Remarks of the Chairman **April 25, 2006**

Good morning ... and welcome!

It's a pleasure to see all of you and to have the opportunity to speak to you today. I'll summarize our results for 2005 and offer a glimpse into 2006, and then we'll show you a video on our wind energy partnership with Community Energy. We'll then conclude the business of today's meeting and offer those of you who are interested a tour of our customer call center and system operations center, where we've made significant investments in technology to serve customers better.

Let me begin by emphatically stating that 2005 was a good year for CH Energy Group. As you may recall, we faced a decline in earnings due to the expiration at the end of 2004 of regulatory provisions totaling 46¢ or 17 percent of our earnings. In providing guidance to Wall Street for 2005, the range we quoted for 2005 was 10¢/share lower than 2004. So we thought we could offset most, but not all of the expiring regulatory provisions.

I'm pleased to report that we exceeded our own expectations and completely offset the lost earnings, and in fact, we increased earnings by 4.5 percent in 2005 to $2.81 per share.

In our discussions with you, our shareholders, and with members of the financial community, we've said that our goal is to provide a 10 percent total return – 5 percent from our dividend yield and 5 percent from growth in earnings per share, which over time should translate into appreciation of our share price.
In 2005, we put one point on that trend line, despite the significant hurdle that we faced.

So, how did we do it?

The loss of these regulatory items was more than offset by growth in our customer base and rate base at Central Hudson, by an increase in profitability of our operations at our Griffith fuel distribution subsidiary, and by the favorable conclusion of prior year tax audits. I'd now like to add some color to the numbers for each of our business units.

Before I do that, however, I'd like to refer you to our organizational structure as a way of orienting all of you to our various business units. (Review of organizational chart.)

Central Hudson, our largest subsidiary with 70 percent of our revenues, faced some interesting challenges in 2005.

After a long period of relatively stable energy prices, a surge upward began in late 2004 when oil prices rose dramatically. Oil prices rose still further in 2005, hitting a new record of $71 per barrel. Natural gas prices also surged upward, in part due to the supply disruptions caused by Hurricane Katrina in August, which hit the central gulf of Mexico region, and Hurricane Rita in September, which hit the western gulf. Natural gas prices are also being driven upward by the increasing use of natural gas to produce electricity, due to its environmental benefits. Electricity prices rose dramatically due to the increase in prices of all fuels — but also because of high demand experienced during the hottest summer in 30 years.

We were able to manage the effects of the energy price and supply problems effectively. We were farsighted enough to know that such a situation could develop, so we had arranged well in advance for adequate short-term borrowing capacity to deal with the working capital requirements of the higher accounts receivable that higher customer bills entailed. Our revenues for electricity, natural gas and fuel oil were up 20-30 percent in

2005, mostly due to wholesale price increases. Also, our electric system performed very well during the long, hot summer, meeting new peak demand levels reliably.

We communicated effectively with our customers and stayed on top of collections so that our bad debt reserves did not increase, and our customer satisfaction remained high. In fact, we again finished in the top quartile in the Eastern U.S. in the J.D. Power & Associates survey. Our internal survey revealed a slight dip in customer satisfaction from 95 percent to 93 percent, which is the first dip in seven years. This was partly attributable to an unusually stormy year, which caused service interruptions beyond the typical range and the dramatic increases in the cost of energy I mentioned earlier.

The decline in satisfaction was minimized by our efforts to meet the challenges. We restored service after storms quickly. We mitigated the supply cost volatility through our hedging program. We secured additional gas supplies from Canada and LNG supplies from Boston Harbor in case the hurricane damage in the Gulf wasn't repaired by winter. Over all, we did a good job on behalf of our customers.

As winter approached, we increased our low-income assistance program and tried our best to be flexible with payment arrangements, recognizing the burden that high energy supply prices mean to our customers. We also provided a $200 billing credit for low income customers who qualified; the funds for which came through our Customer Benefit Fund that had been created with the sale of our power plants.

