

April 1, 2024

Hon. Michelle L. Phillips
Secretary to the Commission
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, NY 12223-1350

Dear Secretary Phillips:

In compliance with *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*, Case 12-M-0192 (Order Authorizing Acquisition Subject to Conditions at Joint Proposal, Attachment 1, 9-14) (Issued and Effective June 26, 2013) and consistent with the Consolidated Amended and Restated Settlement Agreement filed by Central Hudson Gas & Electric Corporation ("Central Hudson") on July 24, 2014, also in Case 12-M-0192, Central Hudson hereby files its Annual Report due April 1st of each year.

- 1) The Annual Report of Affiliate Transactions for 2023 contains the following:
 - (i) cost allocations associated with transactions between Central Hudson and its affiliates:

See Attachment A entitled "Cost Allocation Procedures".

- (ii) an itemization of all asset transfers over the threshold between Central Hudson and CH Energy Group, Inc. ("CHEG") or any affiliate:

During 2023, CHEG transferred cash of \$60.0 million to Central Hudson as a capital contribution.

- (iii) the number of all Central Hudson employees transferred to or hired by affiliates from Central Hudson and the aggregate corresponding payment for such transfers:

There were no employees transferred to or hired by CHEG or any other affiliates from Central Hudson during the reporting period.

- (iv) a list of all persons not employed by Central Hudson who participate in any Central Hudson or common employee benefit program. A summary of non-tariffed goods and services will also be included:

There are three non-Central Hudson employees who currently participate in either Central Hudson's health plan or its Other Post Employment Benefit plan. Premium costs related to these benefits provided to the three non-Central Hudson employees are paid for by their current or former non-Central Hudson employers and the non-Central Hudson employees and costs related to submitted claims that are in excess of premiums will be paid by their current or former employers up to the self-insured retention amount.

There are two non-Central Hudson employees who currently participate in the Central Hudson Savings Incentive Plan ("SIP"). SIP costs related to those non-employees are paid by CHEG.

Central Hudson maintains a Deferred Compensation Plan ("DCP"), formerly a CHEG plan, into which non-Central Hudson employees (including non-employee members of the Boards of Directors of Central Hudson and of CHEG, as well as current or former employees of Griffith Energy Services Inc. ("Griffith"), a former subsidiary of CHEG) have deferred or may in the future defer salary and/or short and long term incentives while actively employed or defer director fees related to services performed for the named entities. The ability of Griffith employees to defer salary into the DCP ended upon the sale of Griffith by CHEG. During 2023, there were six current or former non-employee directors of CHEG or Central Hudson and two current or former employees of Griffith who deferred salary or fees into the DCP while employed by or performing services for the named entities. Fees or salary and/or short and long term incentives deferred into the DCP by either non-employee directors or employees of Griffith have been paid into the DCP by the respective entity to which the salary and/or short and long term investments or fees related. Earnings on deferred balances are allocated to each affiliate based on the balances of the various participants associated with each entity in relation to the total.

Lastly, there is one non-Central Hudson employee who currently participates in Central Hudson's Retirement Income Plan and Supplemental Executive Retirement Plan. Pension expense associated with the actuarial calculation and accrual of defined

benefit obligations for this former Central Hudson employee under both of these plans are allocated between Central Hudson and the current or former non-Central Hudson employer of this individual based on the years of service provided to each of the entities during the course of the individual's career.

Refer to attachment B for a summary of non-tariffed goods and services.

The report will include an officer certification as follows:

The officer filing this report certifies that the management employees of CHEG, Central Hudson and each affiliate are familiar with the Cost Allocation Guidelines and Standards of Conduct requirements. The Standards of Conduct have been followed during the reporting period. The Cost Allocation Guidelines have been followed since the establishment of the CHEG holding company on December 15, 1999. In 2011, a Time Allocation Policy was established as a supplement to the Cost Allocation Guidelines as a result of recommendations from the New York State Public Service Commission ("Commission") Management Audit. The Cost Allocation Guidelines were communicated to all employees and training is provided annually. Prior to that, Central Hudson billed its affiliates for direct labor and non-labor provided to them.

2) The Annual Report of Non-Utility Investments contains the following:

- (i) a description of all non-utility investments made by CHEG during the fiscal year:



- (ii) condensed financial statements for each non-utility affiliate for the fiscal year:

See Attachment C.

