

Public Service Commission
State of New York

x-----x :
Joint Petition of Fortis Inc., FortisUS :
Inc., Cascade Acquisition Sub Inc., CH :
Energy Group, Inc., and Central Hudson :
Gas & Electric Corporation for Approval : Case 12-M-0192
of the Acquisition of CH Energy Group, :
Inc. by Fortis Inc. and Related :
Transactions. :
x-----x :

Joint Proposal for Commission Approval of the Acquisition of
CH Energy Group, Inc. by Fortis Inc. and Related Transactions

Dated: January 25, 2013

TABLE OF CONTENTS

I. INTRODUCTION 1

II. PROCEDURAL SUMMARY 1

III. APPROVAL OF TRANSACTION 2

IV. TERMS OF COMMISSION APPROVAL 3

 A. Corporate Structure and Financial Protections 3

 1) Goodwill and Acquisition Cost Conditions 3

 2) Credit Quality and Dividend Restriction
 Conditions 5

 3) Money Pooling Conditions 10

 4) Special Class of Preferred Stock Conditions 11

 5) Financial Transparency and Reporting
 Conditions 14

 6) Affiliate Transactions, Cost Allocations,
 and Code of Conduct 18

 7) Follow-On Merger Savings 20

 8) Corporate Governance and Operational
 Provisions 21

 B. PERFORMANCE MECHANISMS 24

 1) Customer Service 24

 2) Negative Revenue Adjustments ("NRAs") 25

 3) Electric Reliability 26

 4) Gas Safety Metrics 27

 5) Infrastructure Enhancement for Leak-prone
 Pipe 30

 C. RATE FREEZE PROVISIONS 31

 1) Earnings Sharing and Calculations of Earned
 Rates of Return 31

 2) Distribution and Transmission Right-of-Way
 Tree Trimming and SIR Costs 32

 3) Stray Voltage Testing 33

D.	NET PLANT TARGETS	34
E.	LOW INCOME	35
F.	RETAIL ACCESS	40
G.	ECONOMIC DEVELOPMENT AND SUPPORT FOR STATE INFRASTRUCTURE ENHANCEMENTS	42
1)	Economic Development	42
2)	State Infrastructure Enhancements	44
3)	Gas Expansion Pilot Program	44
H.	NEXT RATE CASE FILING	47
V.	ECONOMIC BENEFITS, INCLUDING SYNERGIES AND POSITIVE BENEFIT ADJUSTMENTS	48
A.	Synergy Savings/Guaranteed Rate Reductions	49
B.	Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation	49
1)	Storm Restoration Cost Write-offs	50
2)	Disposition of the Remaining Balance	51
C.	Community Benefit Fund	52
VI.	OTHER PROVISIONS	52
A.	Counterparts	52
B.	Provisions Not Separable	53
C.	Provisions Not Precedent	54
D.	Submission of Proposal	54
E.	Further Assurances	55
F.	Entire Agreement	55
VII.	SIGNATURES	55

ATTACHMENT I: STANDARDS OF CONDUCT

ATTACHMENT II: ELECTRIC RELIABILITY PERFORMANCE MECHANISM

ATTACHMENT III: PARTS 255/261 MATERIALS

ATTACHMENT IV: NET PLANT TARGETS

Public Service Commission
State of New York

x-----x :
Joint Petition of Fortis Inc., FortisUS :
Inc., Cascade Acquisition Sub Inc., CH :
Energy Group, Inc., and Central Hudson : Case 12-M-0192
Gas & Electric Corporation for Approval :
of the Acquisition of CH Energy Group, :
Inc. by Fortis Inc. and Related :
Transactions. :
x-----x :

Joint Proposal for Commission Approval of
the Acquisition of CH Energy Group, Inc. by
Fortis Inc. and Related Transactions

I. INTRODUCTION

This proposal ("Joint Proposal") for the complete resolution of the Joint Petition in this proceeding is submitted jointly to the New York State Public Service Commission ("Commission") by Cascade Acquisition Sub Inc. ("Cascade"), CH Energy Group, Inc. ("CHEG"), Central Hudson Gas & Electric Corporation ("Central Hudson"), Department of Public Service Staff ("Staff"), Department of State Utility Intervention Unit ("UIU"), Dutchess County New York, Fortis Inc. ("Fortis"), FortisUS Inc. ("FortisUS"), Multiple Intervenors, Orange County New York, and Ulster County New York. The supporting parties are referred to herein collectively as the "Signatories."

II. PROCEDURAL SUMMARY

Subsequent to the April 20, 2012 filing of the Joint Petition, direct testimony and exhibits, formal proceedings have

included an on-the-record technical conference, two administrative conferences, scheduling and procedural rulings by the Presiding Administrative Law Judges, and extensive discovery. Twelve parties, including Staff, have been admitted. On October 12, 2012, in accordance with the procedural schedule, eight parties filed their initial positions. Staff filed corrected testimony on November 5, 2012. Petitioners submitted their reply comments and rebuttal testimony and Staff filed their rebuttal testimony on November 27, 2012. Staff also filed sur-rebuttal testimony on December 4, 2012. Three parties filed their lists of Disputed Issues of Material Fact on December 4, 2012.

Pursuant to a Notice of Potential Settlement filed by Petitioners on December 12, 2012, a series of settlement discussions commenced on December 17, 2012 and continued on December 18, 19 and 20 and January 2,3,4,7,8 and 11, 2013. Following these discussions, drafts of this Joint Proposal and the Signatories' comments thereon were exchanged, and this Joint Proposal was executed by the Signatories.

III. APPROVAL OF TRANSACTION

The Signatories recommend that the Commission approve the indirect transfer to Fortis of the ownership of Central Hudson through the acquisition and related transactions described in

the Joint Petition, subject to the terms described herein.¹ The Signatories have concluded that these terms establish that the upstream transfer of the equity interests in Central Hudson is "in the public interest" pursuant to Public Service Law ("PSL") Section 70, and should be approved.

IV. TERMS OF COMMISSION APPROVAL

A. Corporate Structure and Financial Protections

1) Goodwill and Acquisition Cost Conditions

a) Cascade, CHEG, Central Hudson, Fortis and FortisUS (referred to collectively herein as "Petitioners")

agree that the Goodwill and transaction costs of this acquisition will be excluded from the rate base, expenses, and capitalization in the determination of rates and earned returns of Central Hudson for New York State regulatory accounting and reporting purposes.

b) If, at any time after the closing of this acquisition, as a result of any impairment analysis by Fortis, FortisUS, CHEG or Central Hudson, either Fortis or FortisUS makes a book entry reflecting

¹ Pursuant to the February 20, 2012 Agreement and Plan of Merger, the acquisition will be accomplished by the merger of Cascade with and into CHEG, with CHEG as the surviving corporation that will be wholly-owned by Fortis. Central Hudson and its sister unregulated affiliates (Griffith Energy Services, Inc. and Central Hudson Enterprises Corporation) will continue to be wholly-owned subsidiaries of CHEG and, therefore, indirect, wholly-owned subsidiaries of Fortis.

impairment of the Goodwill from this acquisition, Central Hudson must submit the impairment analysis to the Commission within five business days after the entry has been made.

- c) To the extent permissible under U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), no goodwill or transaction costs associated with this acquisition will be reflected on the books maintained by Central Hudson after the closing of the acquisition of CHEG by FortisUS and Fortis. Should changes in U.S. GAAP require that the goodwill associated with the acquisition be "pushed down" and therefore reflected in the accounts of Central Hudson, the goodwill will not be reflected in the regulated accounts of Central Hudson for purposes of determining rate base, setting rates, establishing capital structure or other regulatory accounting and reporting purposes.
- d) Central Hudson will provide a final schedule of the external costs to achieve the merger following consummation of the transaction as a demonstration that there will be no recovery requested in Central Hudson rates, or recognition in the determination of rate base of any legal and financial advisory fees,

or other external costs associated with Fortis' acquisition of CHEG, and indirectly, Central Hudson.

