

CH ENERGY GROUP INC  
Form PRE 14A  
March 11, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No.     )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**CH ENERGY GROUP, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee previously paid with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.

3) Filing Party:

4) Date Filed:

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**CH ENERGY GROUP, INC.**  
**284 SOUTH AVENUE**  
**POUGHKEEPSIE, NEW YORK 12601-4839**

March \_\_\_\_, 2009

To the Holders of Shares of Common Stock:

I am pleased to invite you to the 2009 Annual Meeting of Shareholders of CH Energy Group, Inc. (the Corporation ).

The Annual Meeting of Shareholders will be held at the Corporation s office in Poughkeepsie, New York, on April 28, 2009, at 10:30 AM (Eastern Time). A Notice of the Annual Meeting of Shareholders and the Proxy Statement are attached.

We request that you mark, sign, date, and mail the enclosed proxy card promptly. Prompt return of your voted proxy will reduce the cost of further mailings. As an alternative to returning your proxy card by mail, you can also vote your shares by proxy by calling the toll-free number on your proxy card or by using the Internet at [www.cesvote.com](http://www.cesvote.com). For shareholders of record, both methods of voting are available twenty-four hours a day, seven days a week, and will be accessible until 12:01 AM (Eastern Time) on April 28, 2009. You may revoke your voted proxy in the manner described in the accompanying Proxy Statement at any time prior to its exercise at the meeting, or you may vote in person if you attend the meeting.

The response from our shareholders in the past to annual proxy statements has been outstanding, and this year we are once again looking forward to receiving your proxy.

You are cordially invited to attend the Annual Meeting of Shareholders in person. It is always a pleasure for me and the other members of the Board of Directors to meet with our shareholders. We look forward to greeting as many of you as possible at the meeting.

Steven V. Lant  
*Chairman of the Board, President  
and Chief Executive Officer*

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**CH ENERGY GROUP, INC.**

**284 South Avenue  
Poughkeepsie, New York 12601-4839**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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To the Holders of Shares of Common Stock:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of CH Energy Group, Inc. (the Corporation ) will be held:

**TIME** 10:30 AM (Eastern Time) on Tuesday, April 28, 2009

**PLACE** Office of the Corporation,  
284 South Avenue,  
Poughkeepsie, New York 12601-4839

**ITEMS OF BUSINESS**

- (1) To elect three Directors, each to serve for a three-year term expiring in 2012;
- (2) To approve an amendment to the Corporation s Restated Certificate of Incorporation to provide for the annual election of Directors;
- (3) To ratify the appointment of PricewaterhouseCoopers LLP as the Corporation s independent registered public accounting firm for 2009; and
- (4) To act upon any other matters that may properly come before the meeting.

**RECORD DATE** Holders of Record of Shares of Common Stock on the close of business on March 2, 2009, are entitled to vote at the meeting.

**ANNUAL REPORT** The Annual Report to Shareholders, as combined with the Corporation s Annual Report on Form 10-K filed with the Securities and Exchange Commission, is enclosed.

**PROXY VOTING** It is important that your shares be represented and voted at the Annual Meeting of Shareholders. Please **MARK, SIGN, DATE, AND RETURN PROMPTLY** the enclosed proxy card in the postage-paid envelope furnished for that purpose. As an alternative to returning your proxy card by mail, you can also vote your shares by proxy by calling the toll-free number on your proxy card or by using the Internet at [www.cesvote.com](http://www.cesvote.com). For shareholders of record, both methods of voting are available twenty-four hours a day, seven days a week, and will be accessible until 12:01 AM (Eastern Time) on April 28, 2009. You may revoke your voted proxy in the manner described in the accompanying proxy statement at any time prior to its exercise at the meeting, or you may vote in person if you attend the meeting.

By Order of the Board of Directors,

John E. Gould  
*Corporate Secretary*

March \_\_\_\_, 2009

TABLE OF CONTENTS

	<u>Page</u>
<u>PROXY STATEMENT</u>	1
<u>CURRENT DIRECTORS, CLASSES, AND TERMS OF OFFICE</u>	5
<u>PROPOSAL NO. 1 - ELECTION OF DIRECTORS</u>	5
<u>GOVERNANCE OF THE CORPORATION</u>	9
<u>REPORT OF THE AUDIT COMMITTEE</u>	16
<u>BENEFICIAL OWNERSHIP</u>	19
<u>STOCK AND STOCK EQUIVALENTS OWNERSHIP OF DIRECTORS</u>	20
<u>INSURANCE</u>	21
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	21
<u>EXECUTIVE COMPENSATION</u>	21
<u>COMPENSATION COMMITTEE REPORT</u>	42
<u>PROPOSAL NO. 2 - AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION TO PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS</u>	60
<u>PROPOSAL NO. 3 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	62
<u>OTHER MATTERS</u>	62

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**PROXY STATEMENT**

The proxy of each shareholder of record is being solicited by CH Energy Group, Inc. ( CH Energy Group or the Corporation ), on behalf of the Corporation's Board of Directors, for use in connection with the Corporation's Annual Meeting of Shareholders to be held on April 28, 2009 (the Annual Meeting ), at the offices of the Corporation, 284 South Avenue, Poughkeepsie, New York 12601-4839.

This proxy statement and the enclosed proxy card are being sent to the Corporation's shareholders on or about March \_\_\_\_, 2009. The mailing address of the principal executive office of the Corporation is 284 South Avenue, Poughkeepsie, New York 12601-4839.

The Corporation is the holding company parent of Central Hudson Gas & Electric Corporation ( Central Hudson ) and of Central Hudson Enterprises Corporation ( CHEC ), and their respective subsidiaries.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on April 28, 2009:**

**This proxy statement and the Corporation's Annual Report to Shareholders for the fiscal year ended December 31, 2008 are available at [www.chenergygroup.com](http://www.chenergygroup.com) by selecting Investor Relations and then selecting Financial Reports.**

**Shareholders Entitled to Vote**

The record of shareholders entitled to notice of, and to vote at, the Annual Meeting was taken at the close of business on March 2, 2009. On that date, there were 15,785,199 shares of common stock (\$0.10 par value) of the Corporation ( Common Stock ) outstanding. Each share of Common Stock is entitled to one vote. No other class of securities is entitled to vote at the Annual Meeting.

**Proxies**

How You Can Vote

Shareholders of record can give a proxy to be voted at the Annual Meeting (i) by telephone, (ii) electronically, using the Internet, at [www.cesvote.com](http://www.cesvote.com), or (iii) by mail. Shareholders who hold their shares in street name must vote their shares in the manner prescribed by their brokers.

The telephone and Internet voting procedures have been set up for shareholder convenience, and have been designed to authenticate shareholder identity, to allow shareholders to give voting instructions, and to confirm that those instructions have been recorded properly. If shareholders of record wish to vote by proxy card, by telephone, or by using the Internet, please refer to the specific instructions set forth on the enclosed proxy card. If shareholders vote by telephone or by the Internet or wish to vote using a paper format and return their signed proxy cards before the Annual Meeting, their shares will be voted as directed.

Whether shareholders choose to vote by telephone, electronically using the Internet, or by mail, each proxy will be voted in accordance with the shareholder's instructions with respect to (i) the election of Directors, (ii) the amendment to the Corporation's Restated Certificate of Incorporation to provide for the annual election of Directors, and (iii) the ratification of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for 2009.

