

CENTRAL HUDSON GAS & ELECTRIC CORP
Form 10-Q
August 03, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

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

For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation Address and Telephone Number	IRS Employer Identification No.
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0-30512	CH Energy Group, Inc. (Incorporated in New York) 284 South Avenue Poughkeepsie, New York 12601-4839 (845) 452-2000	14-1804460
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1-3268	Central Hudson Gas & Electric Corporation (Incorporated in New York) 284 South Avenue Poughkeepsie, New York 12601-4839 (845) 452-2000	14-0555980
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Indicate by check mark whether the registrant (1) has 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) has been subject to such filing requirements for the past 90 days.

CH Energy Group, Inc. Yes No
Central Hudson Gas & Electric Corporation Yes No

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

CH Energy Group, Inc. Yes No
Central Hudson Gas & Electric Corporation Yes No

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. (Check one):

CH Energy Group, Inc.	Central Hudson Gas & Electric Corporation
Large Accelerated Filer <input type="checkbox"/>	Large Accelerated Filer <input type="checkbox"/>
Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input type="checkbox"/>
Smaller Reporting Company <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>

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

CH Energy Group, Inc. Yes No
Central Hudson Gas & Electric Corporation Yes No

As of the close of business on July 31, 2012 (i) CH Energy Group, Inc. had outstanding 14,942,473 shares of Common Stock (\$0.10 per share par value) and (ii) all of the outstanding 16,087,062 shares of Common Stock (\$5 per share par value) of Central Hudson Gas & Electric Corporation were held by CH Energy Group, Inc.

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

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2012

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FILING FORMAT

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

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PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements (Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Operating Revenues				
Electric	\$ 115,429	\$ 114,235	\$ 244,701	\$ 268,805
Natural gas	26,120	33,997	81,970	109,479
Competitive business subsidiaries:				
Petroleum products	51,139	54,029	135,771	146,661
Other	4,882	4,806	9,200	9,094
Total Operating Revenues	197,570	207,067	471,642	534,039
Operating Expenses				
Operation:				
Purchased electricity and fuel used in electric generation	37,364	37,795	82,423	108,063
Purchased natural gas	7,490	15,290	32,104	57,088
Purchased petroleum	45,424	48,228	115,729	123,994
Other expenses of operation - regulated activities	58,836	56,747	118,722	125,980
Other expenses of operation - competitive business subsidiaries	11,366	11,336	23,788	23,855
Merger related costs	3,243	-	8,462	-
Depreciation and amortization	10,543	10,101	21,167	20,186
Taxes, other than income tax	11,954	11,626	25,596	24,927
Total Operating Expenses	186,220	191,123	427,991	484,093
Operating Income	11,350	15,944	43,651	49,946
Other Income and Deductions				
Income from unconsolidated affiliates	50	155	102	619
Interest on regulatory assets and other interest income	1,482	1,431	3,642	3,297
Regulatory adjustments for interest costs	331	330	650	713
Business development costs	(5)	(263)	(63)	(498)
Other - net	(106)	(321)	(484)	(890)
Total Other Income	1,752	1,332	3,847	3,241
Interest Charges				
Interest on long-term debt	6,219	6,730	12,437	13,470
Interest on regulatory liabilities and other interest	1,703	1,534	3,287	3,015
Total Interest Charges	7,922	8,264	15,724	16,485
Income before income taxes, non-controlling interest and preferred dividends of subsidiary	5,180	9,012	31,774	36,702
Income Taxes	3,026	2,905	14,797	13,520
Net Income from Continuing Operations	2,154	6,107	16,977	23,182
Discontinued Operations				
Income from discontinued operations before tax	-	220	-	821

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Loss from sale of discontinued operations	-	(92)	-	(543)
Income tax expense from discontinued operations	-	38	-	73
Net Income from Discontinued Operations	-	90	-	205
Net Income	2,154	6,197	16,977	23,387
Net Income attributable to non-controlling interest:				
Dividends declared on Preferred Stock of subsidiary	176	242	418	485
Preferred Stock Redemption Premium	342	-	342	-
Net Income Attributable to CH Energy Group	1,636	5,955	16,217	22,902
Dividends declared on Common Stock	8,293	8,331	16,572	16,758
Change in Retained Earnings	\$(6,657)	\$(2,376)	\$(355)	\$6,144

The Notes to Financial Statements are an integral part hereof.