- (iii) a narrative description of the results of operations of the non-utility affiliates for the fiscal year:



Sincerely,

Lora Gescheidle

Chief Financial Officer & Treasurer

Attachments

ATTACHMENT H
COST ALLOCATION GUIDELINES

General

These guidelines are intended to establish procedures for allocating costs that are corporate in nature among and between holding company corporate affiliates. Allocations will involve distribution of charges from Central Hudson where corporate functions will be administered and executed for the benefit of the holding company and its affiliates as a whole.

For the purposes of these Guidelines, general corporate functions include all functions previously categorized as corporate governance functions and corporate administrative services of Central Hudson. The underlying premise is that Central Hudson's customers must be protected from costs not directly related to Central Hudson's activity and corporate costs, however allocated, will be controlled.

The characterization of costs between direct and allocated will be maintained. There is no requirement to capture incidental labor time via time sheet reporting. Further, the distinction between allocated and common service charges is not to be construed finely. The underlying rationale is that cost allocations will be made using a fully distributed costing method based, directly or indirectly, on causality. Thus, it is entirely feasible that all costs of general corporate functions

can be allocated on the basis of relevant factors applied to functional categories.

I. Transactions Between Central Hudson and its Affiliates

The following procedures set forth the manner in which all costs associated with work performed by Central Hudson for its affiliates (including subsidiaries) are to be charged to the respective affiliates on a monthly basis.

1. Direct Charges are related to authorized services provided by the appropriate business area. These services are charged to the entity benefitted on a direct time and materials basis.

Labor costs will include an allocation for fringe benefits.

Business areas will report direct labor through the payroll system and other charges as appropriate.

2. Allocated Charges have been developed to distribute to affiliates costs that cannot be directly charged, based on an average cost per activity as described below:

Function	Basis of Allocation
(a) Executive Salaries/Expenses	50% Number of employees 50% Net assets of affiliates as a percentage of total assets
(b) Directors' Fees/Expenses	50% Number of employees 50% Net assets of affiliates as a percentage of total assets
© Property/Casualty Directors' & Officers Liability Employee-Related (e.g. blanket crime, travel, EPLI) Workers' Compensation premiums; losses directly charged.	underwriter's/brokers' assessment of risk. number of employees
(d) Human Resources (including labor), Employee Benefits & Pensions premiums; losses directly charged.	number of employees
(e) Information Systems • Labor • Hardware/software	direct charge [or number of employees for "corporate systems"] 50% Number of employees 50% Net assets of affiliates as a percentage of total assets
(g) Treasury, Finance & Accounting; Office Services and any other not specified	50% Number of employees 50% Net assets of affiliates as a percentage of total assets

Note: For cost allocation purposes herein, number of employees, assets, gross revenues will be determined as of December 31 of each year. In determining the number of employees of Genco, employees of Genco hired after the acquisition of new generating resources will not be counted for purposes of allocating pension and other post employment benefit costs. Procedures will be employed to estimate the annual average number of employees during the initial year and any other periods of significant change. Roseton employees will be counted as 100% to Genco share of Roseton.

The following utility areas or activities have been identified as serving a general corporate function. The costs associated with performing these functions will be charged to the holding company for further allocation to its non-utility affiliates: Financial Reporting; Taxes; Financial Planning; Annual Report and Shareholders' Quarterly Reports (including Production and Mailing Costs).

3. Income Taxes

Income Taxes will be allocated among affiliates on a stand-alone basis (in accordance with a Tax Sharing Agreement).

4. Other

All allocation factors will be calculated annually. The methodology will be reviewed and updated as necessary. Notification must be given to the Controller of any new intercompany transaction not covered under this procedure. Finance & Accounting will be responsible for designing an appropriate allocation method in accordance with the goals and objectives outlined herein, and for implementing an effective billing procedure.

II. Transactions Between the Holding Company and its Affiliates

The following procedures set forth the manner in which holding company costs, whether benefitting an affiliate or of a general corporate nature, are to be charged to affiliates. The

holding company can be the repository of all corporate unallocated charges.

1. Direct Charges are related to authorized services provided by the appropriate holding company functional area. These services are charged to the benefitting entity on a direct time and materials basis.