*If shareholders do not specify on their proxy card (or when giving their proxy by telephone or by using the Internet) how they want to vote their shares, it is the intention of the persons named on the proxy card to vote (1) FOR the election of the nominees for Director as set forth in Proposal No. 1, (2) FOR the amendment to the*

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*Corporation's Restated Certificate of Incorporation to provide for the annual election of Directors as set forth in Proposal No. 2, and (3) FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for 2009 as set forth in Proposal No. 3.*

*With regard to Proposal No. 1 and Proposal No. 3, abstentions and broker non-votes are voted neither FOR nor AGAINST and have no effect on the vote but are counted in the determination of a quorum. With regard to Proposal No. 2, abstentions, broker non-votes and failures to vote have the same effect as a vote against Proposal No. 2.*

### Revocation of Proxies

A shareholder may revoke his or her proxy, at any time before it is exercised, in any of three ways:

- (a) by submitting written notice of revocation to the Corporate Secretary;
- (b) by submitting another proxy by telephone, electronically, using the Internet at [www.cesvote.com](http://www.cesvote.com), or by mail that is later dated and (if by mail) that is properly signed; or
- (c) by voting in person at the Annual Meeting.

### **Cost of Proxy Solicitation**

The cost of preparing, printing, and mailing the notice of meeting, proxy statement, proxy card, and annual report will be borne by the Corporation. Proxy solicitation other than by use of the mail may be made by regular employees of the Corporation by telephone and personal solicitation. Banks, brokerage houses, custodians, nominees, and fiduciaries are requested to forward soliciting material to their principal(s) and to obtain authorization for the execution of proxies, and may be reimbursed for their out-of-pocket expenses incurred in that connection. In addition, the Corporation has retained D. F. King & Co., Inc. of New York, New York, a proxy solicitation organization, to assist the Corporation in the solicitation of proxies. The fee to be paid by the Corporation to such organization in connection therewith is estimated to be \$8,500, plus reasonable out-of-pocket expenses.

### **Shareholder and Interested Party Communications**

It is the intention of the Corporation to transmit the Annual Meeting via webcast. A link to a copy of the webcast of the Annual Meeting, which will include the remarks of the Chairman of the Board, President and Chief Executive Officer at the Annual Meeting, will be available on the Corporation's Internet site at [www.chenergygroup.com](http://www.chenergygroup.com). As noted above, a copy of the Corporation's Annual Report to Shareholders, as well as a copy of the 2008 Financial & Statistical Report that supplements the Annual Report to Shareholders, will also be available on the same Internet site.

Shareholders may obtain information relating to their own share ownership by contacting the Corporation's Shareholder Relations Department at 845-486-5204 or by writing to the Corporation's Shareholder Relations Department at 284 South Avenue, Poughkeepsie, New York 12601-4839.

Shareholder communications related to any aspect of the Corporation's business are also welcome. Space for comments is provided on the proxy card given to shareholders of record.

Shareholders may also submit written communications to the Corporation in care of the Corporate Secretary at 284 South Avenue, Poughkeepsie, New York 12601-4839. Although all communications may not be answered on an individual basis, they do assist the Directors and management in addressing the needs of shareholders.

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Each such communication received by the Corporate Secretary from a shareholder is reviewed by him to determine how it should be handled. Not all communications from shareholders are communicated directly to the Board of Directors.

If the subject matter of a communication from a shareholder is a concern or complaint regarding the accuracy or integrity of the Corporation's accounting, auditing, or financial reporting, the Corporate Secretary follows the procedures established by the Board of Directors for Receiving and Handling Concerns or Complaints Regarding Accounting, Auditing or Financial Reporting. These procedures, set forth in Section IV of the Corporation's Code of Business Conduct and Ethics, which is available on the Corporation's Internet site at [www.chenergygroup.com](http://www.chenergygroup.com), are as follows:

The Audit Committee of the Board of Directors of CH Energy Group, Inc. has established the following procedures for persons to follow in order to communicate concerns or complaints to the Company about the accuracy and integrity of the Company's accounting, auditing and financial reporting. All persons are encouraged to submit good faith concerns and complaints without fear of retaliation of any kind. The Company will not discharge, demote, suspend, threaten, harass or in any other manner discriminate against any employee in the terms and condition of his or her employment because the employee has raised good faith concerns or complaints in accordance with these procedures. If an employee wishes to do so, he or she may communicate concerns anonymously in accordance with paragraph (ii) below.

(i) *Submission of Concerns and Complaints*

Any person may submit a concern or complaint about accounting, internal accounting controls or auditing matters by bringing the matter directly to the attention of:

Joseph B. Koczko, Esq.  
Thompson Hine LLP  
335 Madison Avenue, 12th Floor  
New York, New York 10017-4611  
Phone: 212-344-5680  
Fax: 212-344-6101  
Email:  
[Joseph.Koczko@ThompsonHine.com](mailto:Joseph.Koczko@ThompsonHine.com)

(ii) *Anonymous Submissions By Employees*

If an employee wishes to submit a concern on an anonymous basis regarding questionable accounting or auditing matters, he or she may do so by communicating in writing with Mr. Koczko at the above address. This writing should include sufficient information and specificity to allow the Company to review the subject matter.

(iii) *Treatment of Concerns and Complaints*

Upon receipt of a concern or complaint, Mr. Koczko will communicate the concern or complaint to General Counsel, John E. Gould, Esq., and he and Mr. Gould will consult with the Chairman of the Audit Committee regarding the concern or complaint. Subject to the authority of the Audit Committee, the Chairman of the Audit Committee, in consultation with Mr. Koczko and Mr. Gould, will determine how the concern or complaint should be evaluated and, if necessary, investigated by Mr. Koczko, by Mr. Gould or by such other persons as may be appropriate. Prompt and corrective action will be taken when and as warranted in the judgment of the Audit Committee. The Company will make every effort to

maintain, within the limits allowed by law and consistent with the need to conduct an adequate review, the confidentiality of anyone submitting a concern or complaint.

(iv) *Retention of Information*

Mr. Koczko shall maintain a file at Thompson Hine LLP regarding each submission of a concern or complaint. The file shall contain the original document(s) with respect to the submission of the concern or complaint, together with other documents and records regarding the evaluation, investigation and resolution of the matter.

(v) *Quarterly Reporting to the Audit Committee*

The Chairman of the Audit Committee shall report quarterly to the Audit Committee with respect to the status of all pending submissions of concerns or complaints concerning matters covered by these procedures. Copies of each file will be maintained in accordance with the Company's document retention policy. In addition, Mr. Koczko shall prepare and maintain a written log listing each submission by date and setting forth a brief written description regarding the substance of the matter. A copy of this log shall be provided to the Chairman of the Audit Committee and the General Counsel on a quarterly basis.

A shareholder may send a written communication to the Board of Directors or to specific individual Directors by addressing the communication to the Board of Directors or to an individual Director and submitting the communication to the Corporation in care of the Corporate Secretary at 284 South Avenue, Poughkeepsie, New York 12601-4839.

The Lead Independent Director of the Board of Directors, Steven M. Fetter, is an independent Director and has been designated by the Board to preside at the executive sessions of the independent Directors. If interested parties wish to make a concern known to the independent Directors, they may do so in a writing addressed to the Lead Independent Director and submitted in accordance with the procedures established by the Board of Directors for Receiving and Handling Concerns or Complaints Regarding Accounting, Auditing or Financial Reporting. These procedures are set forth in Section IV of the Corporation's Code of Business Conduct and Ethics, which is available on the Corporation's Internet site at [www.chenergygroup.com](http://www.chenergygroup.com), and are also set forth above. Each such writing submitted in accordance with these procedures will be communicated directly to Mr. Fetter.