Central Hudson made progress in 2005 on a long-term project—cost effectively remediating manufactured gas plant sites, such as the one seen in this archival photograph. In the late 19th century and early 20th century, before natural gas pipelines were built to bring natural gas from the Gulf region to the Northeast, virtually every community had a plant to produce gas for lighting from coal or petroleum. In the Hudson Valley, small gas companies sprang up, as they did throughout the state and region, and at some of these sites, coal tar residues were deposited in a way that was legal and acceptable at the time but which was later found to be potentially damaging to the environment.

Central Hudson has been working cooperatively with the New York State Department of Environmental Conservation and other parties to come up with a plan to remediate these sites. The Newburgh site, which involves the City of Newburgh sewage treatment facility has been of concern for several years.

During 2005, the NYDEC issued a draft remediation plan, and ultimately a final decision on how that site should be cleaned up. The plan calls for substantial work removing soil on land, as well as river sediments, and installing ground water wells and treatment systems. We're pleased that the necessary work has been defined, and we'll undertake detailed engineering design work this year and perform some of the actual remediation by the end of this year.

As you may recall, last July, we filed a request to increase electric and natural gas delivery prices for the first time in 13 years. A few words about the status of that request are in order. First, we only made the filing after concluding it was absolutely necessary. After 13 years, cost pressures had risen to the point where they had to be addressed. These costs include carrying charges on a large increase in our capital base, as we've consistently invested far more than our depreciation allowance to serve a growing service territory. They include the need to collect higher benefit costs, including those previously deferred under the Public Service Commission's policy. They include the costs to comply with new environmental and safety regulations and an increase in our tree trimming to improve electric service reliability. They include cumulative inflation on the goods and services we buy, which has reached 32 percent on average since our last rate increase.

Our rate increase request was supported by expert testimony by 18 Central Hudson witnesses. This commenced a rigorous review that included three parties filing opposing testimony by 20 witnesses. Central Hudson responded to 750 requests for additional information and the parties met 20 times. After this long and arduous process, a settlement has been reached and is now subject to final PSC approval.

Like all complicated negotiations, no party is entirely satisfied with the outcome, and that includes Central Hudson. However, we, the PSC Staff, the Department of Defense (representing the United States Military Academy at West Point) and Multiple Intervenors (representing large users) have signed the negotiated settlement rather than engage in costly and uncertain litigation.

Again, while we didn't get everything we asked for, we believe the settlement is in the best interests of our shareholders and customers and we will recommend that it be approved by the Public Service Commission, an action that could happen sometime this summer.

The joint proposal involves modest increases in electric and gas prices, which will be phased-in over the three-year term of the agreement: The first-year bill increases will be about $3.50 a month for the typical residential electric customer, and $8 a month for a typical residential gas heating customer.

We expect that even after these delivery rate increases are fully phased in that our electric rates will remain among the lowest in New York State and that our customers' natural gas bills will remain near the statewide average.

There are some additional benefits: An enhanced program for low income customers will be created; funding for our tree trimming program is at a level that will meet the PSC's transmission trimming standards and allow the Company's distribution program to be increased to improve electric reliability; funds to begin our MGP remediation program are also provided for. And, importantly, during the next three years we will be investing $235 million to meet the growing energy demands of the Hudson Valley. We also expect there to be an opportunity for Central Hudson to earn a fair return for you, the shareholders, on this expanding investment base.

Going forward, Central Hudson will continue to focus on customer satisfaction and cost management. We've adopted new systems and processes each year in an attempt to use new technology to improve service and/or reduce costs. A few examples: Global Positioning Satellite (or GPS)-based crew dispatching (as seen here); an outage management system; and computer software to more effectively route customer calls into our call center. These systems will be described in more detail during your tour later this morning.

We continue to invest heavily in our electric and gas systems to stay ahead of the increase in demand, especially during peak periods. In 2005, we added 3,700 new electric customers and 1,600 new gas customers, and our sales continued their trend of growth that has been fairly consistent since 1999.

To meet projected future increases in customer demand, over the next few years we'll be embarking on several large electric transmission upgrades as well as continuing to add substations and new distribution circuits to our electric system.

We'll also be making significant investments in our gas system to replace aging infrastructure and increase its capacity and serve new developments. I'm pleased that the PSC has been supportive of our investments in energy infrastructure. These investments are a fundamental underpinning for future economic growth in the Hudson Valley.

