BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

IN THE MATTER OF

FORTIS INC. ET AL.

AND

CH ENERGY GROUP, INC.

CASE 12-M-0192

October 2012

Prepared Exhibits (PP-2) – (PP-13)

Staff Policy Panel

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SUMMARY OF STAFF RECOMMENDATIONS

Policy Panel

Management and Governance

1. Fortis should commit that it will both maintain its stand-alone philosophy and do the monitoring it says it will do in its response to Interrogatory (IR) DPS-M138 (DPS-338) indefinitely unless it obtains Commission permission to do otherwise. (Page 44)
2. The Commission should require, as a condition if it approving the Merger that Central Hudson's headquarters remain in its service territory unless approval is sought and received from the Commission to relocate outside of the Company's service territory. (Pages 46-47)
3. Central Hudson's Standards of Conduct should be updated to include provisions that the Regulated Board of Directors cannot have interests, financial or otherwise, in competitors to the regulated entity or with unregulated affiliates, and a policy that requires disclosure if a Board member has an interest in an entity adverse to the regulated entity. (Pages 46-47)

Acquisition Costs

4. The Petitioners should start tracking the acquisition costs immediately and be required to submit a schedule detailing the final acquisition costs within 60 days after the issuance of a Commission order in this proceeding. For those costs related to CH Energy, the schedule should specify on which company's books the costs are recorded and for Central Hudson, in which accounts the costs are recorded. (Pages 54-55)
5. Central Hudson should be required, regardless of the results of this proceeding, to provide an estimate of the payroll and payroll related costs of Central Hudson employees that have worked on the Merger so the necessary adjustment can be made to the earnings calculation required by the earnings-sharing provision of the rate plan. (Page 55)

Credit Rating

6. If Fortis's bond ratings drop enough to cause Central Hudson's debt costs to increase; Staff may impute a debt cost for Central Hudson in the following rate case equivalent to that of an "A" rating. (Page 56)

SUMMARY OF STAFF RECOMMENDATIONS

<u>Policy Panel (Continued)</u>

Credit Rating (Continued)

7. Central Hudson will maintain, on a basis consistent with Commission orders and accounting practices, a common equity ratio reasonably consistent with that determined by the Commission from time to time to be reasonable for ratemaking purposes. (Pages 62-64)
8. The Petitioners will continue to support the objective of maintaining an "A" rating for Central Hudson, unless and until the Commission modifies its financial integrity policies. (Pages 63-64)

Credit Quality and Dividend Restrictions

9. Central Hudson will continue to comply with the Restructuring Settlement Agreement (RSA) approved in Case 96-E-0909 with respect to any restrictions on the payment of common dividends related to credit ratings. (Pages 63-64)
10. Consistent with RSA, Central Hudson will maintain separate debt instruments and will maintain its own corporate and debt credit ratings with at least two nationally recognized credit rating agencies. Neither Fortis nor Central Hudson will enter into any credit or debt instrument containing cross default provisions that would affect Central Hudson. (Pages 63-64)
11. Consistent RSA, Central Hudson will not lend to, guarantee or financially support Fortis or its affiliates, or any subsidiary or other joint venture of Central Hudson. (Pages 63-64)
12. Central Hudson will not engage in, provide financial support to or guarantee any non-regulated businesses, except as may have been authorized in the RSA or by Commission Order subsequent to the closing of the acquisition. (Page 64)
13. If the bond rating for Fortis is reduced by one or more rating agency, which in turn increases Central Hudson’s cost of debt, the Commission may impute an “A” rated cost of debt in the Company’s next rate case. (Page 64)

Money Pooling

14. Central Hudson must maintain banking, committed credit facilities and cash management arrangements that are separate from other affiliates. (Pages 65-66)

SUMMARY OF STAFF RECOMMENDATIONS

Policy Panel (Continued)

Money Pooling (Continued)

15. Central Hudson may participate in money pooling arrangements only if all other participants are U.S. regulated utilities, in which case Central Hudson could participate as either a borrower or a lender. Central Hudson could not participate in a money pooling arrangement in which any participant directly or indirectly loans or transfers funds to FortisUS or Fortis Inc. (Pages 65-66)

Special Class of Preferred Stock

16. Central Hudson must commit to using its best efforts to take the necessary steps to establish a special class of preferred stock consisting of a single share with a voting right or alternative means to prevent a bankruptcy, liquidation, receivership or similar proceeding (bankruptcy) of Central Hudson being caused by a bankruptcy of Fortis or its affiliates. If Central Hudson is unable to meet this commitment, it must petition the Commission for relief from this commitment. The petition must explain why the commitment cannot be met and what Central Hudson proposes to do to mitigate any risk that a bankruptcy involving Fortis or any of its affiliates will cause Central Hudson to voluntarily enter bankruptcy. (Pages 66-68)
17. Central Hudson must commit to maintaining its capital structure on a stand-alone basis consistent with the capital structure used in establishing rates. (Page 67)
18. Central Hudson must maintain separate (stand-alone) credit ratings on its long-term debt issues with at least two independent nationally recognized credit rating agencies. (Page 67)

Financial Transparency and Reporting

19. The Petitioners must commit to (i) maintaining separate books and records and (ii) agreeing to prohibitions against loans or pledges of utility assets to Fortis. (Pages 68-69)
20. Central Hudson must fully comply with the provisions of the Sarbanes-Oxley Act (SOX) as if it were still legally obliged to do so under U.S. law. (Pages 68-72)

SUMMARY OF STAFF RECOMMENDATIONS

Policy Panel (Continued)

Financial Transparency and Reporting (Continued)

21. Subject to the confidentiality and privilege provisions of the RSA, Staff must be given access to the books and records, including, but not limited to, tax returns, of Fortis and its affiliates to the extent necessary to determine whether Central Hudson's rates are just and reasonable. (Page 69)
22. Fortis must annually file its consolidated financial statements, including balance sheets, income statements, cash flow statements and the related notes, with the Commission in U.S. dollars and in compliance with U.S. Generally Accepted Accounting Principles. (Page 69)

Affiliate Transaction, Cost Allocations and Code of Conduct

23. Central Hudson will use the Cost Allocation Guidelines provided in Attachment H of the RSA unless it forecasts at any point in time the level of intercompany transactions will be greater than $1 million in any given calendar year at which point it will notify the Secretary of the Commission of such forecast and the Secretary will then issue a Notice to interested parties that a collaborative is being instituted to assess if Central Hudson's Cost Allocation Guidelines continue to be adequate. (Pages 72-77)
24. Central Hudson will follow the Standard of Conduct in Exhibit___(PP-5). (Pages 72-77)

Follow-on Merger Savings

25. If Fortis completes any additional mergers or acquisitions in the U.S. before the Commission adopts an order approving new rates for Central Hudson and the additional merger or acquisition creates savings which would be reasonably applicable for the benefit of Central Hudson or its customers, then Fortis will share such follow-on merger savings, to the extent such savings are material (i.e., 5 percent or more of Central Hudson net income on an after-tax basis), between shareholders and customers. (Pages 77-78)

SUMMARY OF STAFF RECOMMENDATIONS

Policy Panel (Continued)

Capital Structure

26. The Petitioners should commit, in Central Hudson's first rate case as a Fortis subsidiary, to providing a complete analysis of Fortis consolidated capital structure and discuss how Fortis's Canadian regulated utilities can maintain investment grade ratings at or close to Central Hudson's ratings when customer rates are based on a 40% equity ratio (versus 48% for Central Hudson) in combination with allowed return on common equities (ROEs) in the range of those being allowed by the Commission for New York utilities. (Pages 103-104)

Rate Freeze

27. Under the right circumstances, a rate freeze beyond June 30, 2014 may be in the public interest. To that end, if settlement discussions are to occur after this testimony is filed, Parties should be prepared to address the projected level deferrals or amounts customers owe Central Hudson because of Commission-approved mechanisms if a rate freeze proposal is considered. (Pages 110-111)

28. Staff agrees with the proposal to eliminate the initial dead band of the earnings sharing mechanism, however the ROE used for determining if there are excess earnings should be set at 8.9%. (Page 111)

Continuation of Rate Plan

29. Unless specifically noted in the Rate Plan or in Staff's collective testimony in this proceeding, all of the terms of the Company's current Rate Plan adopted by the Commission in Cases 09-E-0588 and 09-G-0589 should continue. (Page 111)

Identifiable Monetary Benefits

30. Central Hudson will defer the revenue requirement effect, net of costs to achieve and with carrying charges, of the estimated $2.0 million per year in operating cost savings for five years following closing of the Merger, for a total potential obligation of $10.0 million over the first five years of Fortis ownership. The savings deferred prior to the next general rate cases for Central Hudson will be available for consideration by the Commission at that time. The Petitioners must track the cost savings of the operational changes resulting from the merger. (Pages 112-120)

SUMMARY OF STAFF RECOMMENDATIONS

Policy Panel (Continued)

Identifiable Monetary Benefits (Continued)

31. The Petitioners will provide Central Hudson’s customers, out of shareholder funds, $30 million of Positive Benefit Adjustments (PBAs). $25 million of the $30 million of PBAs will be used to forgive customers deferrals and the remaining $5 million will be used for the benefit of the broader community, including specifically low income, economic development and energy efficiency interests; all in relationship to Central Hudson's service territory including Central Hudson’s gas expansion program. (Pages 125-137)

Continued Participation in STARS

32. The Petitioners commit to Central Hudson's continued participation in STARS, as well as the future "Energy Highway" infrastructure development in New York State. (Pages 140-141)

A&F Rates Panel

33. A rate increase for Central Hudson would have been warranted due to increasing expenses incurred by the Company. However, many expenses have prior approved deferral treatment, meaning that even if Central Hudson does not request a rate increase, it will ultimately be made whole for the difference between certain actual expense levels incurred during this time period and the level collected through rates the next time it seeks a rate increase. Therefore, Central Hudson’s proposed rate freeze during the TME June 30, 2014 does not represent any value or benefit to ratepayers. Additionally, Central Hudson’s shareholder earnings are not affected because it will ultimately be made whole for the majority of the increasing expenses. (Pages 6-7)

Ms. Cornelius

34. The PSC Complaint Rate adjustments should total a maximum of $1,520,000 annually of electric revenues (equivalent to approximately 24 basis points of electric common equity) and $380,000 annually of gas revenues (equivalent to approximately 23 basis points of gas common equity). (Page 10)

SUMMARY OF STAFF RECOMMENDATIONS

Ms. Cornelius (Continued)