#### **Shareholder Proposals**

A shareholder who would like to have a proposal included in the Corporation's 2010 Proxy Statement must submit the proposal so that the Corporate Secretary receives it no later than November 23, 2009. The rules of the Securities and Exchange Commission (SEC) contain procedures governing shareholder proposals that may be included in a proxy statement. In addition, the Corporation's By-laws must be followed.

The By-laws require any shareholder wishing to make a nomination for Director or to introduce a proposal or other business at the Corporation's 2010 Annual Meeting of Shareholders to give the Corporation advance written notice thereof no earlier than January 28, 2010, and no later than February 27, 2010.

A copy of the Corporation's By-laws may be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

**CURRENT DIRECTORS, CLASSES, AND TERMS OF OFFICE**

The Corporation's Restated Certificate of Incorporation and By-laws require that the Board of Directors be divided into three classes as nearly equal in number as possible with staggered terms so that, at each Annual Meeting of Shareholders, one class of Directors will stand for election to a three-year term. The Directors currently in classes are listed below and their respective terms of office expire as of the Annual Meeting of Shareholders in the years listed below:

**CLASS I 2010**

Steven V. Lant  
Jeffrey D. Tranen

**CLASS II 2011**

Margarita K. Dilley  
Steven M. Fetter  
Stanley J. Grubel

**CLASS III 2009**

Manuel J. Iraola  
E. Michel Kruse  
Ernest R. Verebelyi

The nominees for Directorship positions are set forth below. Although the Board of Directors does not anticipate that the nominees will be unable to serve, should such a situation arise prior to the Annual Meeting, the proxies will be voted in accordance with the best judgment of the persons acting thereunder. Each person nominated for election has agreed to serve if elected, and the Board has no reason to believe that any nominee will be unable to serve.

**PROPOSAL NO. 1 - ELECTION OF DIRECTORS**

The Board of Directors proposes the following nominees to be elected to the Board of Directors at the Annual Meeting, their terms to expire at the Annual Meeting of Shareholders in the year noted below or until a successor is elected and qualified. The Board of Directors recommends a vote in favor of each such nominee:

**CLASS III 2012**

Manuel J. Iraola  
E. Michel Kruse  
Ernest R. Verebelyi

**Vote Required for Election of Directors**

The nominees for Director receiving a plurality of the votes cast at the Annual Meeting in person or by proxy shall be elected. Abstentions and broker non-votes are voted neither FOR nor AGAINST and have no effect on the vote but are counted in the determination of a quorum.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT  
YOU VOTE FOR EACH OF THE NOMINEES.****Nominees and Other Directors**

The following table sets forth (i) the name and age of each nominee and of each Director of the Corporation whose term of office continues after the Annual Meeting, (ii) the principal occupation and employment of each person during the past five years, (iii) positions and offices with the Corporation held by each person, and (iv) the period during which each has served as a Director of the Corporation. Each nominee is currently serving as a Director of the Corporation.

<u>Name and Age</u>	<u>Principal Occupation and Business Experience During the Past Five Years (1)</u>	<u>Positions or Offices with the Corporation</u>	<u>Period of Service as Director Began</u>
<b><u>Nominees for Election as Class III Directors To Serve For a Term Expiring in 2012</u></b>			
Manuel J. Iraola 60	Chairman, President and Chief Executive Officer, The Aloaris Group, a consulting and investment firm, 2002-present; Chairman and Chief Executive Officer, Homexperts, Inc. (d/b/a Homekeys), a real estate services company, 2005-present; Director, Schweitzer-Mauduit International, Inc., 2005-2007; President, Phelps Dodge Industries, 1995-2002 Coral Gables, FL	Director	2006
E. Michel Kruse 65	Retired; Chairman and Senior Advisor-Financial Institutions Group of UBS Warburg, 2000-2002; Chief Executive of BHF-Bank AG, 1997-1999; Chief Financial Officer and Vice Chairman of the Board of The Chase Manhattan Corporation, 1992-1996 Amelia Island, FL	Director; Chair of the Strategy and Finance Committee of the Board of Directors	2002

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Name and Age	Principal Occupation and Business Experience During the Past Five Years (1)	Positions or Offices with the Corporation	Period of Service as Director Began
Ernest R. Verebelyi 61	Retired; Non-executive Chairman, 2005-present, and Director, 2003-present, Columbus McKinnon Corporation, an industrial manufacturing company; President-Americas, Terex Corporation, 2001-2002; President-Americas and Mining, Terex Corporation, 2001 Ponte Vedra Beach, FL	Director	2006
<b><u>Incumbent Class I Directors Serving for a Term Expiring in 2010</u></b>			
Steven V. Lant 51	Present positions since 2004; President and Chief Executive Officer of the Corporation, 2003-2004; Chief Operating Officer and Chief Financial Officer of the Corporation, 2002-2003; Chief Financial Officer of the Corporation, of Central Hudson, and of Central Hudson Energy Services, Inc., 2001-2002 Poughkeepsie, NY	Chairman of the Board, President and Chief Executive Officer of the Corporation; Chairman of the Board and Chief Executive Officer of Central Hudson; Chairman of the Board, President and Chief Executive Officer of CHEC; Director of the Corporation, of Central Hudson, and of CHEC	2002
Jeffrey D. Tranen 62	Senior Vice President, Compass Lexecon (an FTI Company), a consulting firm, 2000-present; Director, Doble Engineering Company, 1998-2007; Director, Oglethorpe Power Corporation, 2000-2004; Director, Earthfirst Technologies Incorporated, 2001-2002; President and Chief Operating Officer, Sithe Northeast Inc., 1999-2000; President and Chief Executive Officer, California Independent System Operator, 1997-1999; President, New England Power Company, 1993-1997 New York, NY	Director	2004

Name and Age	Principal Occupation and Business Experience During the Past Five Years (1)	Positions or Offices with the Corporation	Period of Service as Director Began
<b><u>Incumbent Class II Directors Serving for a Term Expiring in 2011</u></b>			
Margarita K. Dilley 51	Consultant; Vice President, Chief Financial Officer, and Director of Astrolink International LLC, 1998-2004; Director of Strategy & Corporate Development and Treasurer of INTELSAT, 1992-1998; Treasurer, Comsat Corporation, 1987-1992 Washington, DC	Director; Chair of the Audit Committee of the Board of the Directors	2004
Steven M. Fetter 57	President, Regulation UnFettered, a consulting firm, 2002-present; Board member and former Chairman of the National Regulatory Research Institute; Group Head and Managing Director, Global Power Group, Fitch Ratings, 1998-2002; Chairman and Commissioner of the Michigan Public Service Commission, 1987-1993; Acting Associate Deputy Under Secretary of Labor, U.S. Department of Labor, 1987 Henderson, NV	Director; Lead Independent Director; Chair of the Governance and Nominating Committee of the Board of Directors	2002
Stanley J. Grubel 66	Consultant; Director, Asyst Technologies, Inc.; Vice President and General Manager, Philips Semiconductor Manufacturing, Inc., 2000-2001; Chief Executive Officer, MiCRUS, 1995-2000 Irvington, NY	Director; Chair of the Compensation Committee of the Board of Directors	1999

(1) Based on information furnished to the Corporation as of December 31, 2008.

**GOVERNANCE OF THE CORPORATION**

The Board of Directors has eight members.