2) Credit Quality and Dividend Restriction Conditions

a) After the closing of this transaction, copies of all presentations made to credit rating agencies by Central Hudson, Fortis or any Fortis affiliate in the line between Central Hudson and Fortis that present or discuss the finances and credit of Central Hudson or CHEG, will be provided to Staff within ten business days of the presentation on a continuing basis. These presentations will be subject to the confidentiality and privilege provisions of sections VI.B 32 and 33 of the Restructuring Settlement Agreement ("RSA") approved by the Commission in Case 96-E-0909, In the Matter of Central Hudson Gas & Electric Corporation's Plans for Electric Rate/Restructuring Pursuant to Opinion No. 96-12, Order Adopting Terms of Settlement Subject to Modifications and Conditions (issued on February 19, 1998).

b) To the extent not already in place, Fortis and Central Hudson must register with at least two major nationally and internationally recognized bond rating agencies, such as Dominion Bond Rating

Services ("DBRS"), Fitch Ratings ("Fitch"), Moody's Investor Services ("Moody's") and Standard & Poor's ("S&P"). Consistent with section VI.B 20 of the RSA, Central Hudson will continue to maintain separate debt instruments and its own corporate and debt credit ratings with at least two of these 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.

c) Fortis and Central Hudson will continue to support the objective of maintaining an "A" credit rating for Central Hudson, unless and until the Commission modifies its financial integrity policies. In so doing, Fortis and Central Hudson will maintain the equity capitalization ratio of Central Hudson at the level used by the Commission in establishing Central Hudson's rates as follows. At each month end, Central Hudson and Fortis agree to maintain a minimum common equity ratio ("MER") (measured using a trailing 13-month average) in relation to the equity ratio used to set rates. The MER is defined as no less than 200 basis points below the equity ratio used to set rates. In the event that the MER

is not met, no dividends are payable until such time the MER is restored.

- d) In the event the Commission establishes rates for Central Hudson on a basis that does not recognize Central Hudson's actual equity capitalization, or deems or imputes for ratemaking purposes an equity capitalization below Central Hudson's actual equity capitalization, Central Hudson shall be free to dividend its excess equity capitalization to match that recognized or deemed by the Commission in establishing Central Hudson's rates.
- e) If, as a direct result of a downgrade of Fortis Inc.'s debt within three years following the closing of this transaction, Central Hudson is downgraded to either S&P's or Fitch's BBB category (BBB+ or lower), or the equivalent for Moody's (Baa1 or lower) or DBRS's (BBB(high) or lower), and Central Hudson incurs increased costs of debt, the incremental cost of debt incurred by Central Hudson in comparison to the cost of debt which would otherwise have been incurred by Central Hudson under its pre-downgrade credit rating will not be reflected in Central Hudson's cost of capital or the

determination of Central Hudson's rates in subsequent rate cases.

If such a downgrade occurs in the time discussed and debt is issued, then in subsequent rate cases Mergent Bond Record data (or the equivalent, if Mergent data is not available) for the relevant month(s) of issue will be used to quantify the adjustment needed to avoid reflecting the higher interest rate expense. For each one-notch downgrade to Central Hudson, one-third of the difference between A and Baa Public Utility Bond yield averages will be used to adjust the interest rate allowed in rate cases. The differential will only apply for each credit rating agency which downgrades Central Hudson's debt due to a Fortis downgrade. For instance, if Central Hudson is rated by two credit rating agencies and only one downgrades them due to a Fortis downgrade, then only 50% of the one-notch yield difference per Mergent Bond Record data will be used to calculate the interest rate adjustment in subsequent rate cases.

f) Central Hudson will continue to comply with any and all sections of the RSA with respect to restrictions

on the payment of common dividends related to credit ratings.

- g) Central Hudson will not lend to, guarantee or financially support Fortis or any of its affiliates, or any subsidiary or other joint venture of Central Hudson, except as is consistent with section VI.B 23 of the RSA or permitted by the Money Pooling Conditions referred to below. Furthermore, Central Hudson will not engage in, provide financial support to or guarantee any non-regulated businesses, except as authorized in the RSA or by Commission order.
- h) Central Hudson shall maintain banking, committed credit facilities and cash management arrangements which are separate from other affiliates.
- i) In addition to the special class of preferred stock referred to in item 4, below, Central Hudson's financing authorization in Case 12-M-0172, Order Authorizing Issuance of Securities, issued and effective September 14, 2012 ("Financing Order") is amended to authorize Central Hudson to use private financing as an alternative to public debt offerings. This authorization supersedes Ordering Clause 5 in the Financing Order. Private financings are subject to the conditions and requirements

described in the other Ordering Clauses in the Financing Order and, Central Hudson's proposal to address Ordering Clause 6 in the Financing Order, as was filed with the Commission on November 9, 2012, is accepted and approved by the Commission's adoption of this Joint Proposal.

3) Money Pooling Conditions

- a) Central Hudson may participate in a money pool only if all other participants, with the exception of Fortis and FortisUS, are regulated utilities operating within the United States, in which case Central Hudson may participate as either a borrower or a lender. Fortis and FortisUS may participate only as lenders in money pools involving Central Hudson. Central Hudson may not participate in any money pool in which any participant directly or indirectly loans or transfers funds to Fortis or FortisUS.
- b) Neither Fortis nor FortisUS, nor any of their affiliates may, at closing of the approved acquisition of Central Hudson, have any cross default provision that affects Central Hudson in any manner. Neither Fortis nor FortisUS, nor any of their affiliates may enter into any cross default

provision following the closing that affects Central Hudson in any manner. Notwithstanding the foregoing, to the extent that any cross default provision that might affect Central Hudson already exists, Fortis and FortisUS must use their best efforts to eliminate that cross default provision within six months after closing. If any cross default provision remains in effect at the end of that period, Fortis and FortisUS must obtain indemnification from an investment grade entity, at a cost not borne by Central Hudson's ratepayers, which fully protects Central Hudson from the effects of any cross default provision.

4) Special Class of Preferred Stock Conditions

- a) Central Hudson must modify its corporate by-laws as necessary to establish a voting right in order to prevent a bankruptcy, liquidation, receivership, or similar proceedings ("bankruptcy") of Central Hudson from being caused by a bankruptcy of Fortis, FortisUS, or any other affiliate. The Commission's approval of this Joint Proposal will represent all Commission authorization necessary for Central Hudson to establish a class of preferred stock having one share (the "golden share"), subordinate

to any existing preferred stock, and to issue that share of stock to a party who shall protect the interests of New York and be independent of the parent company and its subsidiaries. Such share of stock shall have voting rights only with respect to Central Hudson's right to commence any voluntary bankruptcy without the consent of the holder of that share of stock. Central Hudson shall notify the Commission of the identity and qualifications of the party to whom the share is issued and the Commission may, to the extent that such party is not reasonably qualified to hold such share in the Commission's opinion, require that the share be reissued to a different party within three months of receipt of such notification. If Central Hudson has failed to propose a shareholder that is approved by the Commission within six months after the closing of the acquisition, the Commission will appoint a shareholder of its own selection. In the event that Central Hudson is unable to meet this condition despite good faith efforts to do so, it must petition for relief from this condition, explaining why the condition is impossible to meet and how it proposes to meet an underlying requirement that a

bankruptcy involving Fortis, FortisUS, or any other affiliate does not result in its voluntary inclusion in such a bankruptcy.

b) In any rate proceeding in which use of Central Hudson's capital structure is requested, Central Hudson will submit the most current written evaluations from at least two rating agencies addressing Central Hudson's credit profile. These credit reports shall be relied upon to the extent that they provide written evidence that supports the evaluation of Central Hudson and the treatment of Central Hudson's capital structure by the Commission primarily as a separate company, without material adjustments to the rating based on risks related to the capital structure and ratings of its ultimate parent. This evidence, together with the golden share would provide sufficient proof that the use of Central Hudson's capital structure should be used for rate making purposes. In the event written evaluations from at least two rating agencies do not provide such evidence or are not available, Central Hudson shall have the opportunity to meet its burden of proof through other means. Central Hudson's capital structure will continue to be reviewed in

relation to the level of risk of Central Hudson at that time.