35. The Customer Satisfaction Index (CSI) adjustments should total a maximum of $1,520,000 annually of electric revenues (equivalent to approximately 24 basis points of electric common equity) and $380,000 annually of gas revenues (equivalent to approximately 23 basis points of gas common equity). (Page 11)
36. The customer service incentives be tripled if targets are missed during a dividend restriction, and quadrupled if targets are missed for any 3 consecutive calendar years within a 5 year period. (Page 11)
37. The Service Quality Performance Mechanism (SQPM) should be modified to assess the minimum negative revenue adjustment at a level of 0.9, and reaching the maximum at a level of 1.4. (Page 12)
38. The Petitioners should demonstrate how it will ensure that its call center responsiveness does not deteriorate should the Merger be approved by the Commission. (Page 16)
39. The Appointments Kept measure should continue. (Page 16)
40. The Company is required to submit detailed annual reports on the SQPM, including CSI results and the CSI margin of error. These reports and meetings should continue. (Page 17)
41. The Enhanced Powerful Opportunities Program (EPOP) should be discussed in the collaborative to determine how to allocate the $5 million benefit. (Page 25)
42. The current deferral mechanism for the EPOP program should continue. (Page 25)
43. The collaborative to consider the uses of the $5 million benefit fund should consider potential uses to defray costs of converting to monthly billing for most or all customers receiving bimonthly bills. (Page 29)
44. The winter protections which include accepting HEAP payments and offering a fair and reasonable Deferred Payment Agreement to financially distressed customers; extending additional protections to elderly, blind and disabled customers; and refraining from service terminations during periods of extreme cold weather should continue. (Page 30)

SUMMARY OF STAFF RECOMMENDATIONS

Ms. Cornelius (Continued)

45. Central Hudson should continue to secure qualified participants in its economic development programs. Proposals to enhance these programs should be among the items discussed in the collaborative addressing the $5 million benefit. (Page 37)

Ms. Ferrer

46. The System Average Interruption Frequency Index (SAIFI) and Customer Average Interruption Duration Index (CAIDI) revenue adjustments should be doubled to 60 basis points or $3,772,680 (pre-tax). (Page 8)
47. The SAIFI and CAIDI revenue adjustments should be tripled if targets are missed during a dividend restriction, and quadrupled if targets are missed for any 3 consecutive years within the next 5 year period. (Page 8)
48. Standard reporting language should be required, which will provide consistency between each electric utility's performance mechanisms related to the operation of the mechanism, exclusions, and reporting. (Page 8)

Gas Safety Panel

49. The Company's capital expenditures for gas distribution improvements for a stay-out period from July 1, 2013 to July 31, 2014 should be increased by $1.7 million. The same associated regulatory liabilities established in Case 09-G-0589 for leak prone pipe replacement should continue. (Page 12)
50. Maintain the backlog of repairable leaks be no greater than 20 at year end 2013. The total leak backlog should be no more than 200 for calendar year 2013. These targets should remain in effect until changed by the Commission. The same associated regulatory liabilities established in Case 09-G-0589 for leak management also be utilized in this case. (Page 14)
51. The three damage prevention targets should be set at the 2011 statewide performance levels. Where Central Hudson has performed worse than the statewide level in 2011, we recommend it improve to at least that level for 2013, two years later. If Central Hudson is already maintaining a level better than the statewide level, our recommended target simply prevents significant deterioration in performance. The same associated regulatory liabilities established in Case

SUMMARY OF STAFF RECOMMENDATIONS

Gas Safety Panel (Continued)

09-G-0589 also be utilized in this case. A total of 10 pre-tax basis points would be owed to ratepayers if Central Hudson fails to achieve the recommended damage prevention targets. The breakdown is as follows: Overall damages 2 pre-tax basis points, damages due to Mismarks 4 pre-tax basis points, and damages due to Company and Company Contractors 4 pre-tax basis points. (Pages 21–25)

52. Emergency response targets should continue at: 75% of leak and odor calls within 30 minutes, and 90% of leak and odor calls within 45. Failure to meet the 30-minute target resulted in a regulatory liability owed to customers of 4 pre-tax basis points, while failure to meet the 45-minute target resulted in a regulatory liability owed to customers of 2 pre-tax basis points. We recommend that the existing program targets and associated regulatory liabilities continue until changed by the Commission. (Pages 27-28)
53. Establish a new measure for the Commission's safety rules and regulations contained in 16 NYCRR Parts 255 and 261 with associated incentives. (Page 31)

Mr. Cam

54. Standardize the fixed Factor of Adjustment (FOA) by removing "line pack" and having the FOA set at 1.0057 beginning September 1, 2013. (Page 6)
55. Establish a dead band of 1.0000 to 1.0140 around the fixed FOA. (Page 6)
56. Any difference between the actual Lost and Unaccounted for Gas (LAUF) factor and the fixed FOA be refunded or surcharged to all firm customers via a new System Performance Adjustment Clause. (Pages 6-7)

Natural Gas Capacity Panel

57. The reliability forecasts must be developed independently based on a minimum thirty years of weather data. (Page 11)
58. For each annual period starting on September 1st through August 31st of the next year, an imputation of $2.1 million shall be made at the time of the Gas Adjustment Clause (GAC) reconciliation. (Page 14)

SUMMARY OF STAFF RECOMMENDATIONS

Natural Gas Capacity Panel (Continued)

59. Use a weighted average cost of commodity for gas injected into storage during the non-winter season, instead of only two separate price index points as currently utilized. (Page 18)
60. The Company should begin to track all service requests and at a minimum keep record of: (1) applicable request dates (i.e., request received, Company commitment made, date service initiated); (2) the address of requested service including the township and county; (3) calculated cost to install new service lines and main extensions including customer payment responsibility; and (4) reasons for a service not being initiated. (Pages 19-20)

Retail Access Panel

61. Central Hudson should provide residential Energy Service Company (ESCO) customers with clear, accurate information concerning the amount that they would have been billed had energy been purchased from the utility, and the difference between that amount and what the ESCO customer was actually billed. (Page 16)
62. Central Hudson should deliver this factual information to customers in three ways: printed on its consolidated bills, through continued use of its web-based historical bill calculator, and provided to payment troubled customers in various forms. (Page 17)
63. In its responsive testimony, Central Hudson should quantify the one-time and on-going costs of the Retail Access Panel's recommendations. (Page 25)
64. The costs of the Retail Access Panel's proposals be recovered through the Competition Education Fund. Any remaining funds should be used for the benefit of all residential customers. (Pages 25-26)

Staff Infrastructure Panel

65. The following adjustments should be made to Central Hudson's proposed capital expenditures: (1) Electric distribution improvements be reduced by $12.0 million in 2013 and $15.0 million in 2014, (2) Common expenditures for legacy system replacements be reduced by $3.1 million in 2012, $10.3 million in 2013 and $6.6 million in 2014, (3) Gas Transmission be reduced by $2.8 million for 2013, (4) Gas Distribution spending be increased by $1.7 million for 2013 and $2.1 million in 2014. (Pages 7-8)

SUMMARY OF STAFF RECOMMENDATIONS

Staff Infrastructure Panel (Continued)

66. The stay-out period forecast for enhanced transmission maintenance expense should be adjusted to reflect the latest three-year historic average. The Company forecasted expense level was $1.2 million and the Staff adjusted forecast is $450,000. (Page 8)
67. The Staff adjusted net plant targets for the twelve-month period ending June 30, 2014 are $919.3 million for Electric and $252.2 million for Gas, with associated annual depreciation expenses of $32.7 million and $9.0 million. (Page 8)
68. The current net plant reconciliation mechanism should be maintained using a single stay-out year target. (Page 9)
69. The current transmission right of way, distribution right of way and stray voltage reconciliation mechanisms should be maintained using a single stay-out year target. (Page 9)

Synergies Expected From the Merger of CVPS and Gaz Métro inc.

No.	Synergy	Source[1]
1	Meter-reading workforce will be reduced from 47 FTEs to 18 FTEs as a result of the smart meter initiative.	151
2	The merger will result in fewer electric utility jobs in Vermont. (through attrition, except for executive positions)	153
3	The merger will result in more crews in more contiguous territories.	155
4	The adjacent nature of the service territories creates an opportunity for cost savings as GMP & CVPS fully integrate their field operations.	160
5	Combined Company should be able to operate on a more consistent technological platform, which will result in lower costs and more efficiency in systems operations.	163
6	Eliminate redundant equipment and deploy a more efficient and robust infrastructure.	163
7	Functions that will be consolidated a. Finance; b. Legal/Regulatory; i. GMP estimates that savings in SEC fees and costs, duplicate audit and board of director costs, and regulatory costs will be approximately $25.7 million over the first ten years. c. Power Planning & Supply; d. Communications & External Affairs; e. Human Resources & Training; f. Field Operations, including transmission, distribution, substation operations, power production, control center, safety, and environmental; g. Support Operations, including engineering, information technology, facilities, security, vehicle fleet, metering, customer accounting, customer contact center, customer management, and purchasing.	164

Note 1

Refers to the paragraph number of State of Vermont Public Service Board's Order on page 46-48. Docket No. 7770

Goodwill to Common Equity Ratios

Holding Company (with NYS Subsidiary)	Goodwill	Common Equity	%
Iberdrola, S.A. and Subsidiaries[1]	8,272,894,000 €	32,887,873,000 €	25.2%
New York State Gas and Electric Company			
Rochester Gas and Electric Company			
Consolidated Edison Inc.	$ 429,000,000	$ 11,436,000,000	3.8%
Consolidated Edison of New York, Inc.			
Orange and Rockland Utilities, Inc.			
National Grid[2]	£4,776,000,000	£9,239,000,000	51.7%
Niagara Mohawk			
KeySpan Energy New York			
KeySpan Energy Long Island			
National Fuel Gas Company	$ 5,476,000	$ 1,891,885,000	0.3%
National Fuel Gas Distribution Company			
CH Energy Group, Inc.	$ 37,512,000	$ 502,248,000	7.5%
Central Hudson Gas and Electric			
Fortis Inc. Pre Merger[3]	$ 1,565,000,000	$ 3,823,000,000	40.9%
Fortis Inc. Post Merger[3]	$ 2,047,000,000	$ 4,381,000,000	46.7%

[1]Iberdrola figures are in euros.
[2]National Grid figures are in pounds sterling.
[3]Fortis figures are in Canadian dollars.

Source: Company Annual Reports.

STATE OF NEW YORK
BEFORE THE
PUBLIC SERVICE COMMISSION

Case 12-M-0192 – Joint Petition of Fortis Inc. et al. and CH Energy Group, Inc. et al. for Approval of the Acquisition of CH Energy Group, Inc. by Fortis Inc. and Related Transactions.

