

## TAX PREPARATION AND SHARING AGREEMENT

THIS AGREEMENT is made and entered into as of the 22nd day of October, 2015, by and among CH Energy Group, Inc., a New York corporation ("CH Energy"), and the corporations set forth in Exhibit A hereto (sometimes referred to herein individually as a "Party" or together as the "Parties").

WHEREAS, on June 26, 2013, the New York State Public Service Commission ("Commission") approved the acquisition of CH Energy by Fortis Inc. ("Fortis") by and through its subsidiaries FortisUS Inc. ("FortisUS") and Cascade Acquisition Sub Inc. ("Cascade") (together the "Fortis Companies"). Central Hudson Gas & Electric Corporation ("CHG&E") is a wholly-owned subsidiary of CH Energy;

WHEREAS, CHG&E entered into a Federal Income Tax Allocation Agreement on December 31, 1988, with its wholly-owned subsidiaries (the "1988 Agreement");

WHEREAS, CHG&E entered into a Tax Preparation and Sharing Agreement on September 24, 2013 that superseded and replaced the December 31, 1988 Federal Income Tax Allocation Agreement;

WHEREAS, the Parties wish to enter into this agreement and in so doing terminate and supersede the September 24, 2013 Tax Preparation and Sharing Agreement;

WHEREAS, CH Energy is the common parent of CHG&E, Central Hudson Enterprises Corporation ("CHEC") and Central Hudson Electric Transmission, LLC ("CHET");

WHEREAS, CH Energy is the common parent of an affiliated group of corporations (the "CH Group") within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, the CHG&E, CHEC, and CHET, are members of CH Group within the meaning of Section 1.1502-1(b) of the Treasury Regulations (individually a "Member" and together the "Members");

WHEREAS, the CH Group has filed and intends to file consolidated Federal income tax returns together with FortisUS Inc., as permitted by Section 1501 of the Code;

WHEREAS, the CH Group has filed and intends to file combined New York State income tax returns together with FortisUS Inc., as permitted by Section 211(4) of the New York State Tax Law (the "Tax Law");

WHEREAS, the Parties wish to provide for a method of determining the financial consequences to each Party resulting from the filing of a consolidated Federal income tax return and a combined New York State income tax return; and

NOW, THEREFORE in consideration of the premises and mutual covenants herein contained, the Parties hereby agree as follows:

1. **DEFINITIONS.**

Except as otherwise provided herein, the terms used in this Agreement shall have the meanings ascribed to them in the Code, and regulations and rulings issued thereunder, as in effect from time to time. Concepts referred to in this Agreement shall be interpreted in view of the provisions of the Code and the regulations and rulings thereunder then in effect. For purposes of this Agreement, the terms set forth below shall have the following meanings.

"CH Group" shall mean all of the undersigned corporations and all corporations or other entities (whether now existing or hereafter formed or acquired) that would be required to join with CH Energy (or any successor common parent corporation) in determining the financial consequences to each Party resulting from the filing of a consolidated Federal income tax return and a combined New York State income tax return in comparison to each Member's financial consequence had they filed a separate Federal income tax return basis and separate New York State income tax return basis.

"Common Parent" shall mean FortisUS Inc., or any successor corporation authorized to file a consolidated federal tax return for the United States Fortis Inc. affiliates.

"FortisUS Group" shall mean FortisUS Inc., and its First Tier Subsidiaries and each Company that would be affiliated with the Company within the meaning of section 1504(a) of the Internal Revenue Code if the Company were the common parent.

"Parent" shall mean CH Energy or any successor common parent corporation of the CH Group.

"Member" shall mean any corporation (including the Parent and whether now existing or hereafter formed or acquired) that is included in the CH Group, whether for all or only a part of the taxable year of CH Group in question; provided, however, that for purposes of computing the amounts set forth in Paragraphs 2, 3 and 4, a corporation shall only be a Member for the taxable years of such corporation in which such corporation is included in the CH Group.

"FortisUS Group Actual Tax Liability" shall mean the consolidated Federal income tax liability reported by FortisUS Inc., or its successor for the FortisUS Inc., Group on the consolidated Federal income tax return filed by FortisUS Inc., for the taxable year pursuant to the FortisUS Inc. Agreement for the Allocation of Income Tax Liabilities and Benefits entered into July \_\_, 2015 ("FortisUS Agreement").