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

	Three Months		Six Months Ended	
	Ended June 30, 2012	2011	June 30, 2012	2011
Common Stock:				
Average shares outstanding - Basic	14,906	15,476	14,894	15,560
Average shares outstanding - Diluted	15,128	15,674	15,116	15,758
Income from continuing operations attributable to CH Energy Group common shareholders:				
Earnings per share - Basic	\$0.11	\$0.38	\$1.09	\$1.46
Earnings per share - Diluted	\$0.10	\$0.37	\$1.07	\$1.44
Income from discontinued operations attributable to CH Energy Group common shareholders:				
Earnings per share - Basic	\$-	\$0.01	\$-	\$0.01
Earnings per share - Diluted	\$-	\$0.01	\$-	\$0.02
Amounts attributable to CH Energy Group common shareholders:				
Earnings per share - Basic	\$0.11	\$0.38	\$1.09	\$1.47
Earnings per share - Diluted	\$0.10	\$0.38	\$1.07	\$1.46
Dividends Declared per Share	\$0.555	\$0.540	\$1.11	\$1.08

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

	Three Months		Six Months Ended	
	Ended June 30, 2012	2011	June 30, 2012	2011
Net Income	\$2,154	\$6,197	\$16,977	\$23,387
Other Comprehensive Loss:				
Net unrealized losses on investments held by equity method investees - net of tax of \$0 and \$39 in 2012 and \$0 and \$27 in 2011, respectively	-	-	(58)	(41)
Other comprehensive loss	-	-	(58)	(41)

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Comprehensive Income	2,154	6,197	16,919	23,346
Comprehensive income attributable to non-controlling interest	518	242	760	485
Comprehensive income attributable to CH Energy Group	\$1,636	\$5,955	\$16,159	\$22,861

The Notes to Financial Statements are an integral part hereof.

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

	Six Months Ended June 30,	
	2012	2011
Operating Activities:		
Net income	\$ 16,977	\$ 23,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	18,887	19,271
Amortization	2,280	2,098
Deferred income taxes - net	16,282	12,575
Bad debt expense	3,802	4,093
Undistributed equity in earnings of unconsolidated affiliates	(102)	(619)
Pension expense	12,987	14,866
Other post-employment benefits ("OPEB") expense	3,584	3,586
Regulatory liability - rate moderation	(1,107)	(6,166)
Revenue decoupling mechanism recorded	(2,829)	5,030
Regulatory asset amortization	2,865	2,882
Gain on sale of assets	(71)	543
Changes in operating assets and liabilities - net of business acquisitions:		
Accounts receivable, unbilled revenues and other receivables	12,884	6,433
Fuel, materials and supplies	6,316	4,246
Special deposits and prepayments	3,306	5,334
Income and other taxes	310	(1,921)
Accounts payable	2,056	(13,982)
Accrued interest	(503)	982
Customer advances	8	(6,219)
Pension plan contribution	(28,329)	(32,328)
OPEB contribution	(3,269)	(1,184)
Revenue decoupling mechanism (refunded) collected	(945)	2,541
Regulatory asset - storm deferral	(942)	-
Regulatory asset - manufactured gas plant ("MGP") site remediation	1,705	2,937
Regulatory asset - Temporary State Assessment	483	2,452
Merger related transaction costs paid	(4,589)	-
Deferred natural gas and electric costs	255	23,797
Other - net	8,912	893
Net cash provided by operating activities	71,213	75,527
Investing Activities:		
Proceeds from sale of assets	103	6,834
Additions to utility and other property and plant	(54,012)	(39,509)
Acquisitions made by competitive business subsidiaries	-	(1,961)
Other - net	(3,014)	(1,765)
Net cash used in investing activities	(56,923)	(36,401)

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Financing Activities:

Redemption of long-term debt	(36,495)	(463)
Proceeds from issuance of long-term debt	48,000	-
Borrowings of short-term debt - net	3,500	12,000
Dividends paid on Common Stock	(16,548)	(16,958)
Redemption of preferred Stock	(12,180)	-
Dividends paid on Preferred Stock of subsidiary	(661)	(485)
Shares repurchased	(2,993)	(18,612)
Other - net	(602)	(233)
Net cash used in financing activities	(17,979)	(24,751)
Cash Included in Net Current Assets Held for Sale	-	(1,602)
Net Change in Cash and Cash Equivalents	(3,689)	12,773
Cash and Cash Equivalents at Beginning of Period	15,281	29,420
Cash and Cash Equivalents at End of Period	\$ 11,592	\$ 42,193

The Notes to Financial Statements are an integral part hereof.