STANDARDS PERTAINING TO TRANSACTIONS, CONFLICTS OF INTEREST, COST ALLOCATION AND SHARING OF INFORMATION BETWEEN CENTRAL HUDSON GAS AND ELECTRIC CORPORATION AND AFFILIATES

October 12, 2012

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BEFORE THE
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Case 12-M-0192 – Joint Petition of Fortis Inc. et al. and CH Energy Group, Inc. et al. for Approval of the Acquisition of CH Energy Group, Inc. by Fortis Inc. and Related Transactions.

STANDARDS PERTAINING TO TRANSACTIONS, CONFLICTS OF INTEREST, COST ALLOCATIONS AND SHARING OF INFORMATION BETWEEN CENTRAL HUDSON GAS AND ELECTRIC CORPORATION AND AFFILIATES

I. Introduction

The following pertains to transactions, conflicts of interest, cost allocations and the sharing of information rules (collectively referred to herein as the Standards) between Central Hudson Gas and Electric Corporation (Central Hudson or the Company) and affiliates.[1] References in these Standards to any of the foregoing affiliates shall be deemed to include any successors. These Standards shall govern Central Hudson's relationship with any such affiliate within thirty (30) days of the commencement of their operations, following the formation of any new affiliate or thirty (30) days following the effective date of these Standards, whichever is later.

Notwithstanding these Standards, all costs and revenues recorded on Central Hudson's books of account from all affiliate transactions shall conform in all material respects to the Public Service Commission's (Commission) Uniform System of Accounts.

II. Organizational Structure

A. Separation and Location

Central Hudson shall ensure that its books of account and other business records are maintained separate and distinct from any affiliates. Central Hudson shall also establish

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[1] Affiliates are considered any entity as defined as such under Public Service Law (PSL) §110(2).

and maintain offices and work spaces in separate buildings or leaseholds that are separate and distinct from any such affiliates competing with Central Hudson in any energy-related business(es) within its service territories. Central Hudson not share centralized computer and/or communication networks affiliates competing with Central Hudson in any energy-related business(es) within its service territories. The Central Hudson Corporate Website and corporate-governance transactions (such as those performed for financial reporting purposes) are exempt from the restriction pertaining to joint use of centralized computer and/or communications network. Central Hudson shall also maintain separate and distinct operating employees from any affiliates, except in the case of emergencies, as described below. All officers of Central Hudson must have their main office located in New York State. Central Hudson will not conduct competitive behind-the-meter energy services, except that Central Hudson will be permitted to provide solutions to customer reliability and deliverability issues related to transmission and distribution. Finally, any affiliate shall be established as a separate business entity from Central Hudson.

B. Board of Directors

A majority of Central Hudson's Board of Directors shall be individuals who are (i) an officer or director of Central Hudson and (ii) not (a) an officer or director of any affiliate or (b) an officer or director of any energy services company (ESCO) that competes directly with Central Hudson. A majority of the Central Hudson's Board of Directors will be Eligible Directors. An Eligible Director is any individual who is not (i) an officer or director of Fortis's subsidiaries or (ii) an officer or director of any of Central Hudson's affiliates or (iii) an officer or director of any affiliates competing with Central Hudson in any energy-related business(es) within its service territories.

III. Affiliate Transactions

A. Standards of Competitive Conduct

The following shall govern Central Hudson's relationship with any affiliate, in addition to any Commission rules governing Uniform Business Practices:

1. Sales Leads

Central Hudson will not provide sales leads involving customers in its service territories to any affiliate and is prohibited from giving any appearance that it represents any affiliate. Affiliates are prohibited from giving any appearance that they represent

Central Hudson in matters involving the marketing of services by Central Hudson or other affiliates.

Central Hudson will not provide services on preferential terms to any affiliate, nor represent that such terms are available, exclusively to customers who purchase goods or services from, or sell goods and services to, an affiliate of Central Hudson. Central Hudson will not purchase goods or services on preferential terms offered only to suppliers who purchase goods or services from or sell goods or services to an affiliate of Central Hudson.

2. Customer Inquiries

If a customer requests information about securing any service or product offered within Central Hudson's service territories by an affiliate, Central Hudson must offer to provide a list of all companies or affiliates that are qualified and approved pursuant to governmental or Central Hudson's standards (including retail access standards) as providers of similar products or services within Central Hudson's service territories. While this list may include Central Hudson affiliates, the list must provide information by company in alphabetical order and in no way may place greater emphasis on or promote any company in which Central Hudson has a financial interest. At no time, nor in any situations, shall any Central Hudson employee acting in his or her official capacity place greater emphasis on or promote any affiliate, other than to acknowledge, at the request of a customer that an affiliation exists between Central Hudson and an affiliate.

3. Customer Information

Release of proprietary customer information relating to customers within Central Hudson's service territories shall be subject to prior authorization by the customer and subject to the customer's direction regarding the person(s) to whom the information may be released. If a customer authorizes the release of information to a Central Hudson affiliate or one or more of the affiliate's competitors, Central Hudson shall make that information available to the affiliate and/or other competitors designated by the customer on a simultaneous and comparable basis.

Except for purposes of complying with applicable statutes, regulations and orders, Central Hudson will not disclose to any affiliate any customer or market information (which includes proprietary information held exclusively by Central Hudson about its gas transmission and distribution systems and/or regulated operations such as availability or curtailments) relative to its service territories including, but not limited to, information that it receives from a marketer, customer or prospective customer, which is not available from sources other than Central Hudson, unless it makes such information available to its affiliates' competitors on a simultaneous and comparable basis. Only those employees of the recipient affiliate whose functions require that they have access to the subject information for compliance purposes shall be provided such access. Such employees shall be instructed to maintain the confidentiality of such information. Information about any vulnerabilities (if applicable) in the New York gas pipeline network shall remain, in all media formats, within the headquarters of Central Hudson, and customer data (i.e., names, addresses, telephone numbers, social security numbers, credit reports) shall remain, in all media formats, within the headquarters or customer service center of Central Hudson. Central Hudson may provide to an employee of an affiliate customer, market, or proprietary information, only if such employee executes a Protective Agreement with Central Hudson, obligating the employee and the affiliate to maintain the confidentiality of the information. Central Hudson shall provide any such Protective Agreement to the Department of Public Service Staff (Staff) upon its request.

4. Complaint Procedure

If any competitor or customer of Central Hudson believes that the Company has violated the provisions in this section, such competitor or customer may file a complaint in writing with the Company. Central Hudson will respond to the complaint in writing within twenty (20) business days after receipt of the complaint. After the filing of such response, the Company and the complaining party will meet, if necessary, in an attempt to resolve the matter informally. If the Company and the complaining party are not able to resolve the matter informally within fifteen (15) business days after the filing of such response, the matter will be referred promptly to the Commission for disposition. This provision shall not preclude the Commission from addressing any such matter more expeditiously in the event that exigent circumstances so require. The Commission may impose on the Company remedial action, consistent with the Commission's statutory authority, for any violations of these provisions. In any such instance, Central Hudson shall have a full and fair opportunity to be heard.

5. No Advantage Gained by Dealing with Affiliate

Central Hudson will refrain from giving any appearance that Central Hudson speaks on behalf of any affiliate and Central Hudson will not participate in any joint promotion or marketing with any affiliate. Central Hudson will not represent to any customer, supplier or third-party that an advantage may accrue to such customer, supplier or third-party in the use of the Company's services as a result of that customer, supplier or third-party dealing with any affiliate. Central Hudson shall ensure that none of its affiliates have preferential access to any of the Company's property (tangible, intangible and/or intellectual), offices, work spaces, facilities, assets, plant, computers or equipment.

6. No Rate Discrimination

All similarly-situated customers, including ESCOs and customers of ESCOs, whether affiliated or unaffiliated, will pay the same rates for Central Hudson's utility services. If there is discretion in the application of any tariff provision, Central Hudson must not offer its affiliate more favorable terms and conditions than it has offered to all similarly-situated competitors of the affiliate. In particular, Central Hudson shall process all requests for similar service in the same manner, within a similar time periods, and without any preferential treatment for customers seeking services from Central Hudson affiliates. Central Hudson shall not give preference to a customer of an affiliate, or to an affiliate, regarding repairs or maintenance, or operation of its system.

B. Training and Certification

Fortis and Central Hudson shall conduct training on these Standards for its officers and directors (including employee directors). Central Hudson's officers and directors and affiliates shall certify familiarity with these Standards within forty-five (45) days of Commission approval. Any new officers and directors and affiliates shall similarly certify familiarity of these Standards within forty-five (45) days after taking their positions. Each applicable officer and director will certify that they have read and understand these Standards.

C. Adherence to Standards

On an annual basis, designated officers and directors (including employee directors) shall provide certification to the Commission of the Company's adherence to these standards. If the Commission, at any time makes a finding that it, believes that compliance with these Standards has been lacking, the Commission can order Central Hudson to pay for an independent auditor review of all applicable transactions and/or allocations.

IV. Conflicts of Interest

A conflict of interest exists when a person's private interest interferes in any way with the interests of the Company. Conflicts can arise when an officer or director (including employee directors) takes an action or has an interest that may make it difficult to perform his or her Company work objectively and effectively. Conflicts can also arise when an officer or director (including employee directors), or members of his or her family, receive improper personal benefits as a result of his or her position in the Company.

A. Officers and Directors

All officers and directors must adhere to Central Hudson's Code of Business Conduct and Ethics (Ethics Code). Specifically, any Central Hudson officer or director who is also an officer or director of an energy business that competes with Central Hudson or with any ESCO operating in Central Hudson's service areas must (i) disclose to Central Hudson's Board of Directors and legal counsel such director/officer's position and interest in such other energy business; and (ii) refrain from participating in any Central Hudson Board of Directors discussion or decision-making pertaining to gas supply acquisition, gas portfolio management, purchasing strategy, gas scheduling, expansion projects involving areas where such other energy business would compete with Central Hudson, and dealings with competing marketers or ESCOs.

In the case of any conflict between the provisions of Central Hudson's Ethics Code and the text of these Standards, the provisions of these Standards shall control.

B. Process for Recusals

A Board of Directors agenda will be distributed to all board members prior to all meetings, outlining the topics to be discussed. Directly after the prior Board of Director's minutes are adopted, all members are to state for the record if they are required to recuse themselves from any discussion(s) and such recusals will be documented in the minutes. Minutes shall reflect when the subject Board member(s) is excused from the meeting and when that Board member(s) rejoins the meeting. Central Hudson shall institute procedures to implement the foregoing requirement and to require other Board members not to relate the substance of any discussion pertaining to the subject as to which the Board's member(s) was required to excuse himself or herself.

