

STATE OF NEW YORK

Public Service Commission

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COMMISSION APPROVES SALE OF CENTRAL HUDSON

Albany, NY—06/13/13—The New York State Public Service Commission (Commission) today adopted the terms of a joint proposal for the acquisition of CH Energy Group Inc., owner of Central Hudson Gas & Electric Corporation, by Fortis, Inc. of Canada, along with added commitments by the companies to enhance financial protections for ratepayers, such as freezing rates for at least two years, and other community and economic development benefits.

“After a lengthy and thorough examination and regulatory review, it has been determined that Fortis is qualified to purchase the electric and natural gas utility Central Hudson,” said Commission Chairman Garry Brown. “As the owner of a regulated utility in New York State, Fortis will now be required to meet New York’s stringent rules and regulations designed to ensure safe, secure, and reliable access to utility service for residential and business consumers, at just and reasonable rates.”

Key provisions of the joint proposal as modified and adopted today by the Commission include:

- Measures to protect the financial integrity and credit standing of Central Hudson, which include a ban on cross-default provisions, a “golden share” designed to prevent a voluntary bankruptcy of Central Hudson, and no allowance for transaction costs or goodwill costs.
- A freeze on Central Hudson electric and gas delivery rates through July 1, 2015.
- Payment by Fortis of \$35 million to Central Hudson to cover expenses normally required to be recovered from ratepayers, such as storm restoration costs. The funds would be used only for expenses for which recovery is authorized by the Commission.
- A \$5 million community benefit fund established by Fortis for economic development and low-income customer assistance programs.
- A guarantee of \$1.85 million per year in savings to ratepayers for five years.

- A commitment to maintain Central Hudson's active community involvement at no less than 2011 levels through 2022.
- Continuation of customer service, reliability and safety mechanisms with increased negative revenue adjustments for failure to meet targets, and addition of a new metric for violations of certain pipeline safety regulations.
- Assurance a majority of the Central Hudson board of directors will be independent and that at least two of the independent directors will be residents of the Central Hudson service territory.
- Prohibition against relocation of Central Hudson headquarters outside the service territory without approval of the Commission.
- Assurance that there will be no layoff of Central Hudson employees for at least four years.

The Commission also recognized that approval of the acquisition would allow a renegotiated agreement between Central Hudson and Local 320 of the International Brotherhood of Electrical Workers to take effect. That revised agreement, strongly supported by labor organizations across the State, will provide:

- Extension of the current union contract through June 30, 2017;
- An assurance of no layoffs through June 30, 2017;
- The addition of 35 new union jobs; and
- A commitment to hire, retain and train skilled union craftspeople.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 12-M-0192 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.