5) Financial Transparency and Reporting Conditions

a) Central Hudson must continue to use the standards of Generally Accepted Accounting Principles applicable to publicly-traded entities ("Public GAAP," "U.S. GAAP," or simply "GAAP") for its financial accounting and financial reports. Central Hudson will, for purposes of its financial accounting and financial reporting, continue to use the generally accepted accounting principles which include, but are not limited to the determinations by the Financial Accounting Standards Board ("FASB"), or any successor entity, for U.S. publicly accountable enterprises ("U.S. GAAP" or simply "GAAP"). Any future changes in U.S. GAAP, including any decision to replace U.S. GAAP with International Financial Reporting Standards ("IFRS"), will be applied by Central Hudson. In the event of future changes to accounting standards, recovery by Central Hudson for the incremental costs incurred in making such changes will be addressed in a future rate proceeding.

b) Central Hudson must continue to satisfy all Commission reporting requirements that currently apply to it; provided however, that nothing in this provision is intended to preclude Central Hudson from requesting relief from any such reporting provision and, further, that nothing herein is intended to require Central Hudson to continue to make reports in the future that utilities have been generally or generically excused by the Commission from making.

c) After the closing of this acquisition, Central Hudson shall continue to comply with the provisions of sections 302 through 404 of the Sarbanes-Oxley Act ("SOX") as if Central Hudson were still bound directly by the provisions of SOX, with the understanding that no filings with the Securities and Exchange Commission will be required. Specifically, Central Hudson's periodic statutory financial reports must continue to include certifications provided by its officers concerning compliance with SOX requirements, including certifications on internal controls, as if still bound by the provisions of SOX.

- d) Central Hudson shall remain subject to annual attestation audits by independent auditors with respect to its financial statements and internal controls over financial reporting.
- e) Subject to the confidentiality and privilege provisions of sections VI.B 32 and 33 of the RSA, Fortis and Central Hudson will provide Staff access pursuant to section VI.B 30 of the RSA to the books and records and Standards Pertaining To Transactions, Conflicts Of Interest, Cost Allocations And Sharing Of Information Between Central Hudson Gas And Electric Corporation And Affiliates ("Standards"), including, but not limited to, tax returns, of Fortis and FortisUS to the extent necessary to determine whether the rates and charges of Central Hudson are just and reasonable and provide Staff the opportunity to ensure that costs are allocated equitably among affiliates in accordance with the RSA, Standards and Central Hudson code of conduct and that intercompany transactions involving Central Hudson are priced reasonably in accordance with the RSA, Standards and Central Hudson code of conduct. Subject to the confidentiality and privilege provisions of sections

VI.B 32 and 33 of the RSA, that access must include, but not be limited to, all information supporting the underlying costs and the basis for any factor that determines the allocation of those costs.

f) Commencing for the year in which the closing takes place, Central Hudson must file annually with the Commission Fortis financial statements, including balance sheets, income statements, and cash flow statements for Fortis, Inc. and its major regulated and unregulated energy company subsidiaries in the United States. U.S. business entities with annual revenues less than ten percent of total Fortis revenues may be aggregated, provided that each entity included is fully identified. Aggregated U.S. business entities shall be identified as either regulated or unregulated. To satisfy this filing requirement, Fortis Inc.'s U.S. GAAP Canadian dollar denominated quarterly and annual Financial Reports, including Management Discussion and Analysis, which have been filed publically with Canadian securities regulators, will be filed by Central Hudson with the Commission. Additionally, Central Hudson will provide to the Commission, to the extent available from a recognized financial reporting information

service such as SNL Financial or Bloomberg, Fortis Inc.'s "as reported" quarterly and annual Balance Sheet, Income Statement and Statement of Cash Flows in U.S. dollars with the underlying currency translation assumptions.

- g) All information required by the financial transparency and reporting requirements in subparagraphs (a) through (f) above must be provided in English and in U.S. dollars, with the exception of Financial Reports and Management Discussion and Analysis referred to in subparagraph (f), and books and records and Canadian tax returns that statutorily require Canadian dollar reporting. In such cases, foreign exchange for U.S. dollar translation will be provided as described in subparagraphs (a) through (f) above and, shall be publicly available subject to the confidentiality and privilege provisions of sections VI.B 32 and 33 of the RSA.
- 6) Affiliate Transactions, Cost Allocations, and Code of Conduct
- a) Fortis shall be subject to the rules, practices, and procedures in the RSA, Standards, and code of

conduct governing relations among CHEG and Central Hudson in the same manner as they apply to CHEG.

b) Central Hudson will not enter into transactions with affiliates that are not in compliance with the RSA guidelines regarding affiliate transactions, including the updated Standards set forth in Attachment I. Central Hudson will also not enter into transactions with affiliates on terms less favorable to Central Hudson than specified in the RSA, including the updated Standards.

c) Central Hudson shall provide 180 days notice to the Commission prior to the commencement of any planned material (i.e., individually or collectively exceeding greater than 5% of Central Hudson net income on an after tax basis) shared services initiatives, and prior to establishment of a services organization that would provide material (i.e., individually or collectively exceeding greater than 5% of Central Hudson net income on an after tax basis) services to Central Hudson. Further, any such noticed shared service initiative would require Commission approval.

d) At or prior to the time of Central Hudson's next base rate filing it will consolidate the RSA,

Standards and codes of conduct into one comprehensive document and file the consolidated document with the Commission. The intention of this requirement is to organize the provisions into an integrated document without altering the effect and content of the provisions.

7) Follow-On Merger Savings

a) In the event that Fortis completes any additional mergers or acquisitions within the United States before the Commission adopts an order approving new rates for Central Hudson, Fortis must share the follow-on merger savings that are reasonably applicable to Central Hudson and its customers between shareholders and ratepayers, on a 50/50 basis, to the extent the portions of such savings realized by Fortis are material (*i.e.*, 5 percent or more of Central Hudson net income on an after-tax basis). Central Hudson must submit, within 90 days of the follow-on merger closing, a comprehensive and detailed proposal to share the follow-on merger savings, to begin on the closing date of the follow-on merger. In addition, the proposal must include an allocation method for sharing the synergy savings and efficiency gains among corporate entities that

addresses the time period from the receipt of the synergy savings by Central Hudson until the Commission approves new rates. The ratepayer share shall be set aside in a deferral account for future Commission disposition.

8) Corporate Governance and Operational Provisions

- a) No later than one year after the closing of Fortis's acquisition of CHEG, Fortis shall appoint a board of directors for Central Hudson, the majority of whom will be independent (as defined in the Standards, see Attachment I), with the majority of such independent directors being resident in the State of New York, with emphasis on selecting candidates who reside, conduct business or work within the Central Hudson service territory. At least one independent director of Central Hudson shall be a resident of the service territory. Except with respect to the initial appointment of the board of directors for Central Hudson within one year following the closing, nothing in this Joint Proposal is intended to restrict the rights of Fortis to take any action before the Commission, or otherwise, regarding the appointment of directors meeting the above residency criteria at any time, as it sees fit.