"Member's Separate Tax Liability" shall mean the "hypothetical" Federal income tax liability of each Member, determined at the end of the taxable year of such Member, computed as if the Member were not part of the CH Group, but subject to the modifications specified in Treasury Regulation Section 1.1552-1(a)(2)(ii). If FortisUS Inc. Group, pursuant to the FortisUS Agreement, is required to pay any minimum tax for tax preferences under Section 55 of the Code or any successor provision for the taxable year, each Member's Separate Tax Liability shall include the amount of such tax, as set forth in the consolidated Federal income tax return for the taxable year, that is incurred on items of tax preference

allocable to the Member. In determining each Member's Separate Tax Liability, the same elections and methods of accounting and computation, including the allocation to such Member of the amounts described in Section 1561 of the Code, shall be used in determining the FortisUS Inc., consolidated Actual Tax Liability for the taxable year.

"CH Group Actual New York State Tax Liability" shall mean the combined New York State income tax liability reported on the combined New York State income tax return filed by the CH Group for the taxable year.

"Member's Separate New York State Tax Liability" shall mean the "hypothetical" New York State income tax liability of each Member, determined at the end of the taxable year of such Member, computed as if the Member were not part of the CH Group.

"Ultimate Parent" shall mean Fortis.

## **2. CONSOLIDATED FEDERAL INCOME TAX LIABILITY.**

(a) If a consolidated Federal income tax return is filed by the Common Parent for any taxable year, the tax liability of the Members for that year shall be allocated in accordance with the provisions of the FortisUS Agreement; provided, however, that each Member's Separate Tax Liability is computed on a separate return basis as provided in such Regulation, shall be used for purposes of calculating the percentages in accordance with the provisions of this Agreement and these sections.

(b) If a consolidated Federal income tax return is filed by the Common Parent for any taxable year:

- (i) The FortisUS Group Actual Tax Liability, if any, shall be payable in full by the Common Parent.
- (ii) Each Member other than the Common Parent, shall provide Parent with a Federal income tax return indicating such Member's Separate Tax Liability by the June 30<sup>th</sup> following the end of the year to which such return relates unless the Parent prior thereto notifies each other Member of a different date for providing Parent with such a return. Parent shall use its best efforts to give each other Member notice of such different date at least 60 days in advance thereof.
- (iii) Within 30 days after the filing of a consolidated tax return, Parent shall notify each other Member of such Member's share of the FortisUS Group Actual Tax Liability, as determined pursuant to the method described in Paragraph 2(a) ("Notice"). Such Notice shall also indicate any other amounts then known to be due Parent hereunder and any amounts then known to be due the Member under any other provision hereof and shall reflect the effect, if any, of

Paragraph 3(c)(ii). Except as otherwise provided in Paragraph 2(c), each Member, other than the Parent, shall pay to the Parent (i) the amount of such Member's Separate Tax Liability, plus (ii) the full amount of any interest and/or penalties paid with or with respect to the return if and to the extent such interest and/or penalty is attributable to such Member, plus (iii) any other amounts then known to be due to the Parent hereunder, less any amounts due the Member as set forth in the Notice, such payment to be not later than 20 days after receipt of such Notice. With respect to any interest and/or penalty not paid with the return and not covered by Paragraph 4(b), Parent shall first make payment thereof to the Common Parent, and then give Notice thereof to the other Members as to their attributable share thereof; and such Members shall make payment to the Parent within 20 days after receipt of such Notice.

(c) If the Common Parent notifies the Parent that it is required to make estimated Federal income tax payments on a consolidated basis, each Member, other than the Parent, shall pay to the Parent, within 20 days after the estimated tax payment is made by the Common Parent, the appropriate percentage of the then current estimate of the amount of the Member's Separate Tax Liability, subject, however, to the effect, if any, of the provisions of Paragraph 3(c)(ii) including the effect of Parent's consent under Paragraph 3(c)(ii) on the amount of other Member's estimated tax payments. Any estimated tax payments made by a Member to the Parent under this subparagraph for any taxable year shall be applied to reduce the amount, if any, owing by the Member under Paragraph 2(b)(iii) for such year. Any excess of such estimated payments over the amount of the Member's Separate Tax Liability determined to be payable by the Member under Paragraph 2(b)(iii) for such year shall be repaid by the Parent to the Member with the Notice sent by Parent to the other Members under Paragraph 2(b)(iii), or, to the extent that such excess (or part thereof) represents all or a part of a tax refund to be received by the Common Parent not later than 20 days after the receipt of such refund, or, to the extent such excess (or part thereof) represents all or a part of a credit against the Parent's estimated tax for a succeeding taxable year, not later than 20 days after such estimated tax payment against which such excess is credited is to be made by the Common Parent.