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

	Six Months Ended	
	June 30,	
	2012	2011
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$13,168	\$13,086
Federal and state income taxes paid	\$118	\$332
Additions to plant included in liabilities	\$4,854	\$3,186
Merger related transaction costs in liabilities	\$3,873	\$-

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY
GROUP
CONSOLIDATED
BALANCE SHEET
(UNAUDITED)
(In Thousands)

	June 30, 2012	December 31, 2011	June 30, 2011
ASSETS			
Utility Plant			
Electric	\$1,036,287	\$1,008,394	\$981,711
Natural gas	306,888	305,664	298,998
Common	153,542	147,286	141,480
Gross Utility Plant	1,496,717	1,461,344	1,422,189
Less: Accumulated depreciation	395,425	388,784	380,191
Net	1,101,292	1,072,560	1,041,998
Construction work in progress	63,841	58,847	54,693
Net Utility Plant	1,165,133	1,131,407	1,096,691
Non-Utility Property & Plant			
Griffith non-utility property & plant	32,285	31,669	30,363
Other non-utility property & plant	524	524	10,532
Gross Non-Utility Property & Plant	32,809	32,193	40,895
Less: Accumulated depreciation - Griffith	22,548	22,006	21,222
Less: Accumulated depreciation - other	-	-	1,446
Net Non-Utility Property & Plant	10,261	10,187	18,227
Current Assets			
Cash and cash equivalents	11,592	15,281	42,193
Accounts receivable from customers - net of allowance for doubtful accounts of \$7.1 million, \$7.0 million and \$6.8 million, respectively	77,852	90,937	90,991
Accrued unbilled utility revenues	10,524	15,299	10,130
Other receivables	7,802	9,512	6,982
Fuel, materials and supplies	18,798	25,114	20,462
Regulatory assets	43,787	49,526	35,265
Income tax receivable	-	432	2,745
Fair value of derivative instruments	896	349	62
Special deposits and prepayments	18,063	21,795	17,293
Assets held for sale	-	-	47,512
Accumulated deferred income tax	21,840	5,895	17,781
Total Current Assets	211,154	234,140	291,416
Deferred Charges and Other Assets			

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Regulatory assets - pension plan	145,854	159,020	127,401
Regulatory assets - other	111,306	114,980	89,443
Fair value of derivative instruments	-	931	-
Goodwill	37,752	37,512	36,455
Other intangible assets - net	11,940	13,173	13,094
Unamortized debt expense	4,951	4,535	4,735
Investments in unconsolidated affiliates	2,590	2,777	6,684
Other investments	17,327	14,461	14,802
Other	5,148	6,989	5,364
Total Deferred Charges and Other Assets	336,868	354,378	297,978
Total Assets	\$1,723,416	\$1,730,112	\$1,704,312

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED
BALANCE SHEET (CONT'D)
(UNAUDITED)
(In Thousands, except share amounts)