- b) Subject to the right of Central Hudson to petition the Commission for approval to relocate its corporate headquarters outside of Central Hudson's service territory, the corporate headquarters of Central Hudson shall remain within Central Hudson's service territory. Complete books and records of Central Hudson shall be maintained at Central Hudson's corporate headquarters.
- c) At least 50% of Central Hudson's officers shall reside within Central Hudson's service territory.
- d) Central Hudson shall be governed, managed and operated in the fashion described in Petitioners' testimony. Specifically, the Signatories agree that:
- i) The board of directors of Central Hudson will be responsible for management oversight generally, including the approval of annual capital and operating budgets; establishment of dividend policy; and determination of debt and equity requirements. The Central Hudson board of directors will have an audit committee, the majority of whom will also be independent. The responsibility of this committee will include the oversight of the ongoing financial

integrity and effectiveness of internal controls of Central Hudson.

ii) Central Hudson's local management will continue to make decisions regarding staffing levels and hiring practices; will continue to negotiate future collective bargaining agreements; will continue to be the direct contact and decision making authority in regulatory matters; and, will continue to represent Central Hudson in all future regulatory matters.

iii) To provide continuity in the management and staffing of Central Hudson, and ensure that the necessary human resources are maintained to continue the delivery of safe, reliable service to customers, the current employees of Central Hudson (union and management) will be retained for a period of two years following the closing under their respective current conditions of employment. Central Hudson reserves the right to take disciplinary and any other actions it determines necessary or appropriate within its existing labor agreement and employee relations practices. Central Hudson also agrees to maintain for two years after the closing the

level of operating employees, as defined in the Standards, that is recognized in rates and to file a report with the Secretary of the Commission within 30 days after the first two anniversary dates of the merger's closing comparing the level of union and management employees on the anniversary to date to the levels on the date upon which the merger closed.

- iv) To ensure the continued active corporate and charitable presence of Central Hudson in its service territory, Central Hudson shall maintain its community involvement at not less than current (2011) levels for five years after the closing of the acquisition (2013 through 2017).

B. PERFORMANCE MECHANISMS

1) Customer Service

The following targets and effective dates will apply:

Measure	Value	Effective
PSC Complaint Rate	1.1 - 1.6	7/1/13
CSI	85 - 82, etc. structure per the current rate plan	7/1/13
Keeping Scheduled Appointments	\$20 paid to customer for missed appt. per current rate plan	7/1/13

These targets will continue to apply unless and until changed by Commission Order.

2) Negative Revenue Adjustments ("NRAs")

The NRAs shown in the following table have been doubled from those in the current rate plan.² The NRAs in the current rate plan shall be tripled if targets are missed during a dividend restriction and quadrupled if targets are missed for three years within the next five year period.

Central Hudson Service Quality Performance Mechanism

Customer Satisfaction Index	Negative Revenue Adjustment
85% or higher	None
84% ≤ CSI < 85%	\$475,000
83% ≤ CSI < 84%	\$950,000
82% ≤ CSI < 83%	\$1,425,000
< 82%	\$1,900,000
Total Amount at Risk	\$1,900,000

² The Commission's Order Establishing Rate Plan, issued June 18, 2010, in Cases 09-E-0588 and 09-G-0589, set forth electric and gas rate plans for Central Hudson for the period July 1, 2010 through June 30, 2013.

PSC Annual Complaint Rate	Negative Revenue Adjustment
<1.1	None
1.1	\$950,000
1.2	\$1,140,000
1.3	\$1,330,000
1.4	\$1,520,000
1.5	\$1,710,000
1.6 or higher	\$1,900,000
Total Amount at Risk	\$1,900,000

3) Electric Reliability

The electric service annual metrics for System Average Frequency Index (SAIFI) target of 1.45 and Customer Average Duration Index (CAIDI) target of 2.50 continue through 2013.

Electric Reliability Reporting requirements, quarterly meeting requirements, revenue adjustment source, and exclusions are defined in Attachment II.

All Electric Reliability NRAs of the current rate plan shall be doubled. In addition, the NRAs of the current rate plan shall be tripled if targets are missed during a dividend restriction and quadrupled if targets are missed for three years within the next five year period. All electric reliability targets

for calendar year 2013 remain in effect until modified by a Commission order in a subsequent Central Hudson electric rate case.

4) Gas Safety Metrics

Emergency Response Time

The gas emergency response time metrics of 75% response within 30 minutes and 90% response within 45 minutes will be continued.

Gas Leak Backlog

The calendar year 2013 leak backlog target is 260 at year-end. The calendar year 2013 repairable leaks backlog target is 20 at year-end.

Damage Prevention

The calendar year 2013 total damages per 1,000 one call tickets target is 2.40. The calendar year 2013 mismarks per 1,000 one call tickets target is 0.50. The calendar year 2013 Company and Company Contractor damages per 1,000 one call tickets target is 0.25.

New Parts 255 and 261 Violation Metric

Central Hudson will incur a negative revenue adjustment for instances of noncompliance (violations) of certain pipeline safety regulations set forth in 16 NYCRR Parts 255 and 261, as identified during Staff's annual field and record audits. Attachment III sets

forth a list of identified high risk and other risk pipeline safety regulations pertaining to this metric. Central Hudson will be assessed a negative revenue adjustment for each high risk or other risk violation, up to a combined maximum of 100 basis points per calendar year as follows:

High Risk Violation	Occurrences	Basis Points Per Violation
Calendar Year 2013	1-30	1/4
	31+	1/2
Calendar Year 2014	1-25	1/2
	26+	1

Other Risk Violation	Occurrences	Basis Points Per Violation
Calendar Year 2013	1-30	1/9
	31+	1/3
Calendar Year 2014	1-25	1/9
	26+	1/3

This metric will be effective as of the start of the Commission Order in this case, but will then be measured on calendar years, as identified above. With respect to violations, only documentation or actions performed, or required to be performed, on or after

the date of the Commission Order in this case will constitute an occurrence under the metric.

At the conclusion of each audit, Staff and Central Hudson will have a compliance meeting where Staff will present its findings to Central Hudson. Central Hudson will have five business days from the date the audit findings are presented to cure any identified document deficiency. Only official Central Hudson records, as defined in Central Hudson's Operating and Maintenance plan, will be considered by Staff as a cure to a document deficiency. Staff will submit its final audit report to the Secretary of the Commission under Case 12-M-0192. If Central Hudson disputes any of Staff's final audit results, Central Hudson may appeal Staff's finding[s] to the Commission. Central Hudson will not incur a negative revenue adjustment on the contested finding until such time as the Commission has issued a final decision on the contested findings. Central Hudson does not waive its right to seek an appeal of any Commission determination regarding a violation under applicable law.

If an alleged high risk or other risk violation set forth in Attachment III is the subject of a separate

penalty proceeding by the Commission under PSL 25, that instance will not constitute an occurrence under this performance metric.

Negative Revenue Adjustments

Other than the Parts 255 and 261 metric, all Gas Safety NRAs of the current rate plan shall be doubled. In addition, the NRAs of the current rate plan shall be tripled if targets are missed during a dividend restriction and quadrupled if targets are missed for three years within the next five year period.

Continuation

All gas safety targets for calendar year 2013 remain in effect until modified by a Commission order in a subsequent Central Hudson gas rate case.

5) Infrastructure Enhancement for Leak-prone Pipe

A minimum capital budget of \$7.7 million is established for the replacement of leak-prone pipe over calendar year 2014. The pipe to be removed from service shall be identified and ranked using a risk-based methodology. If actual expenditures fall short of \$7.7 million, Central Hudson will defer for ratepayer benefit the revenue requirement equivalent of the shortfall multiplied by 0.5. Central Hudson shall maintain the minimum pipe replacement level

beyond 2014 at \$7.7 million, until changed by the Commission.

C. RATE FREEZE PROVISIONS

The Commission's Order Establishing Rate Plan, issued June 18, 2010, in Cases 09-E-0588 and 09-G-0589, set forth electric and gas rate plans for Central Hudson for the period July 1, 2010 through June 30, 2013. The July 1, 2013 rate reductions for S.C. 11 gas customers (see Section IX, Part B, and Appendix M, Sheet 4 of 5 of the current rate plan) will go into effect as provided in the current rate plan. In the period between July 1, 2013 and June 30, 2014 (Rate Freeze Period), the provisions of the current rate plan applicable to "rate year 3", except as modified in this Joint Proposal, are continued.

1) Earnings Sharing and Calculations of Earned Rates of Return

The Earnings Sharing Provision in Section VI.D of the current Commission-approved rate plan will be modified as of July 1, 2013, to read:

Actual regulatory earnings in excess of 10.00% and up to 10.50% will be shared equally between ratepayers and shareholders. Actual regulatory earnings in excess of 10.50% will be shared 90/10 (ratepayer/shareholder). These earnings sharing percentages shall be maintained until the effective date of the succeeding Commission rate order.