2. Costs that cannot be directly charged to affiliates will be allocated based on the following:

Service Department or Function	Basis of Allocation
(a) Designated Officers	50% Number of employees 50% Net assets of affiliates as a percentage of total assets
(b) Directors' Fees	50% Number of employees 50% Net assets of affiliates as a percentage of total assets
© Building Services - Corporate Headquarters	Square footage occupied by Holdco divided by total square footage

The remaining expenses of the holding company represent costs associated with performing general corporate functions. These costs will be allocated using a formula based on the sum of each affiliate operating revenues, capital expenditures, operation and maintenance expense and capitalization as a percentage of the sum of all such items on a consolidated basis. However, this allocation method may be changed as appropriate. These expenses include but are not limited to the following:

Corporate Secretary & Treasurer's Office; Internal Auditing;
Shareholder Relations; and Costs directly charged and allocated
from the utility to the holding company.

Any modification of these procedures will be filed with the
Office of Accounting & Finance.

Employee Time Allocation Policy

Revised March 24, 2024

In order to ensure that Central Hudson's (CH) affiliates (including CH Energy Group (CHEG), Central Hudson Enterprises Corporation (CHEC), Central Hudson Electric Transmission (CHET), Central Hudson Gas Transmission (CHGT), as well as Fortis Inc or any of its affiliates (Fortis)) are appropriately charged for work performed by Central Hudson employees that benefit an affiliate, all employees shall follow the following procedures when recording their timesheets.

Number of Hours to Charge

All time spent by an employee working for CH should be recorded.

- ❖ Record 10 hours if that is the amount of time spent, not 8 hours
- ❖ Record time spent outside of normal business hours (including weekends) **representing the company** (for example, Chambers of Commerce, dinners and other community activities)

Time Increments and Affiliate Support

Time shall be recorded in increments of 1/4 hour. The appropriate affiliate (or component thereof) shall be directly charged if an employee provides 15 minutes or more in a day providing direct support to that affiliate.

Consideration should be given to the benefiting company(ies) before appropriately charging time and if time specifically relates to one specific entity, it is appropriate to direct charge the specific entity. If charges relate to CH Energy Group Consolidated and cannot be allocated to one individual entity, time should be charged to CHEG and it will be allocated in accordance with the cost allocation guidelines.

Time spent working in support of Fortis-specific projects (such as additional US acquisitions) or other due diligence should be direct charged through EmpCenter timesheets to the appropriate affiliate. Due diligence related to potential US Fortis acquisitions should be charged directly to project number 14759 – FortisUS. Work performed under direct request by Fortis Inc on other related matters should be charged to project number 13412 – Fortis Inc. and input the applicable work order (see attached listing) so that such time can be charged to the appropriate Fortis affiliate. In order to minimize the risk that we need to reverse any bills issued to a Fortis company, please confirm with your contact or Fortis Counterpart that we should be sending them a bill for the services provided. If billing is uncertain, please discuss with accounting so it can be determined if the work performed is for the benefit of Fortis Inc. or any of its subsidiaries and therefore should be charged to CH Energy Group holding company to ensure Central Hudson is not charged.

Board Meetings and Committees

Time should be charged for time spent attending and/or preparing for CH and CHEG Board and Committee meetings.

Out-of-Pocket Expenses

Out-of-pocket expense incurred for the benefit/support of a Central Hudson affiliate should be charged to the appropriate work order (see attached listing) so that the expenses can be charged to the appropriate affiliate.

Out-of-pocket expenses for Fortis work should follow the time charges described above. For Fortis Board work, costs should be charged to the appropriate company in the table below.

Activities to Be Charged

To ensure consistency over recording time for activities that multiple employees support, the following list has been created. For activities not listed for which a comparable item cannot be identified, please contact the CH Controller.