C. Relationships with Competitors

No officer or director (including employee directors) shall work for, consult to, advise or perform any services for a competitor or purchase or maintain a financial interest in any direct competitor.

D. Relationship with Customers and Vendors

No officer or director (including employee directors) shall work for, consult to, advise, or perform for any entity or institution that is a vendor or customer to the Company (unless such is providing services on the Company's behalf). An officer or director (including employee directors) may serve as a director of another company that is a vendor or customer to the Company under the following circumstances: (i) the annual sales to or purchases from that company are less than 10% of the customer's or vendor's annual revenues; and (ii) he or she discloses his or her appointment as a director to the Company's legal counsel, who in turn obtains the Chief Executive Officer's written approval (or, in the case of an executive officer of the Company, the legal counsel obtains approval from the Board of Directors); and (iii) he or she agrees to recuse himself or herself from (i.e., refrain from participating in or influencing, directly or indirectly) any matter affecting the business relationship or transactions between the Company and the customer or vendor for which he or she is a director.

V. Cost Allocations

Appropriate cost allocation procedures will be followed by Central Hudson and any affiliate to assure that proper procedures are followed on a fully distributed basis. The Company will meet annually with Staff to review all aspects of cost allocations and their application. If at any time the Company becomes aware of events likely to cause a reconsideration of or material change to these cost allocations, it will advise Staff and arrange a meeting in order to consider those issues at that time. The cost allocation guidelines attached as Schedule I, Attachment A to these Standards will be amended and/or supplemented, if necessary, to reflect affiliate transactions not contemplated by the initial guidelines set forth in Schedule I, Attachment A. Central Hudson will file with the Secretary of the Commission all proposed amendments and supplements to the guidelines at least thirty (60) days prior to their proposed effective date subject to Commission approval.

A. Transfer of Assets

Transfers of assets (or rights to use such assets) from Central Hudson to any affiliate will be priced at the higher of net book value or fair market value and will be subject to Commission approval under PSL §70, except as otherwise provided in emergency situations. Any affiliate receiving goods or services from Central Hudson will compensate the Central Hudson in a timely fashion. Standard commercial terms for payments will be used. If an affiliate fails to make payment within 45 days from the date the bill is rendered by Central Hudson, such affiliate shall pay Central Hudson interest on the outstanding balance at the Other Customer Capital rate (grossed up for taxes) as determined from time to time by the Commission.

B. Transfer of Services

The provision of corporate services shall be subject to written contracts that, as applicable, identify the personnel, assets, and services that will be provided. However, when the Fortis's investment in the Central Hudson expressed as the ration of central Hudson net assets to Fortis consolidated net assets, falls to 60% or less, corporate administrative services will be transferred from Central Hudson to Fortis, unless Central Hudson shows cause to the Commission why such transfer should not occur.

C. Insurance

Central Hudson and any affiliate may be covered by common property, casualty and other business insurance policies so long as Central Hudson is protected from potential insurance claims against any affiliates arising from such policies, as well as any increases in Central Hudson's insurance costs resulting from the inclusion of property or assets held by an affiliate(s) in such insurance policies. The costs of such policies shall be allocated among Central Hudson and any affiliate in an equitable manner.

D. Personnel

1. Sharing of Officers and Directors

Central Hudson will have separate operating employees from affiliates. Operating officers (i.e., those officers providing other than corporate services) of Central Hudson will not be operating officers of any of the affiliates. An officer of Fortis may not be an officer of both Central Hudson and an unregulated affiliate or Unregulated Competitive Energy Affiliate. Corporate employees may be provided by Central Hudson on a fully loaded cost-basis. During its provision of any such shared services, such individual shall be subject to all requirements in these Standards pertaining to information obtained about/from Central Hudson. Nothing herein shall limit the Commission's authority to determine ratemaking issues arising out of such transactions.

Officers and directors of Central Hudson may not use any of the Company's marketing, sales, advertising, public relations, and/or energy purchasing expertise to provide services to any affiliate that competes with Central Hudson in any energy-related business within the Company's service territories. Before the rendition of such services by Central Hudson commences, it shall notify its affected officers and directors that they are subject to all the requirements of these Standards. The affiliate shall compensate Central Hudson at the higher of the fully loaded cost basis or prevailing market value. Nothing herein shall limit the Commission's authority over ratemaking issues arising out of such transactions.

Subject to the guidelines set forth in Schedule I, Attachment A, affiliates may provide services to Central Hudson and shall have separate contracts and billings for such services. Nothing in this section shall authorize Central Hudson to engage in a transaction with any affiliate if such transaction would otherwise be prohibited under these Standards, or authorize Central Hudson to tender preferential treatment to any affiliate. Any management, construction, engineering or similar contract between Central Hudson and any affiliate and any contract for the purchase by Central Hudson from an affiliate shall be governed by PSL §110.

2. Transfer of Employees

If a Central Hudson employee accepts a position with any affiliate, he or she will be required to resign from Central Hudson, unless there is a conflict with the collective bargaining agreement in which case the collective bargaining agreement shall control. Any such employee shall be prohibited from copying or taking any non-public customer or competitively sensitive market information from Central Hudson.

3. Compensation for Employee Transfers

Employees may be transferred from Central Hudson to an affiliate. Transferred employees may not be reemployed by Central Hudson for a minimum of one year after such transfer. Employees returning to Central Hudson may not be transferred again to any affiliate for a minimum of one year. Central Hudson will file annual reports with the Commission showing transfers between Central Hudson and any affiliates by employee name, former company, former position and salary and new company, new position and salary or annualized base compensation. There shall be no temporary employee transfers between Central Hudson and any affiliate other than for emergencies, as described below.

During the first two (2) years of operation of any affiliate, where any Central Hudson employee having at least two (2) years of experience with Central Hudson is transferred to an affiliate, Central Hudson will be compensated with a transfer credit equal to 25% of one (1) year's latest base salary of that employee, to be deferred on Central Hudson's books for disposition in Central Hudson's subsequent rate case.

4. Employee Loans in an Emergency

The foregoing provisions in no way restrict any affiliate from loaning employees, on a fully loaded cost basis, to Central Hudson to respond to an emergency that threatens the safety or reliability of service to customers; nor shall such provisions restrict Central Hudson from loaning employees, on a fully loaded cost basis, to other regulated utilities, whether affiliated or unaffiliated, to respond to an emergency that threatens such safety or reliability of service to consumers.

5. Compensation and Benefits

The compensation of Central Hudson's operating employees, officers and directors (including employee directors) may not be tied directly to the performance of any affiliates; provided, however, that this provision shall not preclude such compensation based upon aggregate performance of Central Hudson and any affiliate, including compensation based on Fortis's stock performance. The employees of Central Hudson and any affiliate may participate in common pension and benefit plans, and the cost shall be allocated as set forth in Schedule I, Attachment A.

6. Legal Representation

Central Hudson shall have its own senior counsel, who shall not be shared with any Affiliate and whose primary responsibility is Central Hudson. The same law firm may represent Central Hudson and any affiliate on any matter other than transactions between Central Hudson and that affiliate. On any matter not involving such an intracorporate transaction in which the interests of Central Hudson may be adverse to the interests of an affiliate, Central Hudson will take appropriate steps to ensure that Central Hudson's interests are vigorously and independently protected (such steps, by way of example and not limitation, could include having separate attorneys if a single law firm is used and creating an ethical wall as an information barrier between such attorneys to avoid any potential conflict of interest). With respect to all matters handled by outside counsel, Fortis and its affiliates shall instruct outside counsel to take all reasonable steps to ensure that non-public customer and competitively sensitive information in the possession of Central Hudson is not communicated to an affiliate.

VI. Audits

A. Access to Books, Records and Reports

The following provisions govern the access by Staff, and are not intended to supersede or otherwise limit the applicability of the P SL, to all books and records related to all transactions for goods and services and cost allocations that occur between Central Hudson and any affiliates:

1. Access to Information

Staff will have access, upon reasonable notice and subject to appropriate resolution of any issues pertaining to applicable privileges and protections against disclosure, including the attorney/client privilege, and confidentiality, to the books and records of any affiliate, controlled by Central Hudson, with which such transactions occurred to the extent necessary to verify the reasonableness of the charges associated with the transactions and are determined on the same basis as charges for the same goods or services that are presented to other entities. For any affiliate over which Central Hudson does not have sufficient control to require such access, the Company shall nevertheless employ its best efforts to provide such access and, in the event Central Hudson is unable to do so, the Company shall provide an explanation of the reasons therefor. These Standards will not be interpreted as restricting Staff in obtaining any affiliate information pursuant to PSL §110. Nothing herein shall limit the Commission's authority over ratemaking issues arising out of such transactions.

2. Location of Audit Information

All access to books and records shall be provided at Central Hudson's headquarters and in no event shall these provisions unreasonably delay Staff's ability to perform its audit functions. Any information provided shall be subject to applicable privileges and protections against disclosure pursuant to Civil Procedure Law and Rules §§3101 and 4503 and as provided for in the PSL and the Commission's regulations at 16 NYCRR Parts 3 through 5 including resolution of confidentiality issues pursuant to the Commission's regulations on confidential information at 16 NYCRR Part 6, with due regard to the regulations of any other commission that has jurisdiction over this information.

3. Company Liaison

A senior officer of Central Hudson will designate an employee, as well as an alternate to act in the absence of such designee (Company liaisons), to act as liaison between Central Hudson and Staff. The Company liaisons will be responsible for ensuring adherence to the established procedures and production of information to Staff, and will be authorized to provide Staff access to any requested information to be provided in accordance with these Standards.

B. Reporting

Commencing with the period ending December 31, 2013, Central Hudson shall file, by April 1 of each year, a joint annual report to the Commission, summarizing, for the prior year, any asset transfers, employee transfers, employee loans for emergencies, contracts, cost allocations, affiliate transactions and competitor or customer complaints concerning the course of conduct between Central Hudson and any affiliate that is related to these Standards.

Employee transfers between Central Hudson and an affiliates shall he reported by employee name, former company, former position, new company and new position. Employee loans from an affiliate to Central Hudson to respond to an emergency that threatens the safety or reliability of service to consumers shall be reported by employee name, companies involved and length of loan period.

C. Confidentiality of Records

Central Hudson and, as applicable, any affiliate shall designate as confidential any non-public information to or of which Staff requests access or disclosure, and which such entity believes is entitled to be treated as a trade secret, and may submit information to the Commission or Staff subject to the Commission's regulations on confidential information at 16 NYCRR Part 6.