The Company will defer for the future benefit of ratepayers fifty percent of its share of any actual earnings in excess of 10.50% to reduce the deferred debit undercollections of MGP Site Investigation & Remediation Costs, interest costs on variable rate, interest costs on new issuances of long term debt, property tax, and stray voltage expense; provided, however, that such reduction in deferred debit deferrals will be further limited so as not to cause the resulting actual earnings to decrease below a 10.50% return on equity.

In calculating earned rates of return for regulatory purposes, the \$35 million of combined write-offs of deferred regulatory assets and future rate mitigation funds, and the one-time funding of \$5 million for economic development and low income purposes referred to in this Joint Proposal shall be included and not "normalized out" for purposes of determining actual expenses for the rate year in which those benefits are booked by Central Hudson.

2) Distribution and Transmission Right-of-Way Tree Trimming and SIR Costs

At the end of Rate Freeze Period, the actual total expenditures for distribution ROW tree trimming will be compared to \$11.397 million and any under-spending will be deferred as of the end of Rate Freeze Period. Carrying charges at the Pre-Tax Rate of Return ("PTROR") will be applied by the Company to the amount

deferred from the end of Rate Freeze Period until the effective date of the succeeding Commission rate order.

At the end of Rate Freeze Period, the actual total expenditures for transmission ROW tree trimming will be compared to \$1.711 million and any under-spending will be deferred as of the end of Rate Freeze Period. Carrying charges at the PTROR will be applied by the Company to the amount deferred from the end of Rate Freeze Period until the effective date of the succeeding Commission rate order. In addition, the deferral for Manufactured Gas Plant ("MGP") Site Investigation and Remediation ("SIR") Costs authorized in Paragraph V.A.1 of the current rate plan will be modified as of July 1, 2013 to apply to all Environmental SIR costs incurred by Central Hudson during the period from July 1, 2013 to June 30, 2014. This modification does not limit Staff or the Commission's authority to review the prudence of any SIR costs.

3) Stray Voltage Testing

Actual Stray Voltage Testing expenditures, excluding mitigation costs, will be compared to \$2.023 million for the twelve months ending June 30, 2014. Any

under-spending as of June 30, 2014, exclusive of expenditures for actual mitigation costs, will be deferred for future return to customers with carrying charges at the PTROR.

Actual mitigation costs in the twelve months ending June 30, 2014 will be compared to \$350,000. The differences between \$350,000 and actual mitigation expenditures will be deferred for future recovery by the Company, or return to customers, with carrying charges at the PTROR.

D. NET PLANT TARGETS

The net plant targets for the twelve month period ending June 30, 2014 of \$919.3 million for Electric and \$252.2 million for Gas, with associated annual depreciation expenses of \$32.7 million and \$9.0 million, respectively, will be established.

The actual average electric and gas net plant balances at the end of the twelve month period ending June 30, 2014 will be calculated using the calculation methods described in Attachment III. The net plant targets shown in Attachment III limit total Common Software construction expenditures, including Legacy Replacements, in the Rate Freeze Period to \$5.0 million.

Reconciliations

The actual electric and gas net plant will be compared to the electric and gas net plant target for the twelve month period ending June 30, 2014, and the revenue requirement difference (i.e., return and depreciation as described in Attachment IV) will be determined.

Deferral For the Benefit of Ratepayers

If, at the end of the twelve month period ending June 30, 2014, the revenue requirement difference from net plant additions is negative, Central Hudson will defer the revenue requirement impact for the benefit of customers. If, at the end of the twelve month period ending June 30, 2014, the revenue requirement impact is positive, no deferral will be made. Carrying charges at the PTROR will be applied by the Company to the amount deferred from the end of the twelve month period ending June 30, 2014 until addressed by the Commission in a Central Hudson rate order.

E. LOW INCOME

The Signatories agree that the existing funding for low income programs available currently in rates will be supplemented with \$500,000 from the Community Benefit Fund being made available by the Petitioners as a result of this transaction. In addition, the Signatories agree

to the following modifications to existing low income programs:

1. Central Hudson's current low income program is made up of two components: the Enhanced Powerful Opportunities Program ("EPOP"), which is a targeted program open to selected participants, and a broad-based bill discount program that provides a monthly bill credit to all customers that are Home Energy Assistance Program ("HEAP") recipients.
2. The EPOP program and its associated funding will remain unchanged.
3. The bill discount program currently provides a monthly bill credit of \$11.00 to all customers who are HEAP recipients. Data provided by Central Hudson reflect that the program has 8,641 participants as of the twelve months ended November 30, 2012, and projected annual spending of \$1,140,612 ($\$11 \times 12 \times 8,641$).
4. Within 30 days of a Commission order in this proceeding, Central Hudson will modify its current discount program, which provides dual-service customers with one discount, by implementing the following discount levels for single and dual service bill discount program participants:

	Electric only	Gas only	Both Elec. & Gas
Heating	\$17.50	\$17.50	\$23.00
Non-heating	\$5.50	\$5.50	\$11.00

5. In order to ensure that no current participant faces a reduction in current benefit levels, any single service non-heating customer currently receiving a bill discount of \$11.00 will continue receiving such benefit at the \$11.00 level, instead of the \$5.50 level specified above.
6. The total cost of the bill discount program is expected to be \$1,662,672. Actual expenditures may vary based on HEAP participation levels.
7. Central Hudson will waive service reconnection fees, no more than one time per customer until new rates go into effect, for customers participating in either the EPOP or bill discount programs. Funding for reconnection fee waivers is limited to \$50,000 until new rates go into effect. Central Hudson may grant waivers to individual customers more than once during this period, on a case-by-case basis and for good cause shown, provided that the program funding allocation for such waivers is not exceeded. Upon notice to Staff and the UIU, Central Hudson will be

permitted, first, to limit the waiver to (50) percent of the total reconnection fee, if the cost of waived reconnection fees is projected to exceed the annual allocation, and, second to suspend the waiver program if the budget limit is reached.

8. A sum of \$500,000 of the total costs of the low-income bill discount and reconnection fee waiver programs is to be supplied from the Community Benefit Fund. To the extent that actual expenditures exceed the rate allowance in current rates of \$1,531,200, plus \$500,000 from the Community Benefit Fund, any shortfall will be supplied first, from the cumulative unused portions of the current rate allowances for the bill discount program, which is expected to be approximately \$500,000, and second, will be deferred as a regulatory asset. To the extent that actual expenditures fall short of the current rate allowance plus the cumulative unused portions of the current rate allowances for the bill discount program plus \$500,000 from the Community Benefit Fund, any excess will be deferred for use of the low-income bill discount program and the reconnection fee waiver program in a future rate proceeding.

9. Customers enrolled in the EPOP or low income bill discount programs will continue to be referred by Central Hudson to the New York State Energy Research and Development Authority's Empower-NY program or any successor to the Empower-NY program, for energy efficiency services.
10. The parties agree that these modifications justify returning to a quarterly reporting schedule. Central Hudson will file quarterly and annual reports on the EPOP and bill discount programs with the Secretary and provide copies to other parties currently receiving copies of EPOP reports. With respect to the bill discount program, the reports will provide:
 - a. The number of customers enrolled in the bill discount program;
 - b. The aggregate amounts of low-income bill discounts for the quarter and year to date; and
 - c. The number of reconnections of low income customers for which the fee was fully or partially waived, and the aggregate amount of reconnection fees waived to date.
11. Nothing in this Joint Proposal is intended to prejudice the treatment of low income matters by the Commission in Central Hudson's next rate case.

F. RETAIL ACCESS

In support of the Commission's retail market development initiatives, Central Hudson will set forth a total bill comparison, using the existing Central Hudson computer program that had been previously implemented, on all retail access residential bills using consolidated billing issued after 90 days following closing. The Signatories agree that this total bill comparison is to provide information to retail access customers that should be made available by the utility as part of the Commission's retail energy markets initiatives. Central Hudson shall report quarterly to the Secretary on this initiative so that Staff can continue to review and supervise this initiative and report any changes deemed desirable to the Commission on an on-going basis.