We're also actively supporting economic development of the Hudson Valley to diversify our employment base and to create high-quality jobs in industries that have a bright future. Our sponsorship of the Hudson Valley Economic Development Corporation has increased awareness nationally and even internationally of the special qualities that make the Hudson Valley such an attractive place to do business. Our low rates are part of that story, but even more important is the quality of our regional labor force.

Did you know that this region has about twice the percentage of college graduates as the national average? In this highly competitive global economy, high tech employers need an educated, creative labor force more than ever before. As we enter an era of globalization, it is *knowledge and creativity* that will lead to continuous innovation and prosperity more than any other single factor.

Central Hudson's President, Carl Meyer, also serves as Board Chair of an important regional planning organization known as Mid Hudson Pattern for Progress. Pattern has launched the Global Hudson Valley Initiative, which is designed to increase awareness of the demands and opportunities that a global economy will bring to our region.

Before I conclude my review of Central Hudson, I would like to recognize the contributions of several officers: the leadership of Carl Meyer, President of Central Hudson; also, Senior Vice President Art Upright's strong lead role on our rate case negotiations team; and Senior Vice President Charlie Freni's dedicated work on construction, technology and customer satisfaction initiatives. 2005 was a year of both challenge and accomplishment – the latter largely because of the leadership displayed by these three officers, as well as the contributions of all Central Hudson employees.

Our second core business is our fuel distribution business, which we call Griffith Energy Services. The energy supply and price issues of 2005 that I mentioned earlier were acutely felt at Griffith, as well. The year began poorly, as we suffered some customer attrition in our residential customer base and lost some commercial fuel oil accounts to natural gas, which enjoyed a temporary price advantage early in the year. I'm happy to say that we responded effectively to these challenges, and by year-end, we had revamped our marketing program to deal with the increased price sensitivity and had made several small but profitable acquisitions.

These steps, combined with our ongoing campaigns to improve the profitability of our service contracts and to improve the efficiency of our dispatch and delivery functions, resulted in a 25 percent improvement in earnings contribution over the prior year, from 18¢ to 23¢ per share.

Improving earnings under such turbulent circumstances was quite an accomplishment, and a job well done by Joe DeVirgilio, Randy Groft and the entire Griffith team.

Going forward, Griffith will continue to focus on the fundamentals that we've emphasized over the recent past—smart marketing that responds to a rapidly changing environment, continuous improvement of our operational efficiency, and selected acquisitions that provide operational synergies or increase our market share or open up new opportunities for us. Griffith is positioned to grow over the next few years.

Our holding company activities were generally successful in 2005. Our cash investments earned a higher return as the Federal Reserve steadily increased short-term interest rates during the year. Prior year tax audits were resolved favorably.

Our efforts to invest our cash did not quite meet our expectations, but we did re-infuse about $18 million of equity into Central Hudson Gas & Electric, $3.5 million into Griffith's acquisitions, and $5.5 million into a wind energy partnership. The wind energy project is the subject of this year's video. It builds on our first move into renewable energy……the Cornhusker Ethanol Plant in Lexington, Nebraska. A quick update on Cornhusker—the plant began producing ethanol in January 2006 and is now producing at close to full capacity of 42 million gallons annually. At this point, the earnings potential of this plant may be even better than we thought when we committed our capital to the project, due to higher ethanol prices. There is an opportunity to expand the capacity of the plant, and now that the first phase is operating successfully, we will turn our attention to the expansion phase, which could come on line by the end of next year.

We were very pleased to announce just twelve days ago our acquisition of majority ownership in the 19-megawatt Lyonsdale biomass plant in upstate New York. The plant will be owned and operated in a partnership with Catalyst Renewables, LLC. Lyonsdale burns a renewable fuel – wood chips – and represents the third investment we've made in the production of energy from renewable sources. The branches and treetops left over from lumbering operations -- debris that would otherwise decompose on the forest floor -- are gathered, chipped and burned here to generate electricity.