During 2008, the Board of Directors held ten meetings and the Committees held a total of 28 meetings. No current Director attended fewer than 75% of all of the Board meetings held in the last year, and no current Director attended fewer than 75% of the total number of meetings held by all Committees of the Board on which any Director served in 2008. All Directors serving on each of the Compensation Committee, the Governance and Nominating Committee, and the Audit Committee attended all of their respective Committee meetings in 2008.

The Board of Directors has adopted statements of governance principles set forth in a document entitled Corporate Governance. Section I of this document sets forth the Corporation's statement of Our Principles and Culture. Section II of this document sets forth the Corporation's statement of Our Governance Guidelines. The entire document is available on the Corporation's Internet site at [www.chenergygroup.com](http://www.chenergygroup.com). A copy of the Corporation's governance principles may also be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

**Director Independence**

The Board of Directors makes determinations regarding whether individual Directors are independent for purposes of applicable corporate governance rules promulgated by the SEC and New York Stock Exchange listing standards based on all relevant facts and circumstances. To be considered independent for purposes of the Director qualification standards, the Board must affirmatively determine that the Director has no material relationship with the Corporation, directly or as an officer, shareholder, or partner of an organization that has a relationship with the Corporation. The Board broadly considers all relevant facts and circumstances. In this connection, the Board applies the following standards:

In no event will a Director be considered independent if:

- (A) within the preceding three years:
  - (i) the Director was employed by the Corporation;
  - (ii) any member of the Director's immediate family was employed by the Corporation as an executive officer;
  - (iii) the Director or any member of his or her immediate family received more than \$120,000 during a twelve-month period within the last three years in direct compensation from the Corporation (other than Director's fees and pension or other forms of deferred compensation for prior service with the Corporation); or
  - (iv) an executive officer of the Corporation was on the Compensation Committee of the Board of Directors of an entity that employed either the Director or any member of his or her immediate family as an executive officer; or
- (B)
  - (i) the Director or any member of his or her immediate family is a current partner of a firm that is the Corporation's internal or external auditor;
  - (ii) the Director is a current employee of such a firm;

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- (iii) any member of the immediate family of the Director is a current employee of such a firm and participates in the firm's audit, assurance, or tax compliance (but not tax planning) practice; or
  - (iv) the Director or any member of his or her immediate family was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Corporation's audit within that time; or
- (C) the Director is a current employee, or an immediate family member of the Director is a current executive officer, of an entity that has made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other entity's consolidated gross revenues.

In addition, the following standards identify categories of relationships that will not be considered as material relationships that would impair a Director's independence:

Transactions between the Corporation and another entity with which a Director or a member of a Director's immediate family is affiliated -

- (i) if the transactions occurred more than three years prior to the determination of independence, or
- (ii) if the transactions occur in the ordinary course of business and are consistent with other arm's length transactions in which the Corporation has engaged with third parties, unless
  - (a) the Director is a current employee, executive officer, director, or owner of 5% or more of the voting stock of the other entity, or a member of the Director's immediate family is a current employee, executive officer, director, or owner of 5% or more of the voting stock of the other entity, and
  - (b) such transactions represent, in any of the last three fiscal years, more than the greater of \$1 million or 2% of the other entity's consolidated gross revenues; and

Discretionary charitable contributions by the Corporation to non-profit entities with which a Director or a member of the Director's immediate family is affiliated, if such contributions

- (i) occurred more than three years prior to the determination of independence, or
- (ii) are consistent with the Corporation's philanthropic practices, unless
  - (a) the Director or family member is a current executive officer, director, or trustee of the entity, and
  - (b) the Corporation's contributions represent, in any of the last three fiscal years, more than the greater of \$1 million or 2% of such entity's consolidated gross revenues.

Annually, the Board will review all relationships between the Corporation and its Directors, including but not limited to commercial and charitable relationships, to determine whether Directors are independent under the standards described above. For relationships not qualifying as immaterial under the categorical standards listed above, the determination of whether the relationship is material, and therefore whether the Director is independent, shall be made by the Directors who satisfy the above independence guidelines. The Corporation will explain in its next proxy statement the

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basis for any Board determination that a relationship was not material despite the fact that it did not meet the categorical standards of immateriality set forth in the above guidelines.

An Audit Committee member may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board Committee, (i) accept directly or indirectly any consulting, advisory, or other compensatory fee from the Corporation or any subsidiary other than compensation under a retirement plan (including deferred compensation) for prior service with the Corporation or any subsidiary (provided that the compensation is not contingent in any way on continued service), or (ii) be an affiliated person of the Corporation or any subsidiary.

As a result of its annual review, the Board has determined that all of the Directors are independent, with the exception of Steven V. Lant. Mr. Lant is not independent because he is an executive officer of the Corporation.

Only independent Directors serve on the Corporation's Audit Committee, Governance and Nominating Committee, and Compensation Committee.

### **Committees of the Board of Directors**

The Board of Directors of the Corporation has established four standing Committees, including the Audit Committee, the Compensation Committee, the Governance and Nominating Committee, and the Strategy and Finance Committee. These Committees are described below. Although permitted by the By-laws, the Board of Directors has not appointed an Executive Committee.

### **Audit Committee**

The Corporation's Audit Committee is a separately-designated standing committee. The members of the Audit Committee are Margarita K. Dilley, Steven M. Fetter, E. Michel Kruse, and Jeffrey D. Tranen. Ms. Dilley is the Chair of the Audit Committee. The Audit Committee met ten times in 2008.

The Board of Directors has determined that each of these Committee members meets the New York Stock Exchange listing standards and the Corporation's categorical standards for independence.

The Board of Directors has determined that Ms. Dilley meets the SEC criteria for an audit committee financial expert and the New York Stock Exchange standard of having accounting or related financial management expertise. Ms. Dilley's extensive background and experience includes having served as the Chief Financial Officer of Astrolink International LLC.

The functions of the Audit Committee are to assist the Board of Directors in its oversight of (a) the accounting and financial reporting processes of the Corporation and (b) the auditing of the financial statements of the Corporation; these functions are further discussed in the Report of the Audit Committee, which is set forth beginning on page 16 of this proxy statement.

The Audit Committee operates under a written Charter which sets out the functions, responsibilities, and scope of authority of this Committee. A copy of the Charter is available on the Corporation's Internet site at [www.chenergygroup.com](http://www.chenergygroup.com) and may also be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

### **Compensation Committee**

The members of the Compensation Committee are Stanley J. Grubel, Margarita K. Dilley, Manuel J. Iraola, and Ernest R. Verebelyi. Mr. Grubel is the Chair of the Compensation Committee. The Compensation Committee met seven times in 2008.

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The Board of Directors has determined that each of these Committee members meets the New York Stock Exchange listing standards and the Corporation's categorical standards for independence.

The functions and scope of authority of the Compensation Committee are to (a) assist the Board of Directors in its oversight of (i) the executive compensation and benefits program of the Corporation, (ii) the compensation program for Directors of the Corporation, and (iii) succession planning for officer positions of the Corporation; (b) review and approve goals and objectives relevant to the Chief Executive Officer's compensation, and evaluate the Chief Executive Officer's performance in light of those goals and objectives; (c) administer the Short-Term Incentive Plan and the Long-Term Equity Incentive Plan of the Corporation; and (d) provide, in accordance with the rules of the SEC, an annual Compensation Committee Report for inclusion in the Corporation's annual proxy statement.