Central Hudson's quarterly reports will also be provided to other parties currently receiving Central Hudson's EPOP reports.

In addition, for similar purposes of supporting the Commission's retail market development initiatives, within 60 days following issuance of the Commission Order in this case, Central Hudson will file a proposal to provide payment-troubled (i.e., subject to termination) customers with bill comparison information. The type of

reporting and continued monitoring appropriate for this initiative will be developed as part of the resolution of Central Hudson's pending proposal.

The costs of these two initiatives will be funded from the existing Competition Education Fund (net of the transfer of funds for economic development, as described below). Central Hudson shall propose a use or uses for any balance remaining in the Competition Education Fund, after these two initiatives have been funded, in its first rate filing following the closing. In the event that the costs of these two initiatives exceed the funding available from the existing Competition Education Fund (net of the transfer of funds for economic development), Central Hudson is authorized to defer the excess costs for future recovery with carrying charges at the PTROR.

The Signatories anticipate that modifications to either initiative may become appropriate based on developments in the ongoing generic retail access proceeding, Case 12-M-0476.

G. ECONOMIC DEVELOPMENT AND SUPPORT FOR STATE
INFRASTRUCTURE ENHANCEMENTS

1. Economic Development

The Signatories agree that \$5 million will be allocated to economic development purposes to enhance the existing Central Hudson economic development programs. The \$5 million is in addition to the current Central Hudson rate allowance for economic development funding. The funding for this program will be through \$4.5 million from the remaining balance of the \$5 million Community Benefit Fund being provided by Petitioners and \$500,000 from Central Hudson's Competition Education Fund.

The parties to this proceeding will confer following the execution and filing of this Joint Petition in this case to seek to jointly develop consensus modifications to the existing Central Hudson economic development programs. Central Hudson shall make a filing with the Commission within 15 days following the Commission's order in this case proposing modifications to the existing economic development programs that include the parties' agreements. As part of the filing made by Central

Hudson, expedited consideration by the Commission will be requested. The proposal will be for programs that will continue to be administered by Central Hudson pursuant to existing Commission authorizations, with the clarifications and modifications as follows. Central Hudson will continue to hold custody of funds and administer the programs with input from the Counties in Central Hudson's service territory. The \$5 million will not receive carrying charges. The proposal will include the criterion that all applications for projects that do not have participation from Empire State Development, a County Industrial Development Agency, a County Community College, or local municipal resolution pursuant to existing program requirements will seek a letter of support from the County of origin. In addition, the proposal will state that Central Hudson will seek participation concerning award notifications and announcements from the County of origin prior to issuing such announcements.

In addition to filing the above proposal, Central Hudson will meet twice per year with representatives from all of the Counties in the Central Hudson

service territory to discuss economic development and potential program improvements. Nothing in this Joint Proposal is intended to prejudge the treatment of economic development matters by the Commission in Central Hudson's next rate case.

2) State Infrastructure Enhancements

Central Hudson shall continue to support the New York State Transmission Assessment and Reliability Study ("STARS"), the Energy Highway and economically justified gas expansion. Fortis agrees to provide equity support to the extent required by Central Hudson for such projects as receive regulatory approval and proceed to construction.

3) Gas Expansion Pilot Program

Central Hudson will commit to actively promote its "Simply Better" gas marketing expansion campaign in the Rate Freeze Period, seeking gas customer additions where Company gas facilities already exist, and economic expansion of its gas system, consistent with the Commission's Part 230 regulations, to identified expansion target areas in each operating district. The Company will continue to provide requesting and targeted customers with access to conversion calculators, third-party

turnkey conversion services (potentially including a project specialist from start to finish, a licensed heating installation professional, a detailed cost/benefit proposal on converting their heating equipment, removal of existing oil tank, and coordination of the service and heating installations), and available financing from third-party lenders to assist customers who are seeking gas delivery service or to convert from alternate fuels.

In the event that adequate financial commitments can be secured from new firm service customers and municipal franchise approvals on reasonable conditions are secured in locations where Central Hudson does not currently have gas facilities or local franchises, Central Hudson will commit to file for expedited Commission approval to exercise such franchises as are shown by Central Hudson's analyses to comply with Part 230.

Central Hudson will begin, within 90 days of an Order in this proceeding approving this Joint Proposal, to track all gas service requests and keep record of: (1) applicable gas service request dates (i.e., customer request received, Company evaluation

or commitment made, service denied/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. Customer information will be protected consistent with the updated Standards addressed elsewhere in this Joint Proposal.

Central Hudson will propose applying a limited pilot expansion program aimed at testing ideas to economically expand gas to customers. The pilot can be either part of a new franchise filing or a separate filing to the Commission no later than July 1, 2013. The pilot will test all or any of the following ideas:

- (1) Piggy back on top of anchor customers to reduce the actual need for additional pipe beyond the 100 foot rule;
- (2) surcharge all customers or specific customers over five years or more based on the savings from their alternative fuel to write down assets in order to meet the overall Rate of Return (ROR) by year 5;

(3) increase the minimum 100 feet allowed by a higher "average" amount for everyone in the customer cluster to be served based on anticipated additional revenues; and/or

(4) Trade Alliance by Central Hudson to purchase heating equipment from manufacturers for conversion/new customers and pass the savings to customers.

H. NEXT RATE CASE FILING

The Signatories recognize that Central Hudson may file new rate case applications at any time; however, the Petitioners agree to make such filing no earlier than the date that would be permitted for filing for rates to become effective on or after July 1, 2014. In its next rate case filing, Central Hudson shall provide, in a format similar to that of Petitioners' rebuttal testimony, an updated comparison between the debt ratings of Central Hudson and the regulated affiliates of Fortis based upon the latest rating agencies' analyses available at that time. In the same rate case filing, Central Hudson will include its analysis of Staff's white paper recommendations on LAUF.

V. ECONOMIC BENEFITS, INCLUDING SYNERGIES AND POSITIVE BENEFIT ADJUSTMENTS

Petitioners have agreed to provide quantified economic benefits comprised of the following synergy and positive benefit adjustments: (i) synergy savings which are guaranteed for a period of 5 years and which will provide for future rate mitigation of \$9.25 million over the 5 years; (ii) a total of \$35 million of combined write-offs of deferred regulatory assets and future rate mitigation funds; and, (iii) one-time funding of \$5 million for a Community Benefit Fund for economic development and low income purposes. The Signatories agree that the benefits identified herein are sufficient to meet the Commission's public interest criterion (PSL Section 70).

In reaching these agreements, the Signatories have recognized a number of additional factors that demonstrate that these quantified benefits are appropriate. The Signatories agree that the corporate governance and financial commitments made by Petitioners, together with the nature of Fortis' business model and proven track record, reduce the risks presented by this transaction and provide additional value to Central Hudson's ratepayers. In addition, the Signatories agree that absent the transaction, it is likely that Central Hudson could have

demonstrated a need for a rate increase for the Rate Freeze Period. However, as a consequence of Central Hudson opting not to file a rate case for the Rate Freeze Period as part of the terms of this Joint Proposal, rates will be frozen for the full Rate Freeze Period. The parties agree these provisions provide additional benefits.

A. Synergy Savings/Guaranteed Rate Reductions

The Signatories have agreed that the transaction will produce synergy savings/guaranteed future rate mitigation totaling \$9.25 million (\$1.85 million/year for 5 years). Petitioners have agreed to guarantee these cost savings for a period of five years, and will begin accruing these guaranteed cost savings in the month following closing. The Signatories recognize that this accrual will provide rate mitigation for the benefit of customers that will be available at the start of the first rate year in the next rate case filed by Central Hudson. The Signatories anticipate that the forecast effect of the synergy cost savings will also be reflected in rates in Central Hudson's next rate case.

B. Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation

A total of \$35 million will be provided to Central Hudson by Fortis upon the closing of the transaction and will be

recorded as a regulatory liability to be applied to write off regulatory assets on the books of Central Hudson due to storm restoration costs and to provide balance sheet offsets and rate mitigation in Central Hudson's next rate filing.

1) Storm Restoration Cost Write-offs

Central Hudson currently has two storm restoration cost deferral petitions pending before the Commission in Cases 11-E-0651 (\$11.0 million exclusive of carrying charges) and 12-M-0204 (\$1.6 million exclusive of carrying charges), for a total of \$12.6 million exclusive of carrying charges.

Additionally, Central Hudson has estimated that the incremental storm restoration costs above the current rate allowance resulting from Super-storm Sandy will be approximately \$10 million. The Signatories agree that Central Hudson shall file a formal Super-storm Sandy deferral petition as soon as reasonably practicable.³

The Signatories agree to utilize a placeholder total for these three events of \$22 million. The

³ The Signatories agree that the review of the new petition will be expedited to the extent possible.

Signatories agree that \$22 million will be written off promptly after the closing against the \$35 million regulatory liability being funded by Fortis, subject to true-up for subsequent Commission determinations concerning the storm restoration costs of the three storms. The Signatories agree that the three deferral requests will be reviewed by Staff consistent with the principles and practices in the recent Central Hudson storm restoration deferral petitions involving Twin Peaks (February 2010) in Case 10-M-0473 and the December 2008 ice storm in Case 09-M-0004.

2) Disposition of the Remaining Balance

The difference between the \$35 million being provided by Fortis and the \$22 million in placeholder storm restoration cost write-offs is currently estimated as a \$13 million placeholder. The Signatories agree that this \$13 million difference will be reserved as a regulatory liability with carrying charges at the pre-tax rate of return rate. At the time of the final, trued-up storm restoration cost determination by the Commission, the reserve and associated carrying charges will be adjusted up or down to conform to

the Commission's determination. The final amount will be reserved for additional future balance sheet write-offs or other rate moderation purposes, as shall be determined in Central Hudson's next rate case.

C. Community Benefit Fund

A total of \$5 million will be provided by Fortis for a Community Benefit Fund to be utilized for low income and economic development purposes as discussed in greater detail previously in this Joint Proposal.

VI. OTHER PROVISIONS

A. Counterparts

This Joint Proposal may be executed in counterparts, all of which taken together shall constitute one and the same instrument which shall be binding upon each signatory when it is executed in counterpart, filed with the Secretary of the Commission and approved by the Commission; provided, however, that, upon execution, filing with the Secretary and prior to approval by the Commission, each Signatory shall be bound to support adoption of this Joint Proposal and, to the extent required by the context, to undertake actions necessary for implementation of the provisions of this Joint Proposal upon its approval by the Commission.

B. Provisions Not Separable

The Signatories intend this Joint Proposal to be a complete resolution of all the issues in Case 12-M-0192 and the terms of this Joint Proposal are submitted as an integrated whole. If the Commission does not accept this Joint Proposal according to its terms as the basis of the resolution of all issues addressed without change or condition, each Signatory shall have the right to withdraw from this Joint Proposal upon written notice to the Commission within ten days of the Commission Order. Upon such a withdrawal, the Signatories shall be free to pursue their respective positions in this proceeding without prejudice, and this Joint Proposal shall not be used in evidence or cited against any such Signatory or used for any other purpose. It is also understood that each provision of this Joint Proposal is in consideration and support of all the other provisions, and expressly conditioned upon acceptance by the Commission. Except as set forth herein, none of the Signatories is deemed to have approved, agreed to or consented to any principle, methodology or interpretation of law underlying or supposed to underlie any provision herein.

C. Provisions Not Precedent

The terms and provisions of this Joint Proposal apply solely to, and are binding only in the context of the purposes and results of this Joint Proposal. None of the terms or provisions of this Joint Proposal and none of the positions taken herein by any Signatory may be referred to, cited, or relied upon by any other party in any fashion as precedent or otherwise in any other proceeding before this Commission or any other regulatory agency or before any court of law for any purpose other than furtherance of the purposes, results, and disposition of matters governed by this Joint Proposal. This Joint Proposal shall not be construed, interpreted or otherwise deemed in any respect to constitute an admission by any Signatory regarding any allegations, contentions or issues raised in this proceeding or addressed in this Joint Proposal.

D. Submission of Proposal

Each Signatory agrees to submit this Joint Proposal to the Commission, to support and request its adoption by the Commission, and not to take a position in this proceeding contrary to the agreements set forth herein or to assist another participant in taking such a contrary position in these proceedings.

E. Further Assurances

The Signatories recognize that certain provisions of this Joint Proposal require that actions be taken in the future to fully effectuate this Joint Proposal.

Accordingly, the Signatories agree to cooperate with each other in good faith in taking such actions. In the event of any disagreement over the interpretation of this Joint Proposal or implementation of any of the provisions of this Joint Proposal, which cannot be resolved informally among the Signatories, such disagreement shall be resolved in the following manner: (a) the Signatories shall promptly convene a conference and in good faith attempt to resolve any such disagreement; and (b) if any such disagreement cannot be resolved by the Signatories, any Signatory may petition the Commission for resolution of the disputed matter.

F. Entire Agreement

This Joint Proposal, including all attachments, exhibits and appendices, if any, represents the entire agreement of the Signatories with respect to the matters resolved herein.

VII. SIGNATURES

WHEREFORE, This Joint Proposal has been agreed to as of January 25, 2013 by and among the following, each of whom by his

or her signature represents that he or she is fully authorized to execute this Joint Proposal and, if executing this Joint Proposal in a representative capacity, that he or she is fully authorized to execute it on behalf of his or her principal(s).

[SIGNATURES APPEAR ON THE FOLLOWING PAGES.]

SIGNATURE PAGES TO JOINT PROPOSAL DATED JANUARY 25, 2013

Cascade Acquisition Sub Inc., Fortis Inc. and FortisUS Inc.

By: Barry V. Perry
Barry V. Perry
Vice President, Finance and
Chief Financial Officer of Fortis Inc.

CH Energy Group Inc.

By: _____
Christopher A. Capone
Executive Vice-President and Chief Financial Officer

Central Hudson Gas & Electric Corporation

By: _____
Michael L. Mosher
Vice-President Regulatory Affairs

Staff of N.Y.S. Department of Public Service

By: _____
John L. Favreau, Esq.
Assistant Counsel
Staff of N.Y.S. Department of Public Service

New York Department of State Utility Intervention Unit

By: _____
Robert T. Friel
Director

Dutchess County New York: Dutchess County supports the following portions of the Joint Proposal: paragraphs IV.G.1 and V.C (Economic Development), paragraph V.A (Synergy Savings/Guaranteed Rate Reductions), paragraph V.B (Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation), and paragraph IV.C and the portions of

SIGNATURE PAGES TO JOINT PROPOSAL DATED JANUARY 25, 2013

Cascade Acquisition Sub Inc., Fortis Inc. and FortisUS Inc.

By: _____
Barry V. Perry
Vice President, Finance and
Chief Financial Officer of Fortis Inc.

CH Energy Group Inc.

By: Christopher M. Capone
Christopher M. Capone
Executive Vice-President and Chief Financial Officer

Central Hudson Gas & Electric Corporation

By: _____
Michael L. Mosher
Vice-President Regulatory Affairs

Staff of N.Y.S. Department of Public Service

By: _____
John L. Favreau, Esq.
Assistant Counsel
Staff of N.Y.S. Department of Public Service

New York Department of State Utility Intervention Unit

By: _____
Robert T. Friel
Director

Dutchess County New York: Dutchess County supports the following portions of the Joint Proposal: paragraphs IV.G.1 and V.C (Economic Development), paragraph V.A (Synergy Savings/Guaranteed Rate Reductions), paragraph V.B (Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation), and paragraph IV.C and the portions of

SIGNATURE PAGES TO JOINT PROPOSAL DATED JANUARY 25, 2013

Cascade Acquisition Sub Inc., Fortis Inc. and FortisUS Inc.

