, sulfur dioxides, particulate matter, and mercury emissions. Consumers' estimate may increase if additional laws or regulations are adopted or implemented regarding greenhouse gases, including carbon dioxide. For additional information concerning estimated capital expenditures related to environmental compliance, see Item 7. MD&A, Outlook, "Consumers' Electric Utility Business Outlook and Uncertainties — Electric Environmental Estimates."

**Solid Waste Disposal:** Costs related to the construction, operation, and closure of a modern solid waste disposal facility for ash are significant. To achieve significant reductions in ash field closure costs, Consumers has worked with others to reuse 30 percent of ash produced. Consumers sells coal ash for use as a Portland cement replacement in concrete products, as feedstock for the manufacture of Portland cement, and for other environmentally compatible uses. Consumers' solid waste disposal areas are regulated under Michigan's solid waste rules. Consumers has converted all of its fly ash handling systems to dry systems, which substantially reduce landfill venting. All of Consumers' ash facilities have programs designed to protect the environment and are subject to quarterly MDNRE inspections. Dike integrity and stability have been assessed by an independent consultant. The EPA has been considering the development of new federal regulations for ash disposal areas for several years.

**Water:** Consumers uses significant amounts of water to operate and cool its electric generating plants. Water discharge quality is regulated and administered by the MDNRE under the federal NPDES program. To comply with such regulation, Consumers' facilities have discharge monitoring programs. The EPA is developing new regulations related to cooling water intake systems. Consumers estimates expenditures of \$150 million from 2010 through 2017 to comply with current and future regulations relating to cooling water intake systems.

## CMS ENERGY AND CONSUMERS COMPETITION

### Electric Competition

Consumers' electric utility business is subject to actual and potential competition from many sources, in both the wholesale and retail markets, as well as in electric generation, electric delivery, and retail services.

The Customer Choice Act allows all Consumers' electric customers to buy electric generation service from Consumers or from an alternative electric supplier. The 2008 Energy Legislation revised the Customer Choice Act

and generally limits alternative electric supply to ten percent of Consumers' weather-adjusted retail sales for the preceding calendar year. In August 2009, customer enrollment in the ROA program reached the ten-percent limit. Electric deliveries from alternative suppliers reached the ten-percent limit in early January 2010.

Consumers also has competition or potential competition from:

- industrial customers relocating all or a portion of their production capacity outside Consumers' service territory for economic reasons;
- municipalities owning or operating competing electric delivery systems;
- customer self-generation; and
- adjacent utilities that extend lines to customers in contiguous service territories.

Consumers addresses this competition by monitoring activity in adjacent areas and monitoring compliance with the MPSC's and the FERC's rules, providing non-energy services, and providing tariff-based incentives that support economic development.

Consumers offers non-energy revenue-producing services to electric customers, municipalities, and other utilities in an effort to offset costs. These services include engineering and consulting, construction of customer-owned distribution facilities, sales of equipment (such as transformers), power quality analysis, energy management services, meter reading, and joint construction for phone and cable. In these activities, Consumers faces competition from many sources, including energy management services companies, other utilities, contractors, and retail merchandisers.

CMS ERM continues to focus on optimizing CMS Energy's IPP portfolio. CMS Energy's IPP business faces competition from generators, marketers and brokers, and other utilities marketing power in the wholesale market.

## **Gas Competition**

Competition exists in various aspects of Consumers' gas utility business. Competition comes from other gas suppliers taking advantage of direct access to Consumers' customers and from alternative fuels and energy sources, such as propane, oil, and electricity.

## **INSURANCE**

CMS Energy and its subsidiaries, including Consumers, maintain insurance coverage generally similar to comparable companies in the same lines of business. The insurance policies are subject to terms, conditions, limitations, and exclusions that might not fully compensate CMS Energy or Consumers for all losses. A portion of each loss is generally assumed by CMS Energy or Consumers in the form of deductibles and self-insured retentions that, in some cases, are substantial. As CMS Energy or Consumers renews its policies, it is possible that some of the current insurance coverage may not be renewed or obtainable on commercially reasonable terms due to restrictive insurance markets.