The Compensation Committee has retained the Hay Group (Hay Group) to advise it on the form and amounts of Director and executive compensation. The Hay Group reports directly to the Compensation Committee and serves at the sole pleasure of the Committee. The Hay Group provides no services to CH Energy Group other than services that are requested by the Committee. The Hay Group provides market survey data and advice on the competitiveness of the compensation packages of our Directors and executive officers.

In addition to information and advice received from the Hay Group, the Compensation Committee considers input and recommendations from Mr. Lant, who attends the Compensation Committee meetings. Specifically, as part of the annual compensation planning process, Mr. Lant: (i) performs an annual evaluation of the performance of each of the four other Named Executive Officers and provides recommendations to the Committee concerning base salary adjustments for each of them; (ii) provides recommendations to the Committee for team and individual performance objectives, along with their relative weightings, under the Short-Term Incentive Plan for the coming year; and (iii) provides the Committee with an assessment of the extent to which individual performance objectives for the previous year have been achieved. In its discretion, the Compensation Committee holds executive session portions of its meetings for the purpose of fostering open communications among the Committee members with respect to carrying out its duties. Mr. Lant does not participate in the executive session portions of the Committee meetings.

For additional information about the role and activities of the Compensation Committee, please refer to the Executive Compensation section of this proxy statement at page 21.

The Compensation Committee operates under a written Charter which sets out the functions and scope of authority of this Committee. The Charter provides that the Committee may not delegate its authority. A copy of the Charter is available on the Corporation's Internet site at [www.chenergygroup.com](http://www.chenergygroup.com) and may also be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

### **Governance and Nominating Committee**

The members of the Governance and Nominating Committee are Steven M. Fetter, Stanley J. Grubel, and Ernest R. Verebelyi. Mr. Fetter is the Chair of the Governance and Nominating Committee. The Governance and Nominating Committee met four times in 2008.

The Board of Directors has determined that each of these Committee members meets the New York Stock Exchange listing standards and the Corporation's categorical standards for independence.

The functions of the Governance and Nominating Committee are to assist the Board of Directors in (a) organizing itself to effectively carry out its responsibilities and (b) nominating for election to the Board persons who have experience, backgrounds, and skills appropriate for the current needs of the Corporation.

The Governance and Nominating Committee operates under a written Charter which sets out the functions, responsibilities, and scope of authority of this Committee. A copy of the Charter is available on the Corporation's Internet

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site at [www.chenergygroup.com](http://www.chenergygroup.com) and may also be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

### Strategy and Finance Committee

The members of the Strategy and Finance Committee are E. Michel Kruse, Manuel J. Iraola, Steven V. Lant, and Jeffrey D. Tranen. Mr. Kruse is the Chair of the Strategy and Finance Committee. The Strategy and Finance Committee met seven times in 2008.

The functions of the Strategy and Finance Committee are to assist the Board of Directors in its oversight of the Corporation's strategic direction, business and financial planning, financing policies, and consistent implementation of business plans.

The Strategy and Finance Committee operates under a written Charter which sets out the functions, responsibilities, and scope of authority of this Committee. A copy of the Charter is available on the Corporation's Internet site at [www.chenergygroup.com](http://www.chenergygroup.com) and may also be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

### Director Nomination Process

The Governance and Nominating Committee of the Board of Directors is responsible for identifying, evaluating, and recommending to the Board nominees for election as Directors of the Corporation.

The Governance and Nominating Committee seeks to nominate persons for election to the Board of Directors who have experience, backgrounds, and skills appropriate for the current and anticipated future needs of the Corporation. In carrying out the nomination process, the Governance and Nominating Committee works to identify potential candidates and welcomes recommendations from other members of the Board, members of management, shareholders, and other interested persons. From time to time, the Governance and Nominating Committee also may retain a professional search firm to assist in identifying and evaluating candidates; the Board did not do so in 2008.

On an annual basis, the Governance and Nominating Committee reviews the current size, composition, and organization of the Board and of its Committees, determines future needs, and makes recommendations to the Board as appropriate. The Governance and Nominating Committee evaluates Director candidates, including incumbent Directors, and seeks to recommend nominees who would strengthen the Board and fill needs for particular skills or attributes among the Directors. This evaluation is performed in the context of Board-approved Criteria for Selecting New Directors and of Sections 2, 3, 4, and 5 of the Corporation's Governance Guidelines. These Sections of the Governance Guidelines relate to the functions of the Board, the responsibilities and duties of Directors, the desired qualifications of Directors, and the requirement that a majority of Directors be independent in accordance with the Listed Company Manual of the New York Stock Exchange. The Corporation's Criteria for Selecting New Directors and its Governance Guidelines are available on the Corporation's Internet site at [www.chenergygroup.com](http://www.chenergygroup.com) and may also be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839. All potential candidates, including persons recommended by security holders, are evaluated in the same manner and according to the same standards.

The Governance and Nominating Committee believes that all Directors should have the following qualifications. They should be competent persons of honesty and integrity, and should have a reputation for high standards and values in their professional and personal activities. They should have several years of high-level executive responsibility in a significant for-profit business entity during which they were responsible for strategic decisions that integrated relevant technology, marketing, financial, human resources and organizational development considerations. They also should possess communication and interpersonal skills appropriate for constructive discussions at the Board level. The Corporation seeks to have a Board comprised of individuals with diverse experience, backgrounds and skill sets, who

participate actively and regularly in the Board's work, and who consistently demonstrate objective analysis, practical wisdom and sound judgment.

The Governance and Nominating Committee also believes that a candidate for election as a Director should have professional skills that complement the skills of existing Board members. The Committee seeks Directors who add strength in areas that are important to the Company's long-term success and who also possess skills that are appropriate for the perceived current needs of the Board. The Committee seeks individuals with demonstrated leadership abilities, including the ability to work with people and build consensus, the ability to learn and listen with an open mind, the ability to engage in constructive discussion, the ability to disagree with others in a manner that adds substance, the fortitude to make tough decisions, and the fortitude to endure private and public criticism.

When the Governance and Nominating Committee identifies a candidate that merits in-depth consideration, the Committee invites the Chairman of the Board, President and Chief Executive Officer to assess the person's qualifications and to discuss his views about the person with the Committee; this assessment may involve the Chairman of the Board, President and Chief Executive Officer meeting with the person.

When a candidate is identified by the Governance and Nominating Committee as a potential nominee for election as a new Director of the Corporation, at least two members of the Governance and Nominating Committee meet with the person in face-to-face interviews. Subsequently, the Governance and Nominating Committee meets to discuss and consider each candidate's qualifications and then chooses, by majority vote of the Committee members, the persons it wishes to recommend to the Board as nominees for election as Directors of the Corporation.

A shareholder wishing to recommend a person for consideration as a potential candidate for election to the Board of Directors may do so by sending a written communication to the Governance and Nominating Committee in care of the Corporate Secretary at 284 South Avenue, Poughkeepsie, New York 12601-4839. The submission to the Governance and Nominating Committee must include (a) a written statement signed by the potential candidate confirming that he or she wishes to be considered as a candidate and would be willing and able to serve as a Director if elected and (b) a writing signed by the shareholder that includes sufficient information and specificity to (i) enable the Governance and Nominating Committee to confirm the writer's status as a shareholder of the Corporation and (ii) allow the Governance and Nominating Committee to evaluate the potential candidate in the context of the Corporation's Criteria for Selecting New Directors and its Governance Guidelines.