Central Hudson Gas & Electric Corporation
Electric Operations
Valuation of Rate Freeze per Central Hudson
($000's)

Col. 1	Col.2		Col. 3	Col.4
	Traditional Rate Case	Adj. No.	Stayout Adjustments	Value of Rate Freeze
Operating Expenses (See Note A)	$18,112		($17,036)	$1,076
Delivery Revenues (Net of Revenue Taxes)	10,629	1	(10,629)	0
Net Plant and Depreciation (See Note B)	10,465		0	10,465
Taxes Other Than Income (See Note C)	6,270		(5,507)	763
Income Taxes (See Note D)	(17)		0	(17)
Other Operating Revenues	(26)			(26)
Rate of Return (See Note E)	(358)		0	(358)
Non Plant Rate Base (See Note F)	(5,877)		0	(5,877)
Total Rate Increase	$39,198		($33,173)	$6,026
Note A - Operating Expenses				
Major Storm Reserve (See Note A1)	$9,444		($9,444)	$0
Employee Retirement Expenses	4,247	2	(4,247)	0
MGP Remediation Cost Recovery	3,211	3	(3,211)	0
Inflation Pool	2,296			2,296
Non-Major Storm Restoration	1,226			1,226
Injuries and Damages	801			801
Transmission Enhanced Infrastructure Maint	567			567
Expenses allocated to affiliates	554			554
Information Technology Expense	333	4	(109)	224
EPOP & Low Income Bill Discount Program	17	5	(17)	0
Regulatory Commission Expenses	8	6	(8)	0
Miscellaneous General Expense	(779)			(779)
Uncollectible Accounts	(1,108)			(1,108)
Legal Services	(1,374)			(1,374)
Direct Labor	(1,772)			(1,772)
Other (< $100)	441			441
Total Operating Expenses	$18,112		($17,036)	$1,076
Note A1 - Major Storm Reserve				
Amortize Prior Years Costs Deferred Over 3 Years	$7,393		($7,393)	$0
Allowance for Future Events	2,051		(2,051)	0
Total	$9,444		($9,444)	$0
Note B - Net Plant and Depreciation				
Net Plant and Noninterest-Bearing CWIP	$7,408			$7,408
Depreciation	3,057			3,057
Total	$10,465		$0	$10,465
Note C - Taxes Other Than Income				
Property Taxes	$6,119		($5,507)	$612
Other Taxes	151			151
Total Other Deductions	$6,270		($5,507)	$763
Note D - Income Taxes				
Cost of Removal	($1,122)			($1,122)
Other	1,105			1,105
Total Income Taxes	($17)		$0	($17)
Note E - Rate of Return				
Return on Common Equity (ROE)	($0)			($0)
Capital Structure	(436)			(436)
Non ROE Costs Rates	78			78
Total ROR	($358)		$0	$0
Note F - Non Plant Rate Base				
Working Capital	$1,051			$1,051
Accumulated Deferred Income Taxes	(6,520)			(6,520)
Other	(409)			(409)
Total Rate Base	($5,877)		$0	($5,877)

Central Hudson Gas & Electric Corporation
Explanation of Electric Stayout Adjustments
Valuation of Rate Freeze per Central Hudson
($000's)

Adj. No.		Amount
1.	Revenues are guaranteed by the Revenue Decoupling Mechanism approved in Case 08-E-0887 for Service Class. Nos. 1, 2, and 6.	($10,629)
2.	To remove Supplemental Executive Retirement Plan (SERP) funding subject to Case(s) 91-M-0890 (PSC Policy Stmt.) and 09-E-0588.	($4,247)
3.	To normalize forecast for 2010 Newburgh expenditures, subject to deferral treatment authorized in Cases 01-G-1821 and 09-E-0588.	($3,211)
4.	Deferral treatment is authorized in Case 09-E-0588 for incremental IT cost up to $125k above the RY3 allowance.	($109)
5.	Deferral treatment is authorized in Case 09-E-0588 for incremental EPOP cost up to 15% above the rate allowance.	($17)
6.	Deferral treatment is authorized in Case 09-M-0311 for incremental costs for the Temporary Annual Assessment (PSL section 18-a(6)).	($8)

Central Hudson Gas & Electric Corporation
Gas Operations
Valuation of Rate Freeze per Central Hudson
($000's)

Col. 1	**Col.2**		**Col. 3**	**Col.4**
	Traditional Rate Case	**Adj. No.**	**Stayout Adjustments**	**Value of Rate Freeze**
Net Plant and Depreciation (See Note A)	$3,239		$0	$3,239
Operating Expenses (See Note B)	3,136		(1,808)	1,328
Taxes Other Than Income (See Note C)	2,558		(2,246)	312
Other Operating Revenues	583			583
Rate of Return (See Note D)	(96)		0	(96)
Income Taxes (See Note E)	(365)		0	(365)
Non Plant Rate Base (See Note F)	(1,973)		0	(1,973)
Delivery Revenues	(3,230)	1	3,230	0
Total Rate Increase	$3,853		($825)	$3,029
<u>Note A - Net Plant and Depreciation</u>				
Net Plant and Noninterest-Bearing CWIP	$2,305			$2,305
Depreciation	934			934
Total	$3,239		$0	$3,239
<u>Note B - Operating Expenses</u>				
Expenses Projected Based on Inflation	$1,837			$1,837
Employee Retirement Expenses	1,216	2	(1,216)	0
MGP Remediation Cost Recovery	636	3	(636)	0
Direct Labor	330			330
Fringe Benefits	167			167
Injuries and Damages	153			153
Regulatory Commission Expenses	(44)	4	44	0
Gas Leak Repairs - Distribution Main	(144)			(144)
Miscellaneous General Expense	(185)			(185)
Uncollectible Accounts	(317)			(317)
Legal Services	(350)			(350)
Excess Cost of Removal	(356)			(356)
Other < $100K	193			193
Total Operating Expenses	$3,136		($1,808)	$1,328
<u>Note C - Taxes Other Than Income</u>				
Property Taxes	$2,496		($2,246)	$250
Other	62			62
Total Other Deductions	$2,558		($2,246)	$312
<u>Note D - Rate of Return</u>				
Capital Structure	($116)			($116)
Non ROE Cost Rates (mainly debt)	21			21
Total ROR	($96)		$0	$0
<u>Note E - Income Taxes</u>				
Cost of Removal	($584)			($584)
Depreciation	267			267
Property Tax Accrued-Central Hudson	(159)			(159)
Other	112			112
Total Income Taxes	($365)		$0	($365)
<u>Note F - Non Plant Rate Base</u>				
Working Capital	$186			$186
Accumulated Deferred Income Taxes	(2,164)			(2,164)
Other	4			4
Total Rate Base	($1,973)		$0	($1,973)

Central Hudson Gas & Electric Corporation
Gas Operations Staff Adjustments
Valuation of Rate Freeze per Central Hudson
($000's)

Adj. No.		**Amount**
1.	Revenues are guaranteed by the Revenue Decoupling Mechanism approved in Case 08-G-0888 for Service Class. Nos. 1,2, and 6.	$3,230
2.	To remove Supplemental Executive Retirement Plan (SERP) funding subject to Cases 91-M-0890 and 09-G-0589.	($1,216)
3.	To normalize forecast for 2010 Newburgh expenditures, subject to deferral treatment authorized in Cases 01-G-1821 and 09-G-0589.	($636)
4.	Costs related the Temporary Annual Assessment - PSL section 18-a(6) - are subject to reconciliation as authorized in Case 09-M-0311.	$44

Allowed Common Equity % Summary for Fortis Inc. Subsidiaries

Regulated Utility	Regulatory Authority	Allowed Common Equity (%)
Fortis BC Energy Inc.	British Columbia Utilities Commission	40%
Fortis BC Energy (Vancouver Island) Inc.	British Columbia Utilities Commission	40%
Fortis BC Energy (Whistler) Inc.	British Columbia Utilities Commission	40%
Fortis BC Electric	British Columbia Utilities Commission	40%
FortisAlberta	Alberta Utilities Commission	41%
Newfoundland Power	Newfoundland and Labrador Board of Commissioners of Public Utilities	45%
Maritime Electric	Island Regulatory and Appeals Commission	40%
FortisOntario	Ontario Energy Board	
	Canadian Niagara Power	40%
	Algoma Power	40%
Caribbean Utilities	Electricity Regulatory Authority	N/A
Fortis Turks and Caicos	Utilities make annual filings to the Interim Government of the Turks and Caicos Islands	N/A

Source: Fortis Inc. Interim Management Discussion and Analysis, June 30, 2012

Central Hudson Pro Forma Capitalization

Tax Rate: 39.615%

Unadjusted ROE

	Amount	%	Cost Rate	Weighted Cost of Capital	Pre-tax Weighted Cost of Capital
Long -Term Debt	$ 513,709	51.3%	5.11%	2.62%	2.62%
Customer Deposits	7,010	0.7%	2.45%	0.02%	0.02%
Common Equity	480,663	48.0%	8.90%	4.27%	7.07%
	$ 1,001,382	100.0%		6.91%	9.71%

Hamada Adjusted ROE

	Amount	%	Cost Rate	Weighted Cost of Capital	Pre-tax Weighted Cost of Capital
Long -Term Debt	$ 540,746	54.0%	5.11%	2.76%	2.76%
Customer Deposits	7,010	0.7%	2.45%	0.02%	0.02%
Preference Shares	86,119	8.6%	4.98%	0.43%	0.71%
Common Equity	367,507	36.7%	10.10%	3.71%	6.14%
	$ 1,001,382	100.0%		6.92%	9.63%

STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:
Central Hudson Gas & Electric Corp.

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Table Of Contents

Summary:
Central Hudson Gas & Electric Corp.

Credit Rating: A/Watch Neg/NR

Rationale

Standard & Poor's Ratings Services' ratings on Poughkeepsie, N.Y.-based regulated electric and gas transmission and distribution (T&D) utility Central Hudson Gas & Electric Corp (CHG&E) remain on CreditWatch, where they were placed with negative implications on Feb. 22, 2012. The CreditWatch is based on the company's plan to merge with Canadian utility holding company Fortis Inc. (A-/Stable/--) and reflects our expectation that we will lower our ratings on CHG&E if the transaction is consummated, owing to its combination with a lower-rated entity.

The ratings on CHG&E reflect the consolidated credit profile of its parent, holding company CH Energy Group Inc. (not rated), which incorporates the parent's unregulated business segments, Central Hudson Enterprises Corp. (CHEC) and Griffith Energy Services Inc. CHG&E accounts for about 90% of CH Energy's consolidated EBITDA.