CMS Energy's and Consumers' current insurance program does not cover the risks of certain environmental cleanup costs and environmental damages, such as claims for air pollution, damage to sites owned by CMS Energy or Consumers, and some long-term storage or disposal of wastes.

## **EMPLOYEES**

### **CMS Energy**

At December 31, 2009, CMS Energy and its wholly owned subsidiaries, including Consumers, had 8,039 full-time equivalent employees. Included in the total are 3,433 full-time operating, maintenance, and construction employees and full-time and part-time call center employees who are represented by the Union.

**Consumers**

At December 31, 2009, Consumers and its subsidiaries had 7,755 full-time equivalent employees. Included in the total are 3,433 full-time operating, maintenance, and construction employees and full-time and part-time call center employees who are represented by the Union.

**CMS ENERGY EXECUTIVE OFFICERS (as of February 1, 2010)**

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
David W. Joos	56	President and CEO of CMS Energy	2004-Present
		CEO of Consumers	2004-Present
		Chairman of the Board, President, CEO of CMS Enterprises	5/2008-Present
		Director of CMS Energy	2001-Present
		Director of Consumers	2001-Present
		Director of CMS Enterprises	2000-Present
		Chairman of the Board, CEO of CMS Enterprises	2003-5/2008
Thomas J. Webb	57	Executive Vice President, CFO of CMS Energy	2002-Present
		Executive Vice President, CFO of Consumers	2002-Present
		Executive Vice President, CFO of CMS Enterprises	2002-Present
		Director of CMS Enterprises	2002-Present
James E. Brunner	57	Senior Vice President and General Counsel of CMS Energy	11/2006-Present
		Senior Vice President and General Counsel of Consumers	11/2006-Present
		Senior Vice President and General Counsel of CMS Enterprises	11/2007-Present
		Director of CMS Enterprises	2006-Present
		Senior Vice President of CMS Enterprises	2006-11/2007
		Senior Vice President, General Counsel and Chief Compliance Officer of CMS Energy	5/2006-11/2006
		Senior Vice President, General Counsel and Chief Compliance Officer of Consumers	5/2006-11/2006
		Senior Vice President, General Counsel and Interim Chief Compliance Officer of Consumers	2/2006-5/2006
		Senior Vice President and General Counsel of CMS Energy	2/2006-5/2006
		Vice President and General Counsel of Consumers	7/2004-2/2006
John M. Butler*	45	Senior Vice President of CMS Energy	2006-Present
		Senior Vice President of Consumers	2006-Present
		Senior Vice President of CMS Enterprises	2006-Present
David G. Mengebier	52	Senior Vice President and Chief Compliance Officer of CMS Energy	11/2006-Present
		Senior Vice President and Chief Compliance Officer of Consumers	11/2006-Present
		Senior Vice President of CMS Enterprises	2003-Present
		Senior Vice President of CMS Energy	2001-11/2006
		Senior Vice President of Consumers	2001-11/2006

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
John G. Russell	52	President and Chief Operating Officer of Consumers	2004-Present
Glenn P. Barba	44	Vice President, Controller and Chief Accounting Officer of CMS Energy	2003-Present
		Vice President, Controller and Chief Accounting Officer of Consumers	2003-Present
		Vice President, Chief Accounting Officer and Controller of CMS Enterprises	11/2007-Present
		Vice President and Chief Accounting Officer of CMS Enterprises	2003-11/2007

\* From 2004 until June 2006, Mr. Butler was Human Resources Director, Manufacturing and Engineering at Dow.

There are no family relationships among executive officers and directors of CMS Energy.

The term of office of each of the executive officers extends to the first meeting of the Board of Directors after the next annual election of Directors of CMS Energy (scheduled to be held on May 21, 2010).

