



**FOR IMMEDIATE RELEASE:**

St. John's, NL (January 28, 2013):

**Fortis and Central Hudson File Settlement Agreement  
Includes Substantive Customer Benefits and Protections**

Nearly \$50 million to fund customer and community benefits, plus a one-year electric and natural gas customer delivery rate freeze, and customer protections, including the continuation of Central Hudson Gas & Electric Corporation (“Central Hudson”) as a stand-alone utility company, are cornerstones of a settlement of all issues among the signatories (the “Settlement Agreement”) filed with the New York State Public Service Commission (the “Commission”) regarding the acquisition of Central Hudson, the utility subsidiary of CH Energy Group, Inc. (“CH Energy Group”) (NYSE:CHG), by Fortis Inc. (“Fortis”) (TSX:FTS). Other signatory parties to the Settlement Agreement are the Staff of the New York State Department of Public Service, Multiple Intervenors and the Utility Intervention Unit of the New York State Department of State. The Settlement Agreement indicates that the acquisition is in the public interest pursuant to New York State Public Service Law, Section 70 and, therefore, the aforementioned parties recommend approval of the Settlement Agreement by the Commission. Support was also received from several counties for the portions of the Settlement Agreement of relevance to the respective counties’ interests. Closing of the acquisition is now expected to take place during the second quarter of 2013, subject to receiving approval from the Commission.

“This Settlement Agreement provides multiple and substantive benefits to our customers and the communities we serve,” said Steven V. Lant, Chairman of the Board and President of CH Energy Group. “The proposed terms also retain substantial autonomy for Central Hudson, allowing us to continue our mission of serving our customers well, while providing opportunities to improve service through a close association with the Fortis family of utility companies. We are pleased and excited to have reached this step toward finalizing the transaction with Fortis.”

“Fortis worked closely with management of Central Hudson through this thorough regulatory approval process and has gained increased knowledge about the utility’s operating philosophy and the regulatory oversight requirements in New York State,” said Stan Marshall, President and Chief Executive Officer, Fortis Inc. “This Settlement Agreement will provide tangible benefits

to Central Hudson's customers and will strengthen the utility's ability to meet the energy needs of its current and future customers."

The Settlement Agreement will moderate future customer rate increases by providing \$35 million to cover expenses that normally would be recovered in customer rates, for example significant restoration expenses related to Superstorm Sandy, the October 2011 snowstorm and Tropical Storm Irene, and other similar expenses. Also, under the terms of the Settlement Agreement, Central Hudson customers will save a guaranteed \$9.25 million over five years resulting from the elimination of costs the utility now incurs as a public company. Additionally, the Settlement Agreement requires that customer delivery rates be frozen until July 1, 2014 and requires the establishment of a \$5 million Customer Benefit Fund for economic development and low-income assistance programs for communities and residents of the Mid-Hudson Valley.

Becoming part of the Fortis family of utilities, which currently serve more than two million customers, will bring benefits to Central Hudson, explained Lant. "Central Hudson will be in the position to benefit from shared experiences and knowledge from other Fortis utility companies, as all of us seek to continuously improve our operations," he said. "In addition, Fortis has greater access to capital that will enhance Central Hudson's ability to make significant investments in the electric and gas system to improve customer service and system reliability, including those recommended in the Governor's Energy Highway initiative."

Central Hudson will continue to maintain its name and Poughkeepsie headquarters, as well as all of its employees and the utility's substantial civic and community presence in the Mid-Hudson Valley. The Settlement Agreement also provides financial protections for CH Energy Group, Central Hudson and its customers as part of the larger Fortis organization, and Central Hudson will continue to have annual independent financial audits. Within one year, the Board of Directors of Central Hudson will transition to a majority of independent directors, increase members from the Hudson Valley and New York State, and include representatives from Fortis.

"Fortis remains focused on closing the acquisition and providing the benefits to Central Hudson customers as quickly as possible," concluded Marshall.

The definitive merger agreement was announced between CH Energy Group and Fortis in February 2012. CH Energy Group shareholders approved the transaction in June 2012, and several other required regulatory approvals by U.S. federal agencies were subsequently received. For more information and to view the Settlement Agreement, visit [www.CentralHudson.com](http://www.CentralHudson.com) or [www.FortisInc.com](http://www.FortisInc.com).

### **About CH Energy Group**

CH Energy Group, Inc. is an energy delivery company headquartered in Poughkeepsie, NY. Regulated transmission and distribution subsidiary *Central Hudson Gas & Electric Corporation* serves approximately 300,000 electric and about 75,000 natural gas customers in eight counties of New York State's Mid-Hudson River Valley, delivering natural gas and electricity in a 2,600-square-mile service territory that extends north from the suburbs of metropolitan New York City to the Capital District at Albany. CH Energy Group also operates Central Hudson Enterprises Corporation (CHEC), a non-regulated subsidiary composed primarily of Griffith Energy Services, which supplies petroleum products and related services to approximately 56,000 customers in the Mid Atlantic Region.

### **About Fortis**

Fortis Inc. is the largest investor-owned distribution utility in Canada, serving more than 2 million gas and electricity customers. Its regulated holdings include electric utilities in five Canadian provinces and two Caribbean countries and a natural gas utility in British Columbia. It owns non-regulated hydroelectric generation assets across Canada and in Belize & Upstate New York. It also owns hotels and commercial real estate in Canada.

*Fortis includes forward-looking information in this material within the meaning of applicable securities laws in Canada ("forward-looking information"). The purpose of the forward-looking information is to provide management's expectations regarding the acquisition of CH Energy Group by Fortis and the expected timing and benefits thereof, the Corporation's future growth, results of operations, performance, business prospects and opportunities, and it may not be appropriate for other purposes. All forward-looking information is given pursuant to the safe harbour provisions of applicable Canadian securities legislation. The words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information reflects management's current beliefs and is based on assumptions developed using information currently available to the Corporation's management. Although Fortis believes that the forward-looking statements are based on information and assumptions which are current, reasonable and complete, these statements are necessarily subject to a variety of risks and uncertainties, including the ability to obtain New York State Public Service Commission regulatory approval and to satisfy conditions to closing and the ability to realize the expected benefits of the acquisition of CH Energy Group by Fortis. For additional information on risk factors that have the potential to affect the Corporation, reference should be made to the Corporation's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities and to the heading "Business Risk Management" in the Corporation's annual and quarterly Management Discussion and Analysis and the "Risk Factors" section of the Annual Information Form. Except as required by law, the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.*

### ***For further information, please contact:***

Mr. Barry Perry  
Vice President Finance and Chief Financial Officer  
Fortis Inc.  
(709) 737-2822