CHG&E's "excellent" business risk profile under our criteria reflects its low-operating-risk electric T&D operations, a credit-supportive regulatory environment, a small service territory with modest customer growth and lack of geographic or operating diversity, and an above-average competitive position. CHG&E serves about 375,000 customers in eight counties of New York's mid-Hudson River Valley. The company's 2,600-square-mile service territory includes the cities of Poughkeepsie, Beacon, Newburgh, and Kingston, as well as the surrounding areas. Residential and commercial customers contribute about 85% of revenues, providing a measure of stability to revenues and cash flow. Industrial exposure is not material. The customer base reflects a relatively diversified economy with modest prospects for customer growth.

CHG&E is currently operating under a three-year rate settlement that provides for a $30.2 million electric base-rate increase and a $9.7 million increase in natural gas delivery rates, both in an incremental manner. The increases for electric rates include $11.8 million in July 2010, $9.3 million in July 2011, and $9.1 million in July 2012; and for natural gas delivery, $5.7 million in July 2010, $2.4 million in July 2011, and $1.6 million in July 2012. The settlement reflects a return on equity (ROE) of 10% and an equity ratio of 48%. The impact of the electric rate increase is offset by $12 million and $4 million in electric customer bill credits in rate years one and two, respectively, starting in July 2010. The settlement also includes a revenue decoupling mechanism, which can mitigate the effects of declining usage, but which does not address gross margins, placing pressure on the company to effectively manage its cost structure. Finally, the settlement provides for the continuation of the existing gas and electric supply cost-recovery mechanisms, and for continued deferral authorization for pensions and other postretirement employee benefits, earnings sharing, and a new shared property-tax deferral.

CHEC owns various nonregulated operations that increase CH Energy's business risk and pressure CHG&E's credit profile. Griffith Energy Services provides fuel distribution and heating, ventilation, and air conditioning installation and maintenance. In addition, CHEC owns a number of unregulated renewable-energy generation projects. In 2011, CH Energy divested three of its renewable energy investments as part of its strategy to focus more on the utility and Griffith Energy. Throughout the year, it completed the sale of its Lyonsdale Biomass power plant, Shirley Wind business, and CH-Auburn plant. We don't consider the remaining renewable energy investments are not considered part of the core business. Griffith and the remaining renewable investments contribute roughly 10% of operating income; however, in our view they have significantly higher business risk than the regulated utility operations.

CHG&E's financial risk profile is "significant" under our criteria; we based this assessment on the consolidated financial risk profile of parent CH Energy. As of June 30, 2012, CH Energy's adjusted debt, including capitalized operating leases and tax-effected pension and postretirement obligations, was about $640 million, for a debt to capital ratio of 56% and debt to EBITDA ratio of 3.7x. As of June 30, 2012, CH Energy's consolidated funds from operations (FFO) were $109 million, for a FFO to total debt ratio of 17% and FFO interest coverage of 3.9x. We consider these credit measures to be somewhat low for the significant financial risk profile, but we expect improvement based on the moderation of future pension fund contributions and on declining rate credits to support the consolidated financial risk profile.

Liquidity

We view CHG&E's liquidity on a consolidated basis with that of its parent, CH Energy. CH Energy's liquidity is strong under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Strong liquidity supports our 'A' issuer credit rating on CHG&E. The company's projected sources of liquidity, mostly operating cash flow and available bank lines, exceed its projected uses, mainly necessary capital expenditures and debt maturities, by more than 1.5x.

CHG&E's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending or sell assets, its sound bank relationships, its solid standing in credit markets, and its generally prudent risk management further support our assessment of its liquidity as adequate. Debt maturities total about $31 million in the next 12 months. The company also has $42 million in 2014, which we expect it will address well in advance.

CH Energy has access to a $150 million revolving credit facility expiring in February 2013 and CHG&E has its own $150 million credit facility maturing in November 2016. CH Energy's facility has about $146 million available and CHG&E's facility has about $146 million available.

Liquidity is strong based on the following factors and assumptions:

- We expect the company's liquidity sources (including FFO and credit facility availability) over the next 12 months to exceed uses by more than 1.5x.
- Debt maturities over the next year are manageable.
- Even if EBITDA declines by 30%, we believe net sources will be well in excess of liquidity requirements.
- The company has good relationships with its banks, in our assessment, and has a good standing in the credit markets.

In our analysis, based on information available as of June 30, 2012, we assumed liquidity of about $400 million over the next 12 months, consisting of projected FFO and availability under the credit facilities. We estimate liquidity uses of $215 million during the same period for capital spending, dividends, and debt maturities.

CH Energy and CHG&E's credit agreements include a financial covenant limiting the consolidated debt-to-capitalization ratio of no greater than 65%, with which the company was compliant as of June 30, 2012.

CreditWatch

Standard & Poor's expects to resolve the CreditWatch listing on Central Hudson as the merger with Fortis nears completion (which the companies expect will be early 2013) and as additional information regarding the financing strategy and the combined company's financial policies becomes available, which in turn will dictate the consolidated financial risk profile. Given that Central Hudson is being acquired by a lower rated company with a weaker financial risk profile, and based on the current structure of the merger we would expect to lower our ratings on Central Hudson when the transaction closes. The company received FERC approval for the merger in July 2012. The merger still requires approval from the New York Public Service Commission.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Analytical Methodology, April 15, 2008
- Ratios And Adjustments, April 15, 2008

Rating Report

Report Date:
July 26, 2012

Previous Report:
March 8, 2012

Insight beyond the rating.

Fortis Inc.

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The Company

Fortis Inc. is a holding company for a number of regulated electric and natural gas utilities, including wholly owned Newfoundland Power Inc., FortisAlberta Inc., FortisBC Inc., Maritime Electric Company, Limited, FortisOntario Inc. and Fortis Turks and Caicos, as well as majority ownership of Caribbean Utilities Company (slightly over 60%). FortisBC Energy companies (formerly Terasen Gas Inc. and Terasen Gas (Vancouver Island) Inc.) comprise its gas distribution utilities. Non-regulated operations include Fortis Properties, as well as non-regulated generation in Belize, Ontario and upper New York State.

Recent Actions

July 20, 2012
Confirmed

February 21, 2012
Placed Under Review with Developing Implications

September 7, 2011
Confirmed

Rating

Debt	Rating	Rating Action	Trend
Unsecured Debentures	A (low)	Confirmed	Stable
Preferred Shares	Pfd-2 (low)	Confirmed	Stable

Rating Update

On July 20, 2012, DBRS confirmed the ratings of the Unsecured Debentures and Preferred Shares of Fortis Inc. (Fortis or the Company) at A (low) and Pdf-2 (low), respectively, with Stable trends, and removed the ratings from Under Review with Developing Implications following the announced acquisition of CH Energy Group Inc. (CHG) (the Acquisition) on February 21, 2012. The confirmation is based on the closing of subscription receipt offering (approximately $600 million) in June 2012 and further review of the Company's financing plan. DBRS is comfortable that Fortis' funding strategy includes appropriate measures to maintain a reasonable financial profile while executing its growth strategy, particularly the Acquisition (approximately $1.0 billion) and the Waneta hydropower project (approximately $127.5 million in 2012).

Fortis' non-consolidated balance sheet leverage is expected to increase notably. However, given its current financial flexibility, with non-consolidated debt-to-capital at near 14% and strong cash flow coverage, DBRS believes that Fortis' financing plan is reasonable such that debt leverage within the 20% range can be maintained in line with DBRS's rating guidelines for notching a holding company relative to its subsidiaries (see DBRS's methodology Rating Parent/Holding Companies and Their Subsidiaries, dated March 2010). Following the Acquisition and the financing of the Waneta project, cash flow coverage is expected to weaken temporarily but should remain within the current rating category.

With the proposed Acquisition, Fortis' business risk profile is expected to improve moderately, as approximately 97% of CHG's earnings are generated from its regulated electric and gas regulated businesses. This regulated earnings mix is higher than the Company's current mix at approximately 90%. The remaining 10% of Fortis' consolidated earnings are generated from higher-risk hotel properties and non-regulated generation businesses. The regulatory framework in New York is viewed as reasonable, as CHG is allowed to recover prudently incurred operating, capital and commodity costs and earn good returns on investments.

Fortis is currently rated the same as some of its subsidiaries (FortisBC Inc. and FortisAlberta Inc.), despite the structural subordination and double leverage at the parent. DBRS believes that Fortis' ratings are supported by strong and stable cash flows from diversified sources, with a significant portion of dividends coming from its regulated subsidiaries with "A" ratings (FortisBC Energy Inc. and Newfoundland Power Inc.).

Rating Considerations

Strengths

(1) Strong and stable dividends and cash income
(2) Diversified sources of cash flow
(3) 100% ownership of most subsidiaries
(4) Good liquidity/reasonable interest coverage

Challenges

(1) Potential higher debt levels at the parent
(2) Structurally subordinated to debt at the subsidiaries
(3) Strong ring-fencing at its wholly owned utilities
(4) Considerable capex for Waneta Expansion Project

Financial Information

Non-consolidated Fortis Inc.	12 mos.	Year ended December 31				
($ millions)	Mar. 2012	2011	2010	2009	2008	2007
EBIT	424	419	385	350	326	260
Cash flow from operations	225	216	155	216	145	40
Total debt	780	755	949	832	606	709
Total debt/Capital	13.9%	13.6%	18.4%	17.7%	14.0%	18.9%
EBIT-interest coverage (x)	9.40	9.29	8.65	8.05	8.40	7.67
Cash flow-interest coverage (x)	5.99	5.79	4.48	5.98	4.73	2.18
Cash flow/Total debt	28.9%	28.6%	16.4%	27.5%	25.9%	6.0%

Rating Considerations Details

Strengths

(1) **Strong and stable dividends and cash income.** Cash income and dividends have been strong, largely supported by stable earnings and cash flow from regulated entities and long-term power contracts. Regulated operations account for approximately 90% of consolidated EBITDA (12 months to March 2012).

(2) **Diversified sources of cash flow.** Fortis benefits from diversified sources of cash flow through its ownership of regulated natural gas utilities in British Columbia and electric utilities in five Canadian provinces and three Caribbean countries.

(3) **100% ownership of most subsidiaries.** Fortis owns 100% of most of its operating entities. This provides Fortis, within the boundaries of regulatory oversight, with some discretionary powers over the manner in which cash flows are paid to it by its operating companies.

(4) **Good liquidity/reasonable interest coverage.** At the end of March 2012, Fortis had approximately $814 million in available credit facilities (at the parent level), which is sufficient to finance its near-term operational and capital needs. Non-consolidated cash flow-to-interest coverage remained strong for the 12 months ended March 2012.