<u>Description of Activity/Affiliate Being Supported</u>	<u>Work Order/Function-Service-Area</u>
CH Energy Group Employee Exec Admin	3333A-3-620 / 6427A-3-620
CHEC	4745A-3-620
CHEC Accounting	6937A-3-620
Potential Acquisitions & Divestitures (CHEG)	7740A-3-620 (\$ remain at Holding Co)
CHET	6505A-3-620
New York Transco LLC	6503A-3-620
CH Energy Group Accounting	Various *
Quarterly and Annual Financial Reports	Various *
Other CH Energy Group Financial-related Filings	Various *
SIP Financial Statements	Various *
Deferred Comp Work	Various *
Financial Model – Hold Co.	Various *
Strategic Planning – Hold Co.	Various *
Capital Markets Activities – Hold Co.	Various *
Cash Management – Monthly Forecasting – Hold Co.	Various *
Finance & Planning – Hold Co.	Various *
Investor Relations	Various *
CH Energy Group Federal and State Income Taxes	Various *
CH Energy Group Risk Management	Various *
CH Energy Group External Websites	Various *

<u>Description of Activity/Affiliate Being Supported</u>	<u>Work Order/Function-Service- Area</u>
Fortis	
Fortis Inc.	1766A-3-620 *
FortisUS Inc.	1767A-3-620 *
FortisBC	1768A-3-620 *
FortisAlberta	1770A-3-620 *
Newfoundland Power	1771A-3-620 *
FortisOntario	1772A-3-620 *
Maritime Electric	1774A-3-620 *
Caribbean Utilities	1777A-3-620 *
Fortis TCI	1778A-3-620 *
Fortis Generation	1779A-3-620 *
Fortis Properties	1780A-3-620 *
UNS Energy	6582A-3-620 *
ITC	6513A-3-620 *
Belize Electricity Unlimited	5381A-3-620 *
Fortis RT	8388A-3-620 *

* See your Supervisor for the applicable TMS project number that may have been created for your area which will properly allocate the charges.

Crystal Oakes
Controller
Central Hudson

Officer Time Allocation Policy

Revised March 24, 2024

In order to ensure that Central Hudson's (CH) affiliates (including CH Energy Group (CHEG), Central Hudson Enterprises Corporation (CHEC), Central Hudson Electric Transmission (CHET), Central Hudson Gas Transmission (CHGT), as well as Fortis Inc or any of its affiliates (Fortis) are appropriately charged for work performed by Central Hudson employees that benefit an affiliate, all officers shall follow the following procedures when recording their monthly timesheets.

Number of Hours to Charge

Except as noted below for officers serving as Directors of any of the Boards of Fortis' subsidiaries, all time spent by an officer working for CH, CHEG, CHEC, CHET, CHGT or Fortis affiliate should be recorded.

- ❖ Record 10 hours if that is the amount of time spent, not 8 hours
- ❖ Record time spent outside of normal business hours (including weekends) **representing the company** (for example, Chambers of Commerce, dinners and other community activities)

Time Increments and Affiliate Support

Time shall be recorded in increments of 1 hour. The appropriate affiliate (or component thereof) shall be directly charged if an officer provides 1 or more hours in a day providing direct support to that affiliate.

Consideration should be given to the benefiting company(ies) before appropriately charging time and if time specifically relates to one specific entity, it is appropriate to direct charge the specific entity. If charges relate to CH Energy Group Consolidated and cannot be allocated to one individual entity, time should be charged to CHEG and it will be allocated in accordance with the cost allocation guidelines.

Time spent working in support of Fortis-specific projects (such as additional US acquisitions) or other due diligence should be direct charged through EmpCenter timesheets to the appropriate affiliate. Due diligence related to potential US Fortis acquisitions should be charged directly to project number 14759 – FortisUS. Work performed under direct request by Fortis Inc on other related matters should be charged to project number 13412 – Fortis Inc. and input the applicable work order (see attached listing) so that such time can be charged to the appropriate Fortis affiliate. In order to minimize the risk that we need to reverse any bills issued to a Fortis company, please confirm with your contact or Fortis Counterpart that we should be sending them a bill for the services provided. If billing is uncertain, please discuss with accounting so it can be determined if the work performed is for the benefit of Fortis Inc. or any of its subsidiaries and therefore should be charged to CH Energy Group holding company to ensure Central Hudson is not charged.

Board Meetings and Committees

Time should be charged for time spent attending and/or preparing for CH or CHEG Board and other Committee meetings. Line items have been added to the timesheet to facilitate recording this time.

Time spent attending and/or preparing for Fortis' subsidiary Boards on which the officer serves as a Director should not be included in the officer's time recorded in EmpCenter as the officer is separately compensated for this role.