	June 30, 2012	December 31, 2011	June 30, 2011
CAPITALIZATION AND LIABILITIES			
Capitalization			
CH Energy Group Common Shareholders' Equity			
Common Stock (30,000,000 shares authorized: \$0.10 par value; 16,862,087 shares issued) 14,941,076 shares, 14,894,964 shares and 15,428,451 shares outstanding, respectively	\$1,686	\$1,686	\$1,686
Paid-in capital	348,899	351,053	350,405
Retained earnings	242,036	242,391	236,486
Treasury stock - 1,921,011 shares, 1,967,123 shares and 1,433,636 shares, respectively	(90,739)	(92,908)	(63,781)
Accumulated other comprehensive income	296	354	418
Capital stock expense	(166)	(328)	(328)
Total Equity	502,012	502,248	524,886
Preferred Stock of subsidiary	9,027	21,027	21,027
Long-term debt	493,473	446,003	466,466
Total Capitalization	1,004,512	969,278	1,012,379
Current Liabilities			
Current maturities of long-term debt	1,041	37,006	36,973
Notes payable	10,000	6,500	12,000
Accounts payable	37,071	43,904	41,450
Accrued interest	5,830	6,333	7,380
Dividends payable	8,293	8,511	8,574
Accrued vacation and payroll	7,169	6,702	6,660
Customer advances	22,535	22,527	13,090
Customer deposits	7,281	6,647	6,926
Regulatory liabilities	8,182	11,161	13,456
Fair value of derivative instruments	11,342	19,791	11,096
Accrued environmental remediation costs	8,525	6,652	3,687
Accrued income and other taxes	590	-	-
Deferred revenues	3,839	4,801	3,625
Liabilities held for sale	-	-	474
Other	16,134	17,905	13,339
Total Current Liabilities	147,832	198,440	178,730
Deferred Credits and Other Liabilities			
Regulatory liabilities - OPEB	10,571	6,988	10,494
Regulatory liabilities - other	107,168	108,887	110,267
Operating reserves	3,581	3,383	2,689
Fair value of derivative instruments	973	-	5,259
Accrued environmental remediation costs	8,452	11,036	12,045
Accrued OPEB costs	51,425	53,055	45,698
Accrued pension costs	97,883	121,911	74,438

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Tax reserve	3,178	3,172	10,934
Other	17,611	18,802	16,851
Total Deferred Credits and Other Liabilities	300,842	327,234	288,675
Accumulated Deferred Income Tax	270,230	235,160	224,528
Commitments and Contingencies			
Total Capitalization and Liabilities	\$1,723,416	\$1,730,112	\$1,704,312

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED
 STATEMENT OF EQUITY (UNAUDITED)
 (In Thousands, except share amounts)

	CH Energy Group Common Shareholders		Paid-In Capital	Capital Stock Expense	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Non-controlling Interest	Totaling Equity
	Common Stock Shares Issued	Treasury Stock Shares Repurchased Amount						
Balance at December 31, 2010	16,862,087	\$1,686 (1,062,825)	\$(44,887)	\$350,360	\$(328)	\$230,342	\$459 \$172	\$537,804
Comprehensive income:								
Net income					23,387			23,387
Dividends declared on Preferred Stock of subsidiary					(485)			(485)
Change in fair value: Investments						(41)		(41)
Reclassification to liabilities held for sale							(172)	(172)
Dividends declared on common stock					(16,758)			(16,758)
Treasury shares activity - net		(370,811)	(18,894)	45				(18,849)
Balance at June 30, 2011	16,862,087	\$1,686 (1,433,636)	\$(63,781)	\$350,405	\$(328)	\$236,486	\$418 \$-	\$524,886
Balance at December 31, 2011	16,862,087	\$1,686 (1,967,123)	\$(92,908)	\$351,053	\$(328)	\$242,391	\$354 \$-	\$502,248
Comprehensive income:								
Net income					16,977			16,977
Preferred Stock Redemption					162	(342)		(180)
Dividends declared on Preferred Stock						(418)		(418)

of subsidiary										
Change in fair value:										
Investments								(58)		(58)
Dividends declared on common stock								(16,572)		(16,572)
Treasury shares activity - net		46,112	2,169	(2,154)						15
Balance at June 30, 2012	16,862,087	\$1,686	(1,921,011)	\$(90,739)	\$348,899	\$(166)	\$242,036	\$296	\$-	\$502,012

The Notes to Financial Statements are an integral part hereof.