3. **TAX SAVINGS -CONSOLIDATED FEDERAL.**

If a consolidated Federal income tax return is filed by the Common Parent for any taxable year:

(a) Each Member shall pay to the Parent, within the time period specified in Paragraph 2(b)(iii) the amount specified in Paragraph 2(b)(iii) and as if the Parent had given the Notice referred to therein.

(b)(i) Each Member (other than the Parent) having no Member's Separate Tax Liability for the taxable year shall be paid by the Parent the refund amount, if any, associated with the calculation of the Member's Separate Tax Liability for that taxable year.

(b)(ii) In the event that the FortisUS Group Actual Tax Liability is reduced in any taxable year as a result of any item of credit or loss attributable to any Member (other than the Parent) and Paragraph 3(b)(i) does not apply, the Parent shall pay to such Member the amount, if any, by which the FortisUS Actual Tax Liability in such a taxable year is decreased as a result of the utilization of any such loss or credit except that the amount of payment by the Parent to the Member shall not cause the net payment made by the Member to fall below the amount of the calculation set forth in Paragraph 2(b)(iii). The amount of such credit or loss attributable to a Member shall be determined in accordance with the principles set forth in Paragraph 1 with respect to the calculation of the Member's Separate Tax Liability for the taxable year in which the credit or loss arose.

(c)(i) The excess of payments described in Paragraph 3(b) over the amount determined to be payable by the Member under Paragraph 2(b)(iii) shall be made from time to time as the Parent shall determine but not later than the date the Notice is provided each other Member under Paragraph 2(b)(iii) or, if any portion of such payments is attributable to the Parent obtaining a tax refund, not later than 20 days after such refund is received. Any such payments shall be reduced by the estimated amounts paid or otherwise used as set forth in Paragraph 3(c)(ii).

(c)(ii) Notwithstanding the foregoing, at the written request of a Member, Parent, at its sole discretion, may consent that (x) an estimated amount, acceptable to the Parent, of that which will become payable to such Member under paragraph 3(b) for the then current tax year be paid to such Member by the Parent or be used to reduce estimated tax payments of such Member under Paragraph 2(c) or any combination thereof, as the Parent shall determine; and/or (y) any amount then payable to such Member under Paragraph 3(c)(i) and/or 4, be used to reduce estimated tax payments of such Member under Paragraph 2(c); the aggregate amount of such payment and/or reduction to be effected quarterly. In the event such consent is given and such estimated and/or actual amount exceeds the actual amount payable under Paragraph 3(b), such excess shall be reflected in the Notice under Paragraph 2(b)(iii) and payable as provided in such Paragraph. In the event such consent is given and, thereafter, the amount of a Member's estimated tax payments change in any subsequent quarterly period, Parent shall have the sole right to withdraw such consent if it determines that the continuation of such consent will be adverse to the Parent, any other Member and/or the CH Group.

4. **ADJUSTMENTS - CONSOLIDATED FEDERAL.**

(a) In the case of any adjustment to a consolidated Federal income tax return of the FortisUS Group by reason of an amended return, claim for refund, an audit by the Internal Revenue Service or otherwise, then the amount of the payments required from each Member to the Parent under Paragraphs 2(b) and 3(a), and the amount of the payments required from the Parent to the Members under Paragraph 3(b), as the case may be, shall be recomputed by substituting the amount of the Parent's or the Member's tax liability after the adjustments described above in place of the FortisUS Group Actual Tax Liability and each Member's Separate Tax Liability ("Member's New Liability"). Parent shall first make any payments arising out of any such adjustment and, thereafter notify each other Member as to the Member's New Liability. In a manner consistent with the provisions of paragraph 3(c)(i) of this Agreement upon receipt of Notice thereof from Common Parent to Parent, and by Parent to each Member, each Member shall pay to the Parent, or the Parent shall pay to the Member, as the case may be, the difference, if any, between the Member's New Liability and the amount(s) previously paid. The parties recognize that a Member's New Liability for any taxable year is not necessarily the Member's final liability for that year, and may be recomputed in accordance with this Paragraph 4(a) more than once.