Out-of-Pocket Expenses

Out-of-pocket expense incurred for the benefit/support of a Central Hudson affiliate should be charged to the appropriate work order (see attached listing) so that the expenses can be charged to the appropriate affiliate.

Out-of-pocket expenses for Fortis work including due diligence and other chargeable matters should follow the time charges described above. For Fortis Board work, costs should be charged to the appropriate company in the table below in order to ensure reimbursement from the affiliate company.

Activities to Be Charged

To ensure consistency over recording time for activities that multiple officers support, the following list has been created. For activities not listed for which a comparable item cannot be identified, please contact the Controller.

<u>Description of Activity</u>	<u>Where to Charge Time</u>
CHEG Board Meetings	CHEG
Central Hudson Board Meetings	Central Hudson
CH Board Committees	Central Hudson
Other Committees (see list below)	Applicable company
Financial Reporting-Quarterly/annual Financial Report (including review and Disclosure Committee)	CHEG
Governance Issues (evaluating corporate structure)	CHEG, Central Hudson Common Charge the company to which the work relates.
HR matters (appraisals; staffing; etc)	The company to whom the appraisee spends the majority of their time.
Litigation, legal support and Ethics Investigations	The company to which the concern relates
Financings	CHEG or Central Hudson Common
Strategic Planning and Budgeting	Company specific or CHEG, as appropriate
Fortis Income Tax Returns	FortisUS
FortisUS M&A Support	FortisUS

<u>Description of Activity</u>	<u>Where to Charge Time</u>
Fortis Inc M&A Support	Fortis Inc.
Other Fortis Special Projects (to avoid a need to reverse any billings to Fortis, please confirm with your Fortis counterpart where billing should be charged or contact accounting to determine if time should be to CH Energy Group holding company to ensure Central Hudson is not charged)	Fortis Inc or the applicable subsidiary (see detail listing of Fortis Subsidiary work orders below)
<u>Committees</u>	
Disclosure	CHEG
Enterprise Risk Management	CHEG
Strategic Planning	CHEG
Legal, Compliance, Ethics & Privacy	Central Hudson
Claims	Central Hudson
Identity Theft	Central Hudson
Benefits	Central Hudson
IT Steering	Central Hudson
R&D	Central Hudson
CARE	Central Hudson
Public Safety	Central Hudson
General Occupational Safety & Health	Central Hudson
Customer Quality (Satisfaction)	Central Hudson
B2E Steering	Central Hudson
<u>Projects Open to Charges in EmpCenter</u>	<u>Project # / Function-Service-Area</u>
Central Hudson Electric	13401 / 94320-1-701
Central Hudson Gas	13402 / 94320-2-701
Central Hudson Common	13403 / 94320-4-701 (80% Electric, 20% Gas)
CHEG	13404 / CH 94320-4-701 (99%) CHET 6505A-3-620 (1%)
CHEC	13405 / 4745A-3-620
Potential Acquisitions or Divestitures (CH Energy Group)	13407 / 7740A-3-620 (100% allocated to Holdco)
Storm Restoration	13408 / 76570-1-701 (Or deferral work order if meets the criteria of a major storm, follow up with Acctg prior to recording)
Management Audit	13409 / 96880-4-701
Asbestos Litigation	13410 / 8682A-3-620 (work order, regulatory asset)
Lobbying	13411 / 42642-3-970