Table of ContentsCENTRAL HUDSON
STATEMENT OF
INCOME
(UNAUDITED)
(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Operating Revenues				
Electric	\$115,429	\$114,235	\$244,701	\$268,805
Natural gas	26,120	33,997	81,970	109,479
Total Operating Revenues	141,549	148,232	326,671	378,284
Operating Expenses				
Operation:				
Purchased electricity and fuel used in electric generation	37,364	37,795	82,423	108,063
Purchased natural gas	7,490	15,290	32,104	57,088
Other expenses of operation	58,836	56,747	118,722	125,980
Depreciation and amortization	9,402	8,960	18,870	17,881
Taxes, other than income tax	11,842	11,403	25,333	24,659
Total Operating Expenses	124,934	130,195	277,452	333,671
Operating Income	16,615	18,037	49,219	44,613
Other Income and Deductions				
Interest on regulatory assets and other interest income	1,470	1,421	3,616	3,287
Regulatory adjustments for interest costs	331	330	650	713
Other - net	(56)	(250)	(384)	(813)
Total Other Income	1,745	1,501	3,882	3,187
Interest Charges				
Interest on long-term debt	5,730	5,892	11,458	11,797
Interest on regulatory liabilities and other interest	1,705	1,520	3,232	2,988
Total Interest Charges	7,435	7,412	14,690	14,785
Income Before Income Taxes	10,925	12,126	38,411	33,015
Income Taxes	4,254	4,755	15,007	13,004
Net Income	6,671	7,371	23,404	20,011
Preferred Stock Redemption Premium	342	-	342	-
Dividends Declared on Cumulative Preferred Stock	176	242	418	485
Income Available for Common Stock	\$6,153	\$7,129	\$22,644	\$19,526

CENTRAL HUDSON
STATEMENT OF
COMPREHENSIVE
INCOME
(UNAUDITED)
(In Thousands)

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net Income	\$6,671	\$7,371	\$23,404	\$20,011
Other Comprehensive Income	-	-	-	-
Comprehensive Income	\$6,671	\$7,371	\$23,404	\$20,011

The Notes to Financial Statements are an integral part hereof.

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CENTRAL
HUDSON
STATEMENT OF
CASH FLOWS
(UNAUDITED)
(In Thousands)

	Six Months Ended June 30,	
	2012	2011
Operating Activities:		
Net income	\$23,404	\$20,011
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	17,848	16,977
Amortization	1,022	904
Deferred income taxes - net	16,574	12,472
Bad debt expense	3,332	3,346
Pension expense	12,987	14,866
OPEB expense	3,584	3,586
Regulatory liability - rate moderation	(1,107)	(6,166)
Revenue decoupling mechanism recorded	(2,829)	5,030
Regulatory asset amortization	2,865	2,882
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues and other receivables	7,320	10,366
Fuel, materials and supplies	4,586	1,894
Special deposits and prepayments	4,357	4,090
Income and other taxes	(486)	(1,179)
Accounts payable	(2,114)	(5,808)
Accrued interest	(503)	980
Customer advances	(357)	(6,064)
Pension plan contribution	(28,329)	(32,328)
OPEB contribution	(3,269)	(1,184)
Revenue decoupling mechanism collected	(945)	2,541
Regulatory asset - storm deferral	(942)	-
Regulatory asset - MGP site remediation	1,705	2,937
Regulatory asset - Temporary State Assessment	483	2,452
Deferred natural gas and electric costs	255	23,797
Other - net	5,714	5,679
Net cash provided by operating activities	65,155	82,081
Investing Activities:		
Additions to utility plant	(52,876)	(35,734)
Other - net	(3,173)	(2,255)
Net cash used in investing activities	(56,049)	(37,989)
Financing Activities:		
Redemption of long-term debt	(36,000)	-
Proceeds from issuance of long-term debt	48,000	-
Borrowings of short-term debt - net	5,500	-

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Redemption of preferred stock	(12,180)	-
Dividends paid to parent - CH Energy Group	(13,000)	(22,000)
Dividends paid on cumulative Preferred Stock	(661)	(485)
Other - net	(620)	(233)
Net cash used in financing activities	(8,961)	(22,718)
Net Change in Cash and Cash Equivalents	145	21,374
Cash and Cash Equivalents - Beginning of Period	2,521	9,622
Cash and Cash Equivalents - End of Period	\$2,666	\$30,996
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$12,107	\$11,376
Federal and state income taxes paid	\$-	\$-
Additions to plant included in liabilities	\$4,854	\$2,956

The Notes to Financial Statements are an integral part hereof.