#### **Board Member Attendance at Annual Meeting of Shareholders**

Directors are expected to attend the Annual Meeting of Shareholders, and it is the practice of the Corporation to introduce each Director at the Annual Meeting of Shareholders.

Each of the current members of the Corporation's Board of Directors attended the 2008 Annual Meeting of Shareholders.

#### **Compensation Committee Interlocks and Insider Participation**

Only independent Directors served on the Compensation Committee in 2008. Mr. Grubel, Ms. Dilley, Mr. Iraola, and Mr. Verebelyi served as members of the Compensation Committee in 2008, and they continue to serve as members of the Compensation Committee through the date of this proxy statement. Mr. Grubel served as the Chair of the Compensation Committee in 2008, and continues to serve as its Chair through the date of this proxy statement. No inside Directors serve on this Committee. None of the members of the Compensation Committee is, or has been, an employee or officer of the Corporation. During 2008, no member of the Compensation Committee had any relationship with the Corporation that would require disclosure under Item 404 of Regulation S-K, and none of the Corporation's executive officers served on the compensation committee (or an equivalent committee) or board of directors of another entity whose

executive officer(s) served on the Corporation's Compensation Committee or Board of the Corporation or any of its subsidiaries.

### **Code of Business Conduct and Ethics**

The Corporation has a Code of Business Conduct and Ethics that sets forth the commitment of the Corporation to conduct its business in accordance with the highest ethical standards and all applicable laws, rules, and regulations. The Code of Business Conduct and Ethics, adopted by the Board of Directors, states the guiding principles by which the Corporation operates and conducts its daily business with its shareholders, customers, suppliers, government authorities, and employees. These principles apply to all Directors, officers, and employees.

Employees are encouraged to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Business Conduct and Ethics.

Section II of the Code of Business Conduct and Ethics, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002, constitutes the Corporation's Code of Ethics for Senior Financial Officers. This section, in conjunction with the remainder of the Code of Business Conduct and Ethics, is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters. A copy of the Code of Business Conduct and Ethics is available on the Corporation's Internet site at [www.chenergygroup.com](http://www.chenergygroup.com). A copy of the Corporation's Code of Business Conduct and Ethics may also be obtained free of charge by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

If the Corporation's Board of Directors amends Section II of the Code of Business Conduct and Ethics or grants any waiver to Section II of the Code of Business Conduct and Ethics, which waiver relates to issues concerning actual or apparent conflicts of interest, disclosures in the Corporation's SEC filings or public communications, compliance with laws, rules, or regulations, or internal compliance with the Code of Business Conduct and Ethics within the Corporation, the Corporation will post such information on its Internet site at [www.chenergygroup.com](http://www.chenergygroup.com).

### **Review, Approval or Ratification of Transactions with Related Persons**

The Board of Directors has adopted a written policy and written procedures for the review, approval, or ratification of transactions involving the Corporation and related persons (*i.e.*, Directors and their immediate family members, executive officers and their immediate family members, and shareholders owning five percent or more of the Corporation's outstanding stock). The policy and procedures cover any related person transaction that exceeds the minimum threshold for disclosure in our annual proxy statement under the relevant rules of the SEC (generally, a transaction involving an amount in excess of \$120,000, or a series of transactions involving an aggregate amount in excess of \$120,000 in any calendar year, in which a related person has a direct or indirect material interest, and which does not fall under an explicitly stated exception set forth in the applicable disclosure rules of the SEC). Such a covered related person transaction is hereinafter referred to as a Related Person Transaction.

#### Policy

The Governance and Nominating Committee, which consists solely of independent Directors, must review all Related Person Transactions. The Governance and Nominating Committee will approve a Related Person Transaction only if it determines that the Related Person Transaction is consistent with the business interests of the Corporation. In considering the Related Person Transaction, the Committee will consider all relevant factors, including as applicable: (i) the Corporation's business rationale for entering into the Related Person Transaction; (ii) whether the Related Person Transaction is on terms comparable to those available to third parties, or in the case of employment relationships, to employees generally; (iii) the potential for the Related Person Transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and (iv) the overall fairness of the Related Person Transaction to the Corporation.

Procedure

Directors and executive officers are responsible for bringing a potential Related Person Transaction to the attention of the Chairman of the Board, President and Chief Executive Officer or to the attention of the Chair of the Governance and Nominating Committee.

The Chairman of the Board, President and Chief Executive Officer and the Chair of the Governance and Nominating Committee shall jointly determine (or, if either is involved in the Related Person Transaction, the other shall determine in consultation with the Lead Independent Director) whether the matter is a Related Person Transaction that should be considered by the Governance and Nominating Committee. If a Director is involved in the Related Person Transaction, he or she shall be recused from all discussions and decisions about the Related Person Transaction. The Related Person Transaction should be approved in advance whenever practicable, and if not practicable, must be ratified as promptly as practicable.

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee of the Board of Directors is comprised of Directors who have no material relationship with the Corporation (either directly or as a partner, shareholder, or officer of an organization that has a relationship with the Corporation) and meet the New York Stock Exchange listing standards and the Corporation's categorical standards for independence.

The Audit Committee appointed PricewaterhouseCoopers LLP, an independent registered public accounting firm, as the Corporation's independent public accountants for 2008 (the Independent Accountants).

In performing its duties, the Audit Committee: (i) reviews the scope of the audit by the Corporation's Independent Accountants, PricewaterhouseCoopers LLP, and related matters pertaining to the examination of the financial statements; (ii) reviews and evaluates, at least once a year, the qualifications, independence, and performance of the Independent Accountants (which includes an evaluation of the lead partner of the Independent Accountants); (iii) examines the adequacy of the Corporation's internal control over financial reporting and the Corporation and its subsidiary companies' internal audit activities; (iv) reviews the nature and extent of audit and non-audit services and pre-approves such services provided by the Corporation's Independent Accountants; (v) consults at least three times a year with the Independent Accountants regarding financial issues; (vi) makes recommendations to the Board of Directors on the foregoing matters as well as on the appointment of the Corporation's Independent Accountants; (vii) meets regularly with the Corporation's Internal Auditing Manager and Vice President - Accounting and Controller; and (viii) reviews quarterly and annual financial statements and earnings releases filed with the SEC.

In 2008, the Audit Committee met with management periodically during the year to consider the adequacy of the Corporation's internal control over financial reporting and the objectivity of its financial reporting. The Audit Committee discussed these matters with the Corporation's Independent Accountants and with appropriate Corporation financial personnel and internal auditors. The Audit Committee also discussed with the Corporation's senior management and Independent Accountants the process used for certifications by the Corporation's Chief Executive Officer and the Chief Financial Officer, which certifications are required for certain of the Corporation's filings with the SEC.

The Audit Committee also met privately at its regular meetings with both the Independent Accountants and the Internal Auditing Manager, as well as with the Vice President - Accounting and Controller.

For 2008, the Audit Committee has:

1. reviewed and discussed the audited financial statements with management;

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2. discussed with the Independent Accountants the matters required to be discussed by Statement on Auditing Standards No. 61, as amended;
3. received the written disclosures and the letter from the Independent Accountants required by applicable requirements of the Public Company Accounting Oversight Board regarding the Independent Accountant's communications with the Audit Committee concerning independence, and has discussed with the Independent Accountant the Independent Accountant's independence; and
4. received the reports of the Chief Executive Officer and the Chief Financial Officer relating to their evaluation of the Corporation's internal control over financial reporting.