By: _____
Barry V. Perry
Vice President, Finance and
Chief Financial Officer of Fortis Inc.

CH Energy Group Inc.

By: _____
Christopher A. Capone
Executive Vice-President and Chief Financial Officer

Central Hudson Gas & Electric Corporation

By: M.L. Mosher
Michael L. Mosher
Vice-President Regulatory Affairs

Staff of N.Y.S. Department of Public Service

By: _____
John L. Favreau, Esq.
Assistant Counsel
Staff of N.Y.S. Department of Public Service

New York Department of State Utility Intervention Unit

By: _____

Robert T. Friel
Director

Dutchess County New York: Dutchess County supports the following portions of the Joint Proposal: paragraphs IV.G.1 and V.C (Economic Development), paragraph V.A (Synergy Savings/Guaranteed Rate Reductions), paragraph V.B (Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation), and paragraph IV.C and the portions of

Cascade Acquisition Sub Inc., Fortis Inc. and FortisUS Inc.

By: _____
Barry V. Perry
Vice President, Finance and
Chief Financial Officer of Fortis Inc.

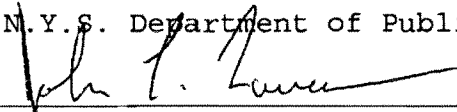
CH Energy Group Inc.

By: _____
Christopher A. Capone
Executive Vice-President and Chief Financial Officer

Central Hudson Gas & Electric Corporation

By: _____
Michael L. Mosher
Vice-President Regulatory Affairs

Staff of N.Y.S. Department of Public Service

By:  _____
John L. Favreau, Esq.
Assistant Counsel
Staff of N.Y.S. Department of Public Service

New York Department of State Utility Intervention Unit

By: _____
Robert T. Friel
Director

Dutchess County New York: Dutchess County supports the following portions of the Joint Proposal: paragraphs IV.G.1 and V.C (Economic Development), paragraph V.A (Synergy Savings/Guaranteed Rate Reductions), paragraph V.B (Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation), and paragraph IV.C and the portions of

Case 12-M-0192

SIGNATURE PAGES TO JOINT PROPOSAL DATED JANUARY 25, 2013

Cascade Acquisition Sub Inc., Fortis Inc. and FortisUS Inc.

By: _____
Barry V. Perry
Vice President, Finance and
Chief Financial Officer of Fortis Inc.

CH Energy Group Inc.

By: _____
Christopher A. Capone
Executive Vice-President and Chief Financial Officer

Central Hudson Gas & Electric Corporation

By: _____
Michael L. Mosher
Vice-President Regulatory Affairs

Staff of N.Y.S. Department of Public Service

By: _____
John L. Favreau, Esq.
Assistant Counsel
Staff of N.Y.S. Department of Public Service

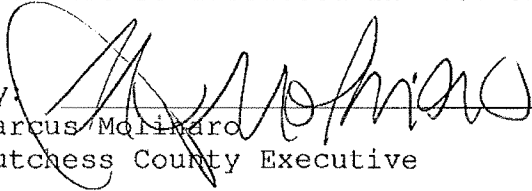
New York Department of State Utility Intervention Unit

By:  _____

Robert T. Friel
Director

Dutchess County New York: Dutchess County supports the following portions of the Joint Proposal: paragraphs IV.G.1 and V.C (Economic Development), paragraph V.A (Synergy Savings/Guaranteed Rate Reductions), paragraph V.B (Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation), and paragraph IV.C and the portions of

paragraph IV.H related to the one-year rate freeze. In addition, Dutchess County takes no position with respect to the matters discussed in rest of the Joint Proposal.

By:  _____
Marcus Molinaro
Dutchess County Executive

Multiple Intervenors

By: _____
Michael B. Mager, Esq.
Couch White, LLP
Attorneys for Multiple Intervenors

Orange County New York: Orange County supports the following portions of the Joint Proposal: paragraphs IV.G.1 and V.C (Economic Development), paragraph V.A (Synergy Savings/Guaranteed Rate Reductions), paragraph V.B (Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation), and paragraph IV.C and the portions of paragraph IV.H related to the one-year rate freeze. In addition, Orange County takes no position with respect to the matters discussed in rest of the Joint Proposal.

By: _____
Edward A. Diana
County Executive for Orange County

Ulster County New York: Ulster County supports paragraphs IV.G and V.C of the Joint Proposal and takes no position with respect to the matters discussed in rest of the Joint Proposal.

By: _____
Mike Hein
Ulster County Executive

paragraph IV.H related to the one-year rate freeze. In addition, Dutchess County takes no position with respect to the matters discussed in rest of the Joint Proposal.

By: _____
Marcus Molinaro
Dutchess County Executive

Multiple Intervenors

By: Michael B. Mager
Michael B. Mager, Esq.
Couch White, LLP
Attorneys for Multiple Intervenors

Orange County New York: Orange County supports the following portions of the Joint Proposal: paragraphs IV.G.1 and V.C (Economic Development), paragraph V.A (Synergy Savings/Guaranteed Rate Reductions), paragraph V.B (Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation), and paragraph IV.C and the portions of paragraph IV.H related to the one-year rate freeze. In addition, Orange County takes no position with respect to the matters discussed in rest of the Joint Proposal.

By: _____
Edward A. Diana
County Executive for Orange County

Ulster County New York: Ulster County supports paragraphs IV.G and V.C of the Joint Proposal and takes no position with respect to the matters discussed in rest of the Joint Proposal.

By: _____
Mike Hein
Ulster County Executive

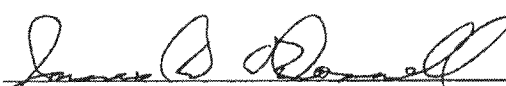
paragraph IV.H related to the one-year rate freeze. In addition, Dutchess County takes no position with respect to the matters discussed in rest of the Joint Proposal.

By: _____
Marcus Molinaro
Dutchess County Executive

Multiple Intervenors

By: _____
Michael B. Mager, Esq.
Couch White, LLP
Attorneys for Multiple Intervenors

Orange County New York: Orange County supports the following portions of the Joint Proposal: paragraphs IV.G.1 and V.C (Economic Development), paragraph V.A (Synergy Savings/Guaranteed Rate Reductions), paragraph V.B (Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation), and paragraph IV.C and the portions of paragraph IV.H related to the one-year rate freeze. In addition, Orange County takes no position with respect to the matters discussed in rest of the Joint Proposal.

for By:  _____
Edward A. Diana
County Executive for Orange County

Ulster County New York: Ulster County supports paragraphs IV.G and V.C of the Joint Proposal and takes no position with respect to the matters discussed in rest of the Joint Proposal.

By: _____
Mike Hein
Ulster County Executive

paragraph IV.H related to the one-year rate freeze. In addition, Dutchess County takes no position with respect to the matters discussed in rest of the Joint Proposal.

By: _____
Marcus Molinaro
Dutchess County Executive


Multiple Intervenors

By: _____
Michael B. Mager, Esq.
Couch White, LLP
Attorneys for Multiple Intervenors

Orange County New York: Orange County supports the following portions of the Joint Proposal: paragraphs IV.G.1 and V.C (Economic Development), paragraph V.A (Synergy Savings/Guaranteed Rate Reductions), paragraph V.B (Deferred Storm Restoration Cost Write-offs and Future Rate Mitigation), and paragraph IV.C and the portions of paragraph IV.H related to the one-year rate freeze. In addition, Orange County takes no position with respect to the matters discussed in rest of the Joint Proposal.

By: _____
Edward A. Diana
County Executive for Orange County

Ulster County New York: Ulster County supports paragraphs IV.G, the portions of paragraph IV.H related to the one-year rate freeze, and V.C of the Joint Proposal and takes no position with respect to the matters discussed in rest of the Joint Proposal.

By:  _____
Mike Hein
Ulster County Executive