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Table of ContentsCENTRAL HUDSON
BALANCE SHEET
(UNAUDITED)
(In Thousands)

	June 30, 2012	December 31, 2011	June 30, 2011
ASSETS			
Utility Plant			
Electric	\$1,036,287	\$1,008,394	\$981,711
Natural gas	306,888	305,664	298,998
Common	153,542	147,286	141,480
Gross Utility Plant	1,496,717	1,461,344	1,422,189
Less: Accumulated depreciation	395,425	388,784	380,191
Net	1,101,292	1,072,560	1,041,998
Construction work in progress	63,841	58,847	54,693
Net Utility Plant	1,165,133	1,131,407	1,096,691
Non-Utility Property and Plant	524	524	681
Less: Accumulated depreciation	-	-	35
Net Non-Utility Property and Plant	524	524	646
Current Assets			
Cash and cash equivalents	2,666	2,521	30,996
Accounts receivable from customers - net of allowance for doubtful accounts of \$5.4 million, \$5.2 million and \$5.2 million, respectively	53,796	61,610	61,434
Accrued unbilled utility revenues	10,524	15,299	10,130
Other receivables	4,354	5,301	4,317
Fuel, materials and supplies - at average cost	16,451	21,037	18,133
Regulatory assets	43,787	49,526	35,265
Fair value of derivative instruments	896	320	62
Special deposits and prepayments	13,750	18,258	13,146
Accumulated deferred income tax	15,503	-	11,575
Total Current Assets	161,727	173,872	185,058
Deferred Charges and Other Assets			
Regulatory assets - pension plan	145,854	159,020	127,401
Regulatory assets - other	111,306	114,980	89,443
Fair value of derivative instruments	-	931	-
Unamortized debt expense	4,951	4,535	4,735
Other investments	16,870	14,047	14,372
Other	1,798	3,065	1,720
Total Deferred Charges and Other Assets	280,779	296,578	237,671
Total Assets	\$1,608,163	\$1,602,381	\$1,520,066

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON BALANCE SHEET

(CONT'D) (UNAUDITED)

(In Thousands, except share amounts)

	June 30, 2012	December 31, 2011	June 30, 2011
CAPITALIZATION AND LIABILITIES			
Capitalization			
Common Stock (30,000,000 shares authorized: \$5 par value; 16,862,087 shares issued and outstanding)	\$84,311	\$84,311	\$84,311
Paid-in capital	199,980	199,980	199,980
Retained earnings	175,609	165,965	162,424
Capital stock expense	(4,799)	(4,961)	(4,961)
Total Equity	455,101	445,295	441,754
Cumulative Preferred Stock not subject to mandatory redemption	9,027	21,027	21,027
Long-term debt	465,950	417,950	417,902
Total Capitalization	930,078	884,272	880,683
Current Liabilities			
Current maturities of long-term debt	-	36,000	36,000
Notes payable	7,000	1,500	-
Accounts payable	29,317	35,731	36,276
Accrued interest	5,680	6,183	6,948
Dividends payable - Preferred Stock	-	242	242
Accrued vacation and payroll	5,801	5,556	5,318
Customer advances	14,247	14,604	7,689
Customer deposits	7,220	6,582	6,859
Regulatory liabilities	8,182	11,161	13,456
Fair value of derivative instruments	11,342	19,791	11,096
Accrued environmental remediation costs	8,081	6,117	2,387
Accrued income and other taxes	1,500	1,274	912
Accumulated deferred income tax	-	156	-
Other	12,353	14,855	10,139
Total Current Liabilities	110,723	159,752	137,322
Deferred Credits and Other Liabilities			
Regulatory liabilities - OPEB	10,571	6,988	10,494
Regulatory liabilities - other	107,168	108,887	110,267
Operating reserves	2,518	2,120	1,841
Fair value of derivative instruments	973	-	5,259
Accrued environmental remediation costs	7,320	9,726	10,784
Accrued OPEB costs	51,425	53,055	45,698
Accrued pension costs	97,883	121,911	74,438
Tax reserve	3,178	3,172	10,934
Other	16,668	17,955	15,900
Total Deferred Credits and Other Liabilities	297,704	323,814	285,615

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Accumulated Deferred Income Tax	269,658	234,543	216,446
Commitments and Contingencies			
Total Capitalization and Liabilities	\$1,608,163	\$1,602,381	\$1,520,066

The Notes to Financial Statements are an integral part hereof.