#### CONSUMERS EXECUTIVE OFFICERS (as of February 1, 2010)

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
David W. Joos	56	President and CEO of CMS Energy	2004-Present
		CEO of Consumers	2004-Present
		Chairman of the Board, President, CEO of CMS Enterprises	5/2008-Present
		Director of CMS Energy	2001-Present
		Director of Consumers	2001-Present
		Director of CMS Enterprises	2000-Present
		Chairman of the Board, CEO of CMS Enterprises	2003-5/2008
Thomas J. Webb	57	Executive Vice President, CFO of CMS Energy	2002-Present
		Executive Vice President, CFO of Consumers	2002-Present
		Executive Vice President, CFO of CMS Enterprises	2002-Present
		Director of CMS Enterprises	2002-Present
James E. Brunner	57	Senior Vice President and General Counsel of CMS Energy	11/2006-Present
		Senior Vice President and General Counsel of Consumers	11/2006-Present
		Senior Vice President and General Counsel of CMS Enterprises	11/2007-Present
		Director of CMS Enterprises	2006-Present
		Senior Vice President of CMS Enterprises	2006-11/2007
		Senior Vice President, General Counsel and Chief Compliance Officer of CMS Energy	5/2006-11/2006
		Senior Vice President, General Counsel and Chief Compliance Officer of Consumers	5/2006-11/2006
		Senior Vice President, General Counsel and Interim Chief Compliance Officer of Consumers	2/2006-5/2006
		Senior Vice President and General Counsel of CMS Energy	2/2006-5/2006
		Vice President and General Counsel of Consumers	7/2004-2/2006

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Period</u>
John M. Butler*	45	Senior Vice President of CMS Energy	2006-Present
		Senior Vice President of Consumers	2006-Present
		Senior Vice President of CMS Enterprises	2006-Present
David G. Mengebier	52	Senior Vice President and Chief Compliance Officer of CMS Energy	11/2006-Present
		Senior Vice President and Chief Compliance Officer of Consumers	11/2006-Present
		Senior Vice President of CMS Enterprises	2003-Present
		Senior Vice President of CMS Energy	2001-11/2006
		Senior Vice President of Consumers	2001-11/2006
John G. Russell	52	President and Chief Operating Officer of Consumers	2004-Present
William E. Garrity	61	Senior Vice President of Consumers	2005-Present
		Vice President of Consumers	1999-2005
Frank Johnson	61	Senior Vice President of Consumers	2001-Present
Glenn P. Barba	44	Vice President, Controller and Chief Accounting Officer of CMS Energy	2003-Present
		Vice President, Controller and Chief Accounting Officer of Consumers	2003-Present
		Vice President, Chief Accounting Officer and Controller of CMS Enterprises	11/2007-Present
		Vice President and Chief Accounting Officer of CMS Enterprises	2003-11/2007

\* From 2004 until June 2006, Mr. Butler was Human Resources Director, Manufacturing and Engineering at Dow.

There are no family relationships among executive officers and directors of Consumers.

The term of office of each of the executive officers extends to the first meeting of the Board of Directors after the next annual election of Directors of Consumers (scheduled to be held on May 21, 2010).

## AVAILABLE INFORMATION

CMS Energy's internet address is [www.cmsenergy.com](http://www.cmsenergy.com). Information contained on CMS Energy's website is not incorporated herein. All of CMS Energy's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act are accessible free of charge on CMS Energy's website. These reports are available soon after they are filed electronically with the SEC. Also on CMS Energy's website are its:

- Corporate Governance Principles;
- Codes of Conduct (Code of Conduct and Guide to Ethical Business Behavior 2010);
- Board committee charters (including the Audit Committee, the Compensation and Human Resources Committee, the Finance Committee, and the Governance and Public Responsibility Committee); and
- Articles of Incorporation (and amendments) and Bylaws.

CMS Energy will provide this information in print to any stockholder who requests it.

Any materials CMS Energy files with the SEC may also be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington DC, 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address is <http://www.sec.gov>.