(b) In the event that a change in the tax liability of the Common Parent described in paragraph 4(a) results or will result in the payment or receipt of interest, or the payment or recovery of penalties, the interest or penalties shall be allocated to the Member to which such interest or penalty is attributable (and such Member shall pay to or be paid by the Parent, as the case may be). The amounts payable to or by such Member pursuant to this Paragraph shall be paid at the same time as the amounts payable pursuant to Paragraph 4(a) are paid.

(c) Payments made pursuant to Paragraphs 4(a) or (b) shall not themselves bear interest.

5. **TERMINATION OF AFFILIATION.**

(a) The Parties recognize that at some future date a Member may cease to be included in the CH Group but continue to be a corporation subject to Federal income tax ("Former Member"). In such event, the Former Member shall furnish the Common Parent and Parent with information required to prepare accurately (a) the consolidated Federal income tax return of the FortisUS Group for the last taxable year in which the Former Member was included in the FortisUS Group and (b) the Federal income tax returns for all taxable years thereafter of the Common Parent in which its tax liability may be affected by their former affiliation. Moreover, the Former Member shall furnish the Common Parent and Parent with information and assistance required to apply for and obtain the benefit of any carryback of a net operating or capital loss or any investment, foreign tax or other credit of the Former Member to a taxable year in which the Former Member was included in the FortisUS Group and a consolidated Federal income tax return was filed.

(b) The Common Parent, Parent and a Former Member also shall consult and furnish each other with information concerning the status of any tax audit or tax refund claim relating to a taxable year in which the Former Member was included in the FortisUS Group and a consolidated Federal income tax return was filed.

(c) Payments which would have been required under Paragraphs 2, 3 and/or 4 to or by a Former Member, were the Former Member still a Member, and with respect to taxable year(s) as to which the Former Member was a Member, shall be made in accordance with such paragraph(s) and at the time(s) set forth therein as if the Former Member were a Member of the FortisUS Group.

6. **TAX PREPARATION COSTS.**

CH Energy will reimburse CHG&E for its costs, if any, in the preparation of the Federal Consolidated Tax Return and the New York State Combine Income Tax Return on behalf of any Member but CHG&E. Costs shall be allocated in proportion to the determination of each member's Separate Tax Liability in a manner consistent with that described in Paragraph 2(b)(iii) of this Agreement.

7. **DEPARTMENT OF PUBLIC SERVICE ACCESS TO INCOME TAX RECORDS.**

CHG&E shall provide the New York State Department of Public Service Staff ("Staff"), pursuant to Public Service Law Section 110, full access to the income tax records of all Member's filing a Federal Consolidated tax Return with CHG&E. Access shall mean that Staff may view the tax records at CHG&E's offices or the office of the applicable Member. CHG&E and all Members reserve the right to seek confidential treatment pursuant to the Commission's rules and the Commission's Order Approving the Acquisition in Case 12-M-0192 at Attachment 1, Standards of Conduct at 16.

8. **TERMINATION.**

This Agreement shall remain in effect for each taxable year hereafter in which one or more Members is included in a consolidated Federal income return or a combined New York State income tax return filed by the Common Parent and/or Parent. In the event of termination, the provisions of this Agreement will remain in effect with respect to any requirements pertaining to current or prior years consolidated Federal or New York combined income tax returns, including but not limited to audits, amended returns, and additional payments required or refunds received with respect to this Agreement and/or the consolidated Federal income tax returns and/or New York combined income tax returns filed by the FortisUS Group and or the CH Energy Group during the term of this Agreement.

9. **MUTUAL AGENCY.**

If any Member receives any payment from a third party with respect to the tax liability of any other Member, the Member receiving such payment promptly shall remit the same to the Member entitled thereto.