Challenges

(1) **Potential high debt levels at the parent.** Fortis' agreement to acquire CHG could increase debt levels at the parent considerably. As at March 31, 2012, the non-consolidated debt-to-capital ratio was at 13.9%, which provided Fortis with significant financial flexibility. However, Fortis' non-consolidated leverage will likely increase with the proposed Acquisition.

(2) **Structural subordination.** Fortis is a holding company whose debt is structurally subordinated to the debt obligations of its operating companies. This accounts for the lower debt rating of Fortis relative to the debt ratings of some its key regulated subsidiaries.

(3) **Strong ring-fencing.** Fortis faces strong ring-fencings imposed on FortisBC Energy Inc. and FortisBC (Vancouver Island) Inc. with respect to their capital structure and dividend payouts. In addition, it is common for utilities to maintain their capital structure in line with the regulatory capital structure. As a result, dividend payouts to Fortis could be affected should these utilities have a large capital expenditure program.

(4) **Large capital expenditures for the Waneta Expansion Project (WEP).** The WEP is a hydroelectric project in British Columbia that is 51% owned by Fortis. The Company's share of capital expenditures is approximately $450 million. Approximately $250 million will be required in 2012 for the project (51% will be contributed by Fortis). The project is expected to be in service in early 2015.

Fortis Inc.

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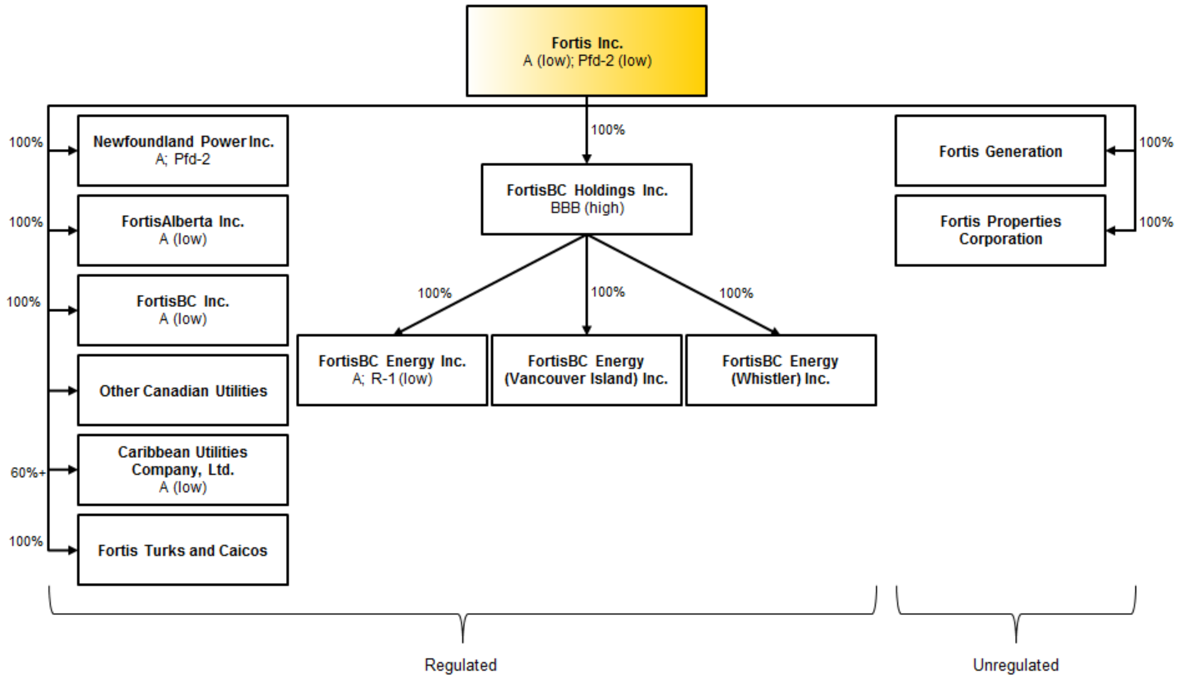
Simplified Corporate Structure*



*Note: The above chart only includes Fortis' major regulated and non-regulated subsidiaries, which directly or indirectly contribute dividends to Fortis.

Based on 2011 Data

Name	Operations	Customers	Rate base (CAD millions)	Allowed Roe for 2012	Net income (CAD millions)	Deemed equity
FortisBC Holdings Inc.	Holding company		3,300	9.6%	139	40%
FortisBC Energy Inc.	Natural gas distribution	851,000	2,500	9.5%	102	40%
FortisBC Energy (Vancouver Island)	Natural gas distribution	102,000	700	10.0%	N/A	40%
FortisBC Energy (Whistler)	Natural gas distribution	2,600	100	10.0%	N/A	40%
FortisAlberta	Electricity distribution	499,000	1,715	8.8%	75	41%
FortisBC	Integrated utility	162,000	1,093	9.9%	48	40%
Newfoundland Power	Electricity distribution	247,000	875	8.4%	34	45%
Other Canadian Utilities	-	177,000	513	8.0-9.8%	22	40%
Fortis Properties	Real estate	22 hotels	-	-	23	-
Caribbean Utilities	Integrated utility	26,000	375	12-14%	20	45-50%
Fortis Turks and Caicos	Integrated utility	9,500	155	-	9	-
Fortis Generation	Power generation	Appro. 292 MW		-	18	-

The Proposed Acquisition of CHG

On February 21, 2012, Fortis announced that it had agreed to acquire CHG for a total consideration of approximately US$1.5 billion, including the assumption of US$500 million of debt on closing. The Acquisition is expected to close within 12 months, subject to various regulatory approvals. The CHG shareholders have approved the Acquisition.

CHG's principal businesses comprise: (1) Central Hudson Gas & Electric Corporation (Central Hudson), which is a regulated utility in New York state with approximately 300,000 electric customers and 75,000 gas customers. Central Hudson accounts for 97% of CHG's 2011 net income and 93% of its assets. (2) A non-regulated fuel delivery business (3% of CHG income), which serves 56,000 customers in the Mid-Atlantic Region. CHG's total assets as of December 31, 2011, were US$1.7 billion. Net income and operating cash flow in 2011 were US$45 million and US$115 million, respectively.

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Non-Consolidated Income & Cash Flows

Earnings - Non-Consolidated	12 mos.	Year end December 31	
($ millions)	Mar. 2012	2011	2010
Newfoundland Power	34	34	35
FortisBC Energy Holdings Inc.	138	128	119
FortisWest	80	84	82
Other Canadian utilities/Other	10	10	11
Fortis Energy Bermuda	25	26	28
Regulated investment income	**286**	**282**	**275**
Fortis Properties	34	35	37
FortisUS Inc.	8	12	(3)
Fortis Energy Cayman	17	14	18
Non-regulated	**59**	**61**	**52**
Total Investment Income	**345**	**343**	**327**
Interest income + Management fee	80	77	59
EBITDA	**425**	**420**	**386**

Earnings - Non-Consolidated	12 mos.	Year end December 31				
($ millions)	Mar. 2012	2011	2010	2009	2008	2007
EBITDA	**425**	**420**	**386**	**351**	**328**	**262**
Depreciation	2	2	1	2	2	2
EBIT	424	419	385	350	326	260
Interest expense	45	45	44	43	39	34
EBT	379	373	340	306	287	226
Net Income before preferred dividends	367	364	329	297	275	215
Non-consolidated cash flow from operations	225	216	155	216	145	40
Less: Preferred dividends	(45)	(45)	(45)	(35)	(30)	(23)
Less: Common dividends	(145)	(151)	(135)	(133)	(162)	(128)
Free cash flow	35	19	(25)	49	(47)	(111)
Maintenance capex	(5)	(4)	(3)	(0)	(0)	(1)
Acquisitions	0	0	0	0	0	(1,256)
Investments/Advances to subsidiaries	(225)	(208)	(367)	(358)	(306)	(266)
Equity financing (includes preferred)	345	345	264	49	533	1,269
Debt financing	(149)	(165)	141	293	(179)	333
Others, including working capital	(1)	3	(1)	(30)	6	21
Net change in cash flow	(1)	(10)	8	2	7	(11)

Summary

- Overall, Fortis has benefited from good earnings diversification, strongly underpinned by regulated utilities, which account for 90% of consolidated assets.
- EBITDA reflected strong earnings from regulated utilities, long-term contract generation, property management and interest income.
- Earnings have increased over the years, largely reflecting higher ROE in recent years and growing rate bases at the utilities.
- Fortis Properties' performance has been solid, reflecting the recovery of the Canadian economy. Although accounting for 10% of the assets, non-consolidated contributions have been solid at 14% since 2010.

Outlook

- Investment income from regulated utilities is expected to increase considerably in 2013 should the proposed Acquisition of CHG be completed as expected (Q1 2013).
- The Acquisition should also improve Fortis' earnings diversification.
- Non-regulated earnings are expected to increase in 2015 when WEP is scheduled to be in service. The project has obtained a long-term power contract with BC Hydro.

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Capital Structure and Liquidity

Capital Structure - Non-Consolidated	**12 mos.**	As at December 31				
($ millions)	**Mar. 2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Short-term debt	-	-	-	100	-	5
Credit facilities	31	-	165	36	110	208
Long-term debt	749	755	779	650	450	450
Sub. convertible debentures	-	-	5	45	46	46
Preferred shares	912	912	912	667	667	442
Common shares	3,909	3,867	3,308	3,195	3,046	2,606
Total non-consolidated capital	**5,600**	**5,534**	**5,169**	**4,694**	**4,319**	**3,757**
% total debt-to-total capital	13.9%	13.6%	18.4%	17.7%	14.0%	18.9%
EBIT-interest coverage (x)	9.40	9.29	8.65	8.05	8.40	7.67
Cash flow-interest coverage (x)	5.99	5.79	4.48	5.98	4.73	2.18
Cash flow-to-total debt	28.9%	28.6%	16.4%	27.5%	25.9%	6.0%

Summary

- Fortis' non-consolidated balance sheet remained strong in Q1 2012, reflecting a modest debt-to-capital ratio at 13.9%, which provided the Company with significant financial flexibility.
- This leverage remained well within the 20% threshold in DBRS's notching guidelines for a holding company relative to its subsidiaries.
- Cash flow-to-interest coverage remained strong for a holding company.

Potential Impact of the Proposed Acquisition of CHG

- The price of the Acquisition is approximately $1 billion.
- In June 2012, Fortis completed a subscription receipt offering for approximately $600 million, which will be used to partially finance the Acquisition, with the remainder expected to be financed with debt and preferred shares.
- Based on the Company's financing strategy, the debt-to-capital ratio will likely increase from the current level should the Acquisition be completed.
- However, the new debt-to-capital ratio is expected to remain within the 20% level.