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Table of ContentsCENTRAL HUDSON STATEMENT OF
EQUITY (UNAUDITED)

(In Thousands, except share amounts)

	Central Hudson Common Shareholders		Treasury		Paid-In Common Capital	Capital Stock Expense	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Total Equity
	Common Stock		Stock						
	Shares Issued	Amount	Shares Repurchased	Amount					
Balance at December 31, 2010	16,862,087	\$84,311	-	\$ -	\$199,980	\$(4,961)	\$164,898	\$ -	\$444,228
Net income							20,011		20,011
Dividends declared:									
On cumulative Preferred Stock							(485)		(485)
On Common Stock to parent - CH Energy Group							(22,000)		(22,000)
Balance at June 30, 2011	16,862,087	\$84,311	-	\$ -	\$199,980	\$(4,961)	\$162,424	\$ -	\$441,754
Balance at December 31, 2011	16,862,087	\$84,311	-	\$ -	\$199,980	\$(4,961)	\$165,965	\$ -	\$445,295
Net income							23,404		23,404
Preferred Stock Redemption						162	(342)		(180)
Dividends declared:									
On cumulative Preferred Stock							(418)		(418)
On Common Stock to parent - CH Energy Group							(13,000)		(13,000)
Balance at June 30, 2012	16,862,087	\$84,311	-	\$ -	\$199,980	\$(4,799)	\$175,609	\$ -	\$455,101

The Notes to Financial Statements are an integral part hereof.

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - Summary of Significant Accounting Policies

Basis of Presentation

This Quarterly Report on Form 10-Q is a combined report of CH Energy Group, Inc. ("CH Energy Group") and its regulated electric and natural gas subsidiary, Central Hudson Gas & Electric Corporation ("Central Hudson"). The Notes to the Consolidated Financial Statements apply to both CH Energy Group and Central Hudson. CH Energy Group's Consolidated Financial Statements include the accounts of CH Energy Group and its wholly owned subsidiaries, which include Central Hudson and CH Energy Group's non-utility subsidiary, Central Hudson Enterprises Corporation ("CHEC"). Operating results of CHEC include its wholly owned subsidiary, Griffith Energy Services, Inc. ("Griffith"). Discontinued operations on CH Energy Group's Consolidated Statements of Income include the operating results of CHEC's subsidiaries which were sold in 2011, including Lyonsdale Biomass, LLC ("Lyonsdale"), Shirley Wind, LLC ("Shirley Wind"), CH-Auburn, LLC ("CH-Auburn") and CH-Greentree, LLC ("CH-Greentree"). Intercompany balances and transactions have been eliminated in consolidation. See Note 5 - "Acquisitions, Divestitures and Investments" for further information.

The Financial Statements were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which for regulated public utilities, includes specific accounting guidance for regulated operations. For additional information regarding regulatory accounting, see Note 2 - "Regulatory Matters."

Pending Acquisition by Fortis Inc.

On February 21, 2012, CH Energy Group announced that it had entered into an agreement and plan of merger under which it agreed, subject to shareholder approval and the approval of applicable regulatory authorities, to be acquired by Fortis Inc. ("Fortis") for \$65 per share of common stock in cash. On June 19, 2012, shareholders of CH Energy Group approved the proposed acquisition of the Company by Fortis. On July 3, 2012, The Federal Energy Regulatory Commission approved the acquisition of CH Energy Group by Fortis. On July 17, 2012 the Committee on Foreign Investment in the United States approved the acquisition of CH Energy Group by Fortis. The transaction remains subject to review by the U.S. Department of Justice, the Federal Trade Commission and the New York State Public Service Commission.

Unaudited Financial Statements

The accompanying Consolidated Financial Statements of CH Energy Group and Financial Statements of Central Hudson are unaudited but, in the opinion of management, reflect adjustments (which include normal recurring adjustments) necessary for a fair statement of the results for the interim periods presented. These unaudited quarterly Financial Statements do not contain all footnote disclosures concerning accounting policies and other matters which would be included in annual Financial Statements and, accordingly, should be read in conjunction with the audited Financial Statements (including the Notes thereto) included in the combined CH Energy Group/Central Hudson Annual Report on Form 10-K for the year ended December 31, 2011 (the "Corporations' 10-K Annual Report").

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CH Energy Group's and Central Hudson's balance sheets as of June 30, 2011 are not required to be included in this Quarterly Report on Form 10-Q; however, these balance sheets are included for supplemental analysis purposes.

Reclassification

Certain amounts in the 2011 Financial Statements have been reclassified to conform to the 2012 presentation. For more information regarding reclassification of discontinued operations, see Note 5 - "Acquisition, Divestitures and Investments."