10. **DETERMINATION.**

Any disputes concerning the interpretation of this Agreement or its application to any taxable year shall be resolved by the independent public accountants regularly employed by the Parent at the time the return is filed or amended for such year (the "Parent's Auditors"), or a mutually agreed upon independent public accounting firm in the event that the Parent's Auditors elect not to participate in the dispute resolution process. Such determination shall be binding and conclusive upon all Parties for all purposes hereof.

11. **NEW MEMBERS.**

If sufficient stock of any corporation is acquired hereafter by the Ultimate Parent, Common Parent, Parent and/or any Member so that the corporation becomes a Member of the CH Energy Group ("New Member"), the New Member shall become a party to this Agreement by delivering to the Parent a written instrument to such effect. The Ultimate Parent, Common Parent, Parent and/or each other Member that owns stock of the New Member shall use its best efforts to cause the delivery of such written instrument, the execution of Internal Revenue Service, Form 1122, Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return. The Parties hereto hereby agree to the inclusion of any such New Member as a Party to this Agreement.

12. **NEW YORK STATE INCOME TAX LIABILITY ALLOCATIONS.**

In the case of any combined New York State income tax return filed, any tax liability that is incurred shall be shared by the Members that are included in such combined New York State income tax return on a basis that is analogous to how the Members would share the Federal income tax liability under this Agreement in the case of filing a consolidated Federal income tax return solely by the Members that are included in such combined New York State income tax return.

If the inclusion of a Member in any such combined New York State income tax return results in a reduction in tax or an increase in any applicable tax credit that is utilized on such combined New York State income tax return, that Member shall be compensated on a basis that is analogous to how that Member would be compensated under this Agreement in the case of filing a consolidated Federal income tax return solely by the Members that are included in such combined New York State income tax return.



Notwithstanding anything in this Agreement to the contrary, no tax savings payments or right of use of such payment as set forth in this Agreement will be made, or made in a manner, if, in Parent's sole judgment, same would prohibit the timely use of income tax benefits derived from Parent to inure to the benefit of CHG&E's gas and/or electric customers.

13. **MISCELLANEOUS PROVISIONS.**

(a) This Agreement contains the entire understanding of the Parties hereto with respect to the subject matter contained herein, and for the avoidance of doubt supersedes the September 24, 2013 Tax Preparation and Sharing Agreement. No alterations, amendment or modification of any of the terms of this Agreement shall be valid unless made by an instrument signed in writing by an authorized officer of each Party.

(b) This Agreement has been made in and shall be construed and enforced in accordance with the laws of the State of New York from time to time obtaining and without reference to the principles of conflicts of laws therein.

(c) This Agreement shall be binding upon and inure to the benefit of each Party hereto and its respective successors and assigns.

(d) All notices and other communications hereunder shall be deemed to have been duly given if delivered by hand or mailed, certified or registered mail, with postage prepaid addressed to the Party to which the notice or other communications is given, in the case of the Parent, at 284 South A venue, Poughkeepsie New York 12601, and in the case of each other Party, at the addresses set forth in Exhibit A, or such other address as may be designated by notice given in the manner herein provided.

(e) This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(f) The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not constitute a part hereof.

(g) The Parties hereto shall execute any and all documents and instruments and file, or cause same to be filed, with the Internal Revenue Service, as may be required with respect to filing consolidated Federal income tax returns hereunder.

(h) The Parties hereto shall execute any and all documents and instruments and file, or cause same to be filed, with the State of New York, as may be required with respect to filing combined New York income tax returns hereunder.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by a duly authorized officer as of the date first above written.

CH ENERGY GROUP, INC.

BY: Christopher Capone  
NAME: CHRISTOPHER CAPONE

CENTRAL HUDSON GAS & ELECTRIC CORPORATION

BY: Christopher Capone  
NAME: CHRISTOPHER CAPONE

CENTRAL HUDSON ENTERPRISES CORPORATION

BY: Christopher Capone  
NAME: CHRISTOPHER CAPONE

CENTRAL HUDSON ELECTRIC TRANSMISSION, LLC

BY: Christopher Capone  
NAME: CHRISTOPHER CAPONE

## EXHIBIT A

1. Central Hudson Gas & Electric Corporation
2. Central Hudson Enterprises Corporation
3. Central Hudson Electric Transmission, LLC