Liquidity

Credit Facilities as at March 31 2012 ($ millions)	HoldCo & other	Regulated Subsidiaries	Non-regulated Subsidiaries	Total
Total credit facilities	845	1389	13	2247
Drawing on credit facilities (S-T)		(73)	(3)	(76)
Drawing on credit facilities (L-T)	(31)	(50)		(81)
Letters of credit	(1)	(65)		(66)
Credit facilities available	813	1201	10	2024

Debt Maturity Schedule

Debt maturities - ($ millions)	2012	2013	2014	2015	2016	Thereafter	Total
Fortis Inc. senior debt	0	0	153	0	0	602	755
Total	0	0	153	0	0	602	755
% of total debt	0%	0%	20%	0%	0%	80%	100%

- Fortis has sufficient liquidity to finance its near-term funding requirements.
- Debt maturity is concentrated in 2014, when 20% of Fortis' total debt is due. DBRS believes that the refinancing of this amount is within the Company's capacity, given its strong credit profile.

Fortis Inc.

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Description of Operations

Fortis' main subsidiaries and investments are as follows:

FortisBC Holdings Inc. (100% owned) is a holding company for the following utilities:
(1) **FortisBC Energy Inc. (FEI)** is the largest natural gas distributor in British Columbia, serving approximately 851,000 residential, commercial and industrial customers in an area extending from Vancouver to the Fraser Valley and the interior of British Columbia.
(2) **FortisBC Energy (Vancouver Island) Inc. (FEVI)** owns a combined distribution and transmission system and serves approximately 102,000 residential, commercial and industrial customers along the Sunshine Coast and in Victoria and various communities on Vancouver Island.
(3) **FortisBC Energy (Whistler) Inc. (FEW)** owns and operates a propane distribution system in Whistler, British Columbia, and provides service to approximately 2,600 residential and commercial customers.

FortisAlberta Inc. (100% owned) is a regulated electricity distributor with approximately 499,000 customers. Its franchise area includes central and southern Alberta, the suburbs surrounding Edmonton and Calgary, Red Deer, Lethbridge and Medicine Hat.

FortisBC Inc. (100% owned) is a vertically integrated regulated utility operating in south-central British Columbia, serving approximately 162,000 customers. Its generation assets include four hydroelectric generating plants (totaling 223 MW) on the Kootenay River in south-central British Columbia.

Newfoundland Power Inc. (100% owned) (NP) is a principal distributor of electricity on the island portion of Newfoundland and Labrador, serving more than 247,000 customers. Fortis also owns 25% of NP's preferred shares.

Other Canadian Utilities
(1) **FortisOntario Inc.** is an integrated electric utility providing services to approximately 64,000 customers in Fort Erie, Cornwall, Gananoque, Port Colborne and the District of Algoma in Ontario. FortisOntario also owns a 10% interest in each of Westario Power Inc., Rideau St. Lawrence Holdings Inc. and Grimsby Power Inc., three regional electric distribution companies serving approximately 38,000 customers.

(2) **Maritime Electric Company Limited (Maritime Electric)** is the principal distributor of electricity on Prince Edward Island, serving approximately 75,000 customers. It also maintains on-island generating facilities with a combined capacity of 150 MW. Maritime Electric is indirectly owned by Fortis through FortisWest.

Fortis Properties Corporation owns and operates 22 hotels in eight Canadian provinces and approximately 2.8 million square feet of commercial real estate, primarily in Atlantic Canada.

Caribbean Utilities Company, Ltd. (Caribbean Utilities) is a fully integrated electricity utility on Grand Cayman, Cayman Islands, serving over 26,000 customers. It has an installed generating capacity of approximately 151 MW. Fortis has an approximate 60% controlling ownership interest in Caribbean Utilities, and the remaining ownership is publicly traded on the Toronto Stock Exchange.

Fortis Turks and Caicos serves approximately 9,500 customers, or 85% of electricity consumers in the Turks and Caicos Islands pursuant to 50-year licenses that expire in 2036 and 2037. The Company has a combined diesel-fired generating capacity of 54 MW.

Belize Electric Company Limited is a non-regulated 32 MW hydro generation facility in Belize. All output is sold to Belize Electricity Limited under a 50-year power purchase agreement expiring in 2055. The US$53 million 19 MW hydroelectric generating facility at Vaca in Belize was commissioned in March 2010.

Belize Electricity Limited is recorded as equity investment following the expropriation by the Government of Belize in June 2011.

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Rating

Debt	Rating	Rating Action	Trend
Unsecured Debentures	A (low)	Confirmed	Stable
Preferred Shares	Pfd-2 (low)	Confirmed	Stable

Rating History

	Current	2011	2010	2009	2008	2007
Unsecured Debentures	A (low)	A (low)	A (low)	BBB (high)	BBB (high)	BBB (high)
Preferred Shares	Pfd-2 (low)	Pfd-2 (low)	Pfd-2 (low)	Pfd-3 (high)	Pfd-3 (high)	Pfd-3 (high)

Related Research

- FortisBC Holdings Inc., February 29, 2012.
- FortisBC Energy Inc., February 29, 2012.
- Newfoundland Power Inc., July 18, 2012.
- FortisAlberta Inc., June 28, 2012.
- FortisBC Inc., February 22, 2012.
- Caribbean Utilities Company, Ltd., July 5, 2012.

Note:
All figures are in Canadian dollars unless otherwise noted.

12-M-0192 **Exhibit__(PP-11)**

Analysis of Claimed Benefits

	($000)
Fortis/Central Hudson Petition	
Indebtfiable Benefits	
Guaranteed $2 million per year annual cost savings for 5 years	$10,000
Write-off of unspecified deferrals	5,000
Unspecified Public Benefit Fund	5,000
1 year rate freeze	0
Total	$20,000
2011 Delivery Revenues	
Electric	$332,388
Gas	85,196
Total	$417,584
%	4.8%
Iberdrola/Energy East Order	
Positive Benefit Adjustments (PBAs)	$275,000
Delivery Revenues	$6,504,500
%	4.2%

Fortis Inc. vs. Iberdrola, S.A.

	Fortis		
	Pre-Merger	**Post-Merger**	**Iberdrola**
Years in Existence	25 years	25 years	150 years
Customers	2,000,000	2,361,203	30,000,000.0
Employees	7,079	8,320	32,809
Revenue	$3,747,000,000	$4,732,520,000	$40,949,000,000
Net Earnings	$356,000,000	$356,046,310	$3,629,000,000
Comprehensive Income	$376,000,000	$376,045,235	$3,952,000,000
Total assets	$13,562,000,000	$15,292,112,000	$125,385,000,000

Sources - Fortis inc, CH Energy Group Inc and Iberdrola S.A. Annual Reports to Shareholders. The currency amounts in Iberdrola's Annual Report were converted to US dollars by using 1 EUR = 1.2939 USD exchange rate.

Rough Estimate of Gross Impact of Accretion

	Net of Tax Weighted Cost	Pre Tax Weighted Cost
Central Hudson Stand Rate of Return Alone (See Note A)	6.91%	9.71%
Fortis Consolidated Rate of Return(See Note B)	6.50%	8.93%
Difference	0.42%	0.78%
Total Central Hudson Earnings Base	$1,030,528	$1,030,528
Impact	$4,277	$8,073

Note A - Central Hudson 12 mos ended 6/30/14 Stand Alone Capital Structure

	Amount	%	Cost Rate	Weighted Cost	Net of Tax Weighted Cost
Long Term Debt	$515	51.4%	5.11%	2.63%	2.63%
Customer Deposits	7	0.7%	2.45%	0.02%	0.02%
Preferred Stock	0	0.0%	0.00%	0.00%	0.00%
Common Equity	480	48.0%	8.90%	4.27%	7.07%
Total	$1,001	100.0%		6.91%	9.71%

Note B - Fortis 2011 Consolidated Capital Structure

	Amount	%	Cost Rate	Net Weighted Cost	Net of Tax Weighted Cost
Long Term Debt	$5,685	54.6%	5.11%	2.79%	2.79%
Preference shares	912	8.8%	5.05%	0.44%	0.73%
Common Equity	3,823	36.7%	8.90%	3.27%	5.41%
Total	$10,420	100.0%		6.50%	8.93%

Note C - Total Central Hudson Earnings Base for the TME 6/30/14

	Amount ($000's)
Electric Rate Base from Exhibit__ (AP-1), Schedule 7	$771,446
Gas Rate Base from Exhibit__ (AP-1), Schedule 7	205,024
Interest-Bearing Construction Work in Progress from the Revenue Requirement information provided by Central Hudson on 6/21/12	38,011
Interest-Bearing Deferrals from the Revenue Requirement information provided by Central Hudson on 6/21/12	16,047
Total	$1,030,528

Rough Estimate of Gross Impact of Accretion

	Net of Tax Weighted Cost	Pre Tax Weighted Cost
Central Hudson Stand Rate of Return Alone (See Note A)	6.91%	9.71%
Fortis Consolidated Rate of Return(See Note B)	6.50%	8.93%
Difference	0.42%	0.78%
Total Central Hudson Earnings Base Base	$123,300	$123,300
Impact	$512	$966

Note A - Central Hudson 12 mos ended 6/30/14 Stand Alone Capital Structure

	Amount	%	Cost Rate	Weighted Cost	Net of Tax Weighted Cost
Long Term Debt	$515	51.4%	5.11%	2.63%	2.63%
Customer Deposits	7	0.7%	2.45%	0.02%	0.02%
Preferred Stock	0	0.0%	0.00%	0.00%	0.00%
Common Equity	480	48.0%	8.90%	4.27%	7.07%
Total	$1,001	100.0%		6.91%	9.71%

Note B - Fortis 2011 Consolidated Capital Structure

	Amount	%	Cost Rate	Net Weighted Cost	Net of Tax Weighted Cost
Long Term Debt	$5,685	54.6%	5.11%	2.79%	2.79%
Preference shares	912	8.8%	5.05%	0.44%	0.73%
Common Equity	3,823	36.7%	8.90%	3.27%	5.41%
Total	$10,420	100.0%		6.50%	8.93%

Note C - Estimated 2015 Increase in Earnings Base

	Amount ($000's)
2015 Construction Expenditures and Removals	$135,300
2015 Deferred Income Taxes - Net	(12,000)
Total	$123,300

Source: Exhibit A, Sheet 2 of the Company's Petition in Case 12-M-0172