Revenue Recognition

CH Energy Group's deferred revenue balances as of June 30, 2012, December 31, 2011 and June 30, 2011 were \$3.8 million, \$4.8 million and \$3.6 million, respectively. The deferred revenue balance will be recognized in CH Energy Group's operating revenues over the 12-month term of the respective customer contract.

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

Fuel,
Materials
&
Supplies

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

	CH Energy Group		Central Hudson			
	December		December			
	June 30, 2012	June 30, 2011	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2011
Natural gas	\$7,220	\$ 11,711	\$8,436	\$7,220	\$ 11,711	\$8,436
Petroleum products and propane	1,267	3,422	1,495	-	494	519
Fuel used in electric generation	284	285	263	284	285	263
Materials and supplies	10,027	9,696	10,268	8,947	8,547	8,915
Total	\$18,798	\$ 25,114	\$20,462	\$16,451	\$ 21,037	\$18,133

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Depreciation and Amortization

Current accounting guidance related to asset retirements precludes the recognition of expected future retirement obligations as a component of depreciation expense or accumulated depreciation. Central Hudson, however, is required to use depreciation methods and rates approved by the PSC under regulatory accounting. These depreciation rates include a charge for the cost of future removal and retirement of fixed assets. In accordance with current accounting guidance for regulated operations, Central Hudson continues to accrue for the future cost of removal for its rate-regulated natural gas and electric utility assets. In accordance with current accounting guidance related to asset retirements, Central Hudson has classified \$53.3 million, \$52.6 million, and \$53.0 million of cost of removal as regulatory liabilities as of June 30, 2012, December 31, 2011, and June 30, 2011, respectively. This liability represents the portion of the cost of removal charge in excess of the amount reported as an Asset Retirement Obligation under GAAP.

See Note 6 - "Goodwill and Other Intangible Assets" for further discussion of amortization of intangibles (other than goodwill).

Earnings Per Share

In the calculation of earnings per share (basic and diluted) of CH Energy Group's Common Stock, earnings for CH Energy Group are reduced by the Preferred Stock dividends of Central Hudson.

The average dilutive effect of CH Energy Group's stock options, performance shares and restricted shares are as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Shares	221,617	198,077	221,617	197,589

Certain stock options can be excluded from the calculation of diluted earnings per share because the exercise prices of those options were greater than the average market price per share of Common Stock. There were no options excluded during the three and six months ended June 30, 2012 or 2011.

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Parental Guarantees

CH Energy Group and CHEC have issued guarantees to counterparties to assure the payment, when due, of certain obligations incurred by CH Energy Group subsidiaries, in physical and financial transactions.

Transaction Description	June 30, 2012 Maximum Potential Outstanding PaymentsLiabilities ⁽¹⁾
Heating oil, propane, other petroleum products, weather and commodity hedges (In Thousands)	\$26,250 \$ 4,189
Balance included in CH Energy Group's Consolidated Balance Sheet.	

Management is not aware of any existing condition that would require payment under the guarantees.

Common Stock Dividends

On May 31, 2012, the Board of Directors of CH Energy Group declared a quarterly dividend of 55.5 cents per share payable August 2, 2012, to shareholders of record as of July 10, 2012.

CH Energy Group's ability to pay dividends is affected by the ability of its subsidiaries to pay dividends. The Federal Power Act limits the payment of dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation, Central Hudson was restricted to a maximum payment of \$44.6 million in dividends to CH Energy Group for the year ended December 31, 2011. Central Hudson's dividend would be reduced to 75% of its average annual income in the event of a downgrade of its senior debt rating below "BBB+" by more than one rating agency if the stated reason for the downgrade is related to any of CH Energy Group's or Central Hudson's affiliates. Further restrictions are imposed for any downgrades below this level. For the three and six months ended June 30, 2012, Central Hudson declared and paid dividends of \$13.0 million to parent CH Energy Group. CH Energy Group's other subsidiaries do not have express restrictions on their ability to pay dividends.

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NOTE 2 - Regulatory Matters

Summary
of
Regulatory
Assets
and
Liabilities

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

	June 30, 2012	December 31, 2011	June 30, 2011
Regulatory Assets (Debits):			
Current:			
Deferred purchased electric and natural gas costs	\$10,520	\$ 10,775	\$6,522
Deferred unrealized losses on derivatives			