The Lyonsdale plant qualifies as a renewable source under New York State's Renewable Portfolio Standard, and it is eligible to receive renewable energy credits from the New York State Energy Research Development Authority, or NYSERDA. Our wind energy investments are likewise eligible for renewable energy credits.

Going forward, we will continue to invest our cash conservatively, without risking the principal, until we find longer-term investments that meet our risk and return criteria. Currently, renewable sources of energy, including wind, biomass, and ethanol, are looking increasingly attractive, but we remain open to other opportunities that allow us to use our energy market expertise.

I would note that we expect Central Hudson Gas & Electric to reabsorb about $20 million of equity capital in 2006 as we invest to expand our transmission and distribution capacity. We also expect to continue to make tuck-in acquisitions of fuel distribution companies. Already in 2006, we've made four relatively small, tuck-in acquisitions of this type.

An update on Sarbanes-Oxley and the corporate governance reforms.

Last year, I mentioned that our internal reviews and those by PricewaterhouseCoopers revealed only one notable issue which was labeled as a "significant deficiency" ; it involved general computer controls at our Griffith subsidiary. That deficiency was addressed in 2005, and our latest review and that of PWC revealed no significant internal control or general computer control deficiencies.

We took two additional steps over the last year to bring our governance practices to the desired level—we conducted corporate compliance and ethics training and redefined the role of our Vice Chairman of the Board as Lead Independent Director. At this point, we are comfortable that the governance and oversight of this corporation is fully compliant with both the letter and the spirit of all applicable laws, rules, and regulations. The management and Board are committed to good corporate governance.

Before I conclude my remarks regarding our holding company activities, I must recognize the leadership of Chris Capone, our CFO, who personally oversees our new business development efforts; Donna Doyle, our Vice President of Accounting and Controller, who has led our Sarbanes Oxley Compliance efforts; and our general counsel, John Gould, who has been a great help to our Board on governance matters.

In my letter to shareholders, I discussed the consistent focus on fundamentals that has helped us produce consistent results during turbulent times. I don't think you want or expect us to take big risks with your money. That's not what you've hired us to do. Instead, we will continue to pay attention to detail. And, we will continue to work to improve on the execution of the fundamentals that drive our long-term success — customer service, cost containment, and risk management. Delivering quality service at reasonable prices for our customers and steady returns for our investors is what we're here to do—and do it better every year.

Before I conclude, I'd like to say a few words about our two new directors, Manuel Iraola and Ernest Verebelyi. Both of these gentlemen join our Board as part of a succession plan to replace long-serving directors who are reaching retirement age. They both bring broad and extensive high-level management experience and board experience. I have no doubt that they'll make an outstanding contribution to CH Energy Group, and we're proud to have them join our company.

And lastly, I must recognize our retiring Lead Independent Director, Heinz Fridrich. Heinz has been on our Board for 18 years, and he has made a terrific contribution. Heinz is a modest man, and he avoids public recognition – which is why he is not here with us today. Heinz is a former senior IBM executive, who at one time managed one of IBM's plants in our service territory and then went on to manage IBM's manufacturing operations worldwide. As IBM's largest electric supplier worldwide, at that time, we wanted a key customer's voice to be heard in our decision-making.

But Heinz proved to be far more than a representative of IBM, or any constituency. He is a thoughtful and diligent person, a person who embodies the values of personal responsibility and conscientiousness. No one could be more thorough or dedicated in carrying out his responsibilities. The management team has learned from him and benefited from his demanding oversight and from his mentoring. Heinz cares deeply about this company and its people, and we greatly appreciate his service and his contributions. Heinz, we thank you and we wish you all the best.

Finally, as we head into 2006, I remain confident that this company has the leadership, expertise and commitment to be successful. We appreciate your support as we strive to deliver consistent value to you, our shareholders. *Thank you.*

It's been a pleasure to speak with you today, and I look forward to your questions later in the program. But next, allow me to introduce this year's videotape presentation. It describes one of our exciting new investment projects – this one involving renewable energy generated through the power of the wind. I hope that you'll gain a better appreciation as to how our investment in renewable energy is helping to benefit both you, our shareholders — *and* the environment.