Based on the review and discussions referred to above and additional matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Corporation's Board of Directors that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for filing with the SEC.

The Audit Committee:

Margarita K. Dilley, Chair  
 Steven M. Fetter  
 E. Michel Kruse  
 Jeffrey D. Tranen

The Audit Committee has appointed PricewaterhouseCoopers LLP as the Corporation's independent public accountants for 2009. Although shareholder approval of the Audit Committee's appointment is not required by law, the Board of Directors believes that it is good corporate governance to give shareholders an opportunity to ratify this selection. If this proposal is not approved at the Annual Meeting, the Audit Committee may reconsider its selection.

Even if the appointment is ratified, the Audit Committee may, in its discretion, change the appointment at any time during the year if it determines that such a change would be in the best interests of the Corporation and its shareholders.

Representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting. The representatives of PricewaterhouseCoopers LLP will be given the opportunity to make a statement, if desired, and will be available to respond to appropriate questions from shareholders.

Information on fees billed by PricewaterhouseCoopers LLP to the Corporation during 2008 and 2007 is provided below:

### Principal Accountant Fees and Services

PricewaterhouseCoopers LLP	2008	2007
Audit Fees	\$ 943,191	\$ 918,870
Tax Fees		
Includes review of consolidated federal and state income tax returns and tax research	\$ 20,291	\$ 16,360
All Other Fees		
Includes software licensing fee for accounting research tool	\$ 750	\$ 1,500
<b>TOTAL</b>	<b>\$ 964,232</b>	<b>\$ 936,730</b>

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The Audit Committee also concluded that the provision of services for which fees were paid under the captions Tax Fees, and All Other Fees were compatible with the maintenance of the Independent Accountants independence.

The Audit Committee has adopted guidelines regarding pre-approval of the services to be provided by the Independent Accountants. These guidelines require that the Audit Committee review and approve, prior to the start of the fiscal year, (i) an engagement letter for audit services from the Independent Accountants, outlining the scope of the audit services to be provided during the next fiscal year and including a fee proposal for such services, and (ii) a list of, and a budget for, non-audit services that management recommends be provided by the Independent Accountants during the next fiscal year.

Management and the Independent Accountants confirmed that the recommended non-audit services were permissible under all applicable requirements. The Corporation has adopted a list of specific audit and non-audit services that may be provided by the Independent Accountants.

If the scope or cost of the audit or non-audit services requires changes during the fiscal year, the Audit Committee s procedures enable the Chair of the Audit Committee to approve such changes, up to certain dollar limits, and to report on any such changes at the next Audit Committee meeting. The Corporation s Vice President - Accounting and Controller is responsible for tracking all independent accountant fees against the budgets for audit and non-audit services and reporting on such budget issues at least annually to the Audit Committee.

In 2008, the Audit Committee approved all of the fees set forth in the table above under the captions Tax Fees, and All Other Fees.

**BENEFICIAL OWNERSHIP**

The following table lists the number of shares of equity securities of the Corporation beneficially owned by each of the Directors, by each Named Executive Officer listed in the Summary Compensation Table included under the caption Executive Compensation, by beneficial owners of more than 5% of the Corporation's Common Stock, and by all Directors and executive officers of the Corporation as a group:

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership of the Corporation's Common Stock (1)(2)</u>	<u>% of the Corporation's Common Stock (3)</u>
Margarita K. Dilley (8)	0	Less than 1%
Steven M. Fetter (8)	5,903	Less than 1%
Stanley J. Grubel (8)	6,023	Less than 1%
Manuel J. Iraola (8)	3,850	Less than 1%
E. Michel Kruse (8)	1,100	Less than 1%
Steven V. Lant (7)	20,550	Less than 1%
Jeffrey D. Tranen (8)	0	Less than 1%
Ernest R. Verebelyi (8)	0	Less than 1%
Christopher M. Capone (7)	2,449	Less than 1%
Joseph J. DeVirgilio, Jr. (7)	5,407	Less than 1%
W. Randolph Groft (7)	3,711	Less than 1%
Carl E. Meyer (7)	6,477	Less than 1%
Barclays Global Investors, NA (4)	1,380,805	8.75%
Gabelli Asset Management Inc. (5)	1,280,317	8.11%
Manulife Financial Corporation (6)	989,864	6.27%
All Directors and Executive Officers as a Group (15 Persons)	58,110	Less than 1%

- (1) In the case of Directors and executive officers, this table is based on information furnished to the Corporation by such persons as of December 31, 2008. Unless otherwise noted, each individual or entity named in the table has sole voting and dispositive power.
- (2) Includes shares of Common Stock covered by options that are exercisable within sixty days of December 31, 2008. The Directors and executive officers named in the above table who have such options and the number of shares which may be acquired are as follows: Mr. DeVirgilio (800); Mr. Fetter (1,000); Mr. Groft (800); Mr. Grubel (4,000); Mr. Kruse (1,000); Mr. Lant (7,000); and Mr. Meyer (1,440). The Directors and executive officers as a group hold a total of 17,460 options that are currently exercisable.
- (3) The percentage ownership calculation for each beneficial owner, including each percentage calculation set forth in footnotes 4, 5, and 6 below, has been made on the basis of the amount of outstanding shares of Common Stock as of the record date.
- (4) Based upon a Schedule 13G filed with the SEC on February 5, 2009, by Barclays Global Investors, NA on behalf of Barclays Global Investors, NA, Barclays Global Fund Advisors, Barclays Global Investors, Ltd., Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited, and Barclays Global Investors (Deutschland) AG. As reported in the Schedule 13G, as of December 31, 2008, Common Stock was beneficially owned as follows: Barclays Global Investors, NA 677,070 shares (4.29%), of which Barclays Global Investors, NA has sole voting power with respect to 588,305 shares; Barclays Global Fund Advisors 693,072 shares (4.39%), of which Barclays Global Fund Advisors has sole voting power with respect to 513,407 shares; Barclays Global Investors, Ltd. 10,663 shares (less than 1%). The principal business address of Barclays Global Investors, NA is 400 Howard Street, San Francisco, California 94105. In addition, Barclays PLC filed a Schedule 13G with the SEC on February 9, 2006, on behalf of Barclays Bank PLC and other entities, reporting as of December 31, 2005, 23,154 shares of Common Stock (less than 1%) beneficially owned by Barclays Bank PLC, which are not included in the table above for Barclays Global Investors, NA. The principal business address of Barclays Bank PLC is 54 Lombard Street, London, England EC3P 3AH.