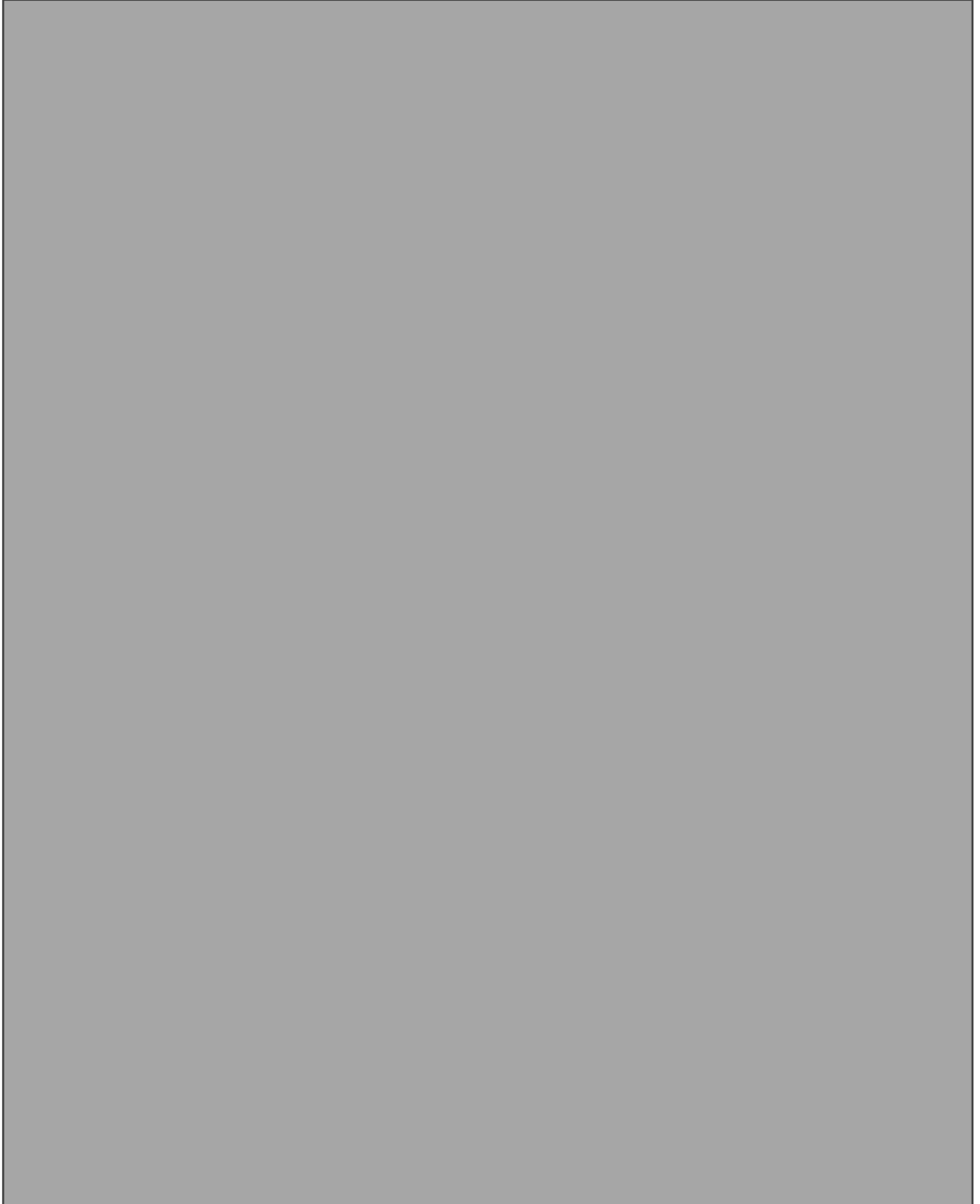
Description of Activity	Where to Charge Time
Fortis Inc (To be billed)	13412 / 1766A-3-620
Fortis US (To be billed)	14759 / 1767A-3-620
Other Fortis Subsidiaries (To be billed)	13950 / Affiliate WO#-3-620 (See listing of affiliate work orders below)
New York Transco LLC	14466 / 6503A-3-620
CHET	14465 / 6505A-3-620
Contract Review – Capital	15662 / 10733-3-970
Fortis	Project-Function-Service-Area
Fortis Inc.	13412-1766A-3-620
FortisUS Inc.	14759-1767A-3-620
FortisBC	13950-1768A-3-620
FortisAlberta	13950-1770A-3-620
Newfoundland Power	13950-1771A-3-620
FortisOntario	13950-1772A-3-620
Maritime Electric	13950-1774A-3-620
Caribbean Utilities	13950-1777A-3-620
Fortis TCI	13950-1778A-3-620
Fortis Generation	13950-1779A-3-620
UNS Energy	13950-6582A-3-620
ITC	13950-6513A-3-620
Fortis RT	13950-8388A-3-620

Crystal Oakes

Crystal Oakes
Controller
Central Hudson

Attachment B

REDACTED



Attachment C

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