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- (5) Based upon a Schedule 13 D/A filed with the SEC on February 18, 2009, by GAMCO Investors, Inc. on behalf of Gabelli Funds, LLC, GAMCO Asset Management Inc., Gabelli Foundation, Inc., GGCP, Inc., GAMCO Investors, Inc., and Mario J. Gabelli. As reported in the Schedule 13 D/A, as of February 18, 2009, the Corporation's Common Stock was beneficially owned as follows: Gabelli Funds, LLC 550,000 (3.48%), GAMCO Asset Management Inc. 729,817 (4.62%), and Mario J. Gabelli 500 (less than 1%). GAMCO does not have the sole authority to vote 29,125 of the reported shares. As indicated in the February 18, 2009 Schedule 13 D/A, the principal business address for GAMCO Investors, Inc. is One Corporate Center, Rye, New York 10580.
- (6) Based upon a Schedule 13 G/A filed with the SEC on February 11, 2009, by Manulife Financial Corporation on behalf of Manulife Financial Corporation, MFC Global Investment Management (U.S.A.), Limited, and MFC Global Investment Management (U.S.A.) LLC. As reported on the Schedule 13 G/A, as of December 31, 2008, Common Stock was beneficially owned as follows: MFC Global Investment Management (U.S.), LLC 981,000 shares (6.21%); and MFC Global Investment Management (U.S.A.) Limited 8,864 shares (less than 1%). As indicated in the February 11, 2009 Schedule 13 G/A, the principal business address for Manulife Financial Corporation is 200 Bloor Street, East, Toronto, Ontario, Canada M4W 1E5.
- (7) The Named Executive Officers have deferred compensation accounts under the Directors and Executives Deferred Compensation Plan that are credited with phantom shares of Common Stock as of December 31, 2008: Mr. Capone (1,753 phantom shares); Mr. DeVirgilio (749 phantom shares); Mr. Groft (2,077 phantom shares); and Mr. Meyer (3,689 phantom shares). The phantom shares credited to Mr. Lant's account under the plan are shown in the table Stock Equivalents Ownership of Directors, immediately below. Such shares are not reflected on the Beneficial Ownership table.
- (8) The non-employee Directors have deferred compensation accounts under the Directors and Executives Deferred Compensation Plan that are credited with phantom shares of Common Stock as of December 31, 2008. Please refer to the next section entitled Stock Equivalents Ownership of Directors for more information. Such phantom shares are not reflected in the Beneficial Ownership table.

### STOCK AND STOCK EQUIVALENTS OWNERSHIP OF DIRECTORS

The following table sets forth the number of phantom shares of Common Stock, as of December 31, 2008, credited to the accounts of the Corporation's participating Directors under the Directors and Executives Deferred Compensation Plan, including reinvested dividends (rounded to the nearest whole number), the number of shares of Common Stock beneficially owned by each participating Director, and the aggregate number of shares of Common Stock and stock equivalents owned by each.

The phantom shares shown in the following table are the sum of (i) phantom shares granted to the Corporation's current non-employee Directors (i.e., each Director other than Mr. Lant) as a part of their compensation for service as a Director of the Corporation and (ii) phantom shares resulting from the deferral, if any, into phantom shares of an independent Director's fees which would have otherwise been paid to the Director in cash. The phantom shares shown in the following table for Mr. Lant are the sum of the phantom shares resulting from Mr. Lant's deferral into phantom shares of compensation earned by Mr. Lant for his services as an executive of the Corporation.

Under the Directors and Executives Deferred Compensation Plan, payments are made in cash and are generally made following termination of service as a Director based on the market value of the Common Stock at the time of termination. For additional information, see the subcaption Director Compensation at page 57 of this proxy statement.

Name	Number of Phantom Shares (1)	Number of Shares Beneficially Owned (2)	Total Ownership
Steven V. Lant	5,689	20,550	26,239
Margarita K. Dilley	5,184	0	5,184
Steven M. Fetter	5,718	5,903	11,621
Stanley J. Grubel	6,300	6,023	12,323
Manuel J. Iraola	2,347	3,850	6,197
E. Michel Kruse	6,645	1,100	7,745
Jeffrey D. Tranen	6,421	0	6,421
Ernest R. Verebelyi	3,517	0	3,517
Total (3)	41,821	37,426	79,247

20

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- (1) The information in this column is as of December 31, 2008.
  - (2) The information in this column is as of December 31, 2008, and reflects the total number of shares beneficially owned by each of the Directors as set forth in the table under the Beneficial Ownership section at page 19.
  - (3) The total for each individual is less than 1% of the outstanding shares of Common Stock, and the total for the group of all independent Directors (7 persons) is 53,008, which is less than 1% of the outstanding shares of Common Stock; both percentages are calculated as of the record date.

#### **INSURANCE**

The Corporation provides liability insurance for its Directors and officers. Federal Insurance Company (CHUBB), Associated Electric and Gas Insurance Services, Ltd., Energy Insurance Mutual, and Houston Casualty Company are the principal underwriters of the current coverage, which extends until June 1, 2009. The annual cost of this coverage is approximately \$916,000.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Corporation's Directors and executive officers, and any person who owns more than 10% of a registered class of the Corporation's equity securities (collectively Reporting Persons), to file initial reports of ownership and reports of changes in ownership with the SEC. These Reporting Persons are required by SEC regulations to furnish the Corporation with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of these forms furnished to the Corporation and written representations from the Corporation's Directors and executive officers, Mr. Groft did not timely file a Form 4 in connection with fourteen separate transactions during 2008 (each such transaction was a purchase of phantom stock via a pre-arranged salary deferral under the Directors and Executives Deferred Compensation Plan). A Form 4 for each transaction has since been filed with the SEC.

#### **EXECUTIVE COMPENSATION**

##### **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis explains our compensation program for the Chief Executive Officer, the Chief Financial Officer, and the other three most highly compensated executive officers. These individuals are referred to collectively in this proxy statement as our Named Executive Officers.

Our Named Executive Officers for 2008 were: (i) Steven V. Lant, Chairman of the Board, President and Chief Executive Officer of the Corporation; (ii) Christopher M. Capone, Executive Vice President and Chief Financial Officer of the Corporation; (iii) Carl E. Meyer, Executive Vice President of the Corporation and President and Chief Operating Officer of Central Hudson; (iv) Joseph J. DeVirgilio, Jr., Executive Vice President Corporate Services and Administration of the Corporation; and (v) W. Randolph Groft, President and Chief Operating Officer of Griffith Energy Services, Inc. (Griffith).

**Objectives**

Our executive compensation program is designed to achieve the following objectives:

Attract and retain experienced, talented and performance-driven executives by offering compensation opportunities that are competitive with opportunities offered by comparable companies in the markets in which we compete for executive talent; and

Align the interests of our executive officers and shareholders by motivating executive officers to maximize our shareholders return on investment, to minimize risks over the long-term, and to achieve high levels of customer satisfaction, and by rewarding executive officers for performance related to the creation of sustainable value.

**Compensation Elements**

The key elements of our executive compensation program for our Named Executive Officers are base salary, annual short-term incentives, long-term incentives, consisting of performance shares and restricted shares, and retirement benefits. The chart below illustrates how each element of compensation fulfills our compensation objectives discussed above:

<b>Program</b>	<b>Form</b>	<b>Fixed or Variable</b>	<b>Business Objectives</b>
Base Salary	Cash	Fixed	Attract and retain experienced, talented and performance-driven executives
Annual Short-term Incentive ( STI )	Cash	Variable	Attract and retain experienced, talented and performance-driven executives; reward achievement of strong corporate performance, strong individual performance, and high levels of customer satisfaction; and emphasize variable performance-based compensation
Long-term Incentive (i.e., equity awards) ( LTI )	Equity	Variable	Attract and retain experienced, talented and performance-driven executives; reward achievement of strong corporate performance, positive stock price performance and enhancement of sustainable long-term value; emphasize variable performance-based compensation; and promote stock ownership to align interests with shareholders
Retirement	Cash	Fixed	Retain experienced, talented and performance-driven executives

## Pay for Performance

The Corporation's long-term success is based on achieving key strategic, financial and operational goals from year-to-year. As a result, our executive compensation program emphasizes pay for performance, through variable or at risk compensation. This means that a significant portion of our Named Executive Officers' total direct compensation which consists of base salary, short-term incentives and long-term incentives is directly contingent upon achieving specific results that are important to our long-term success and growth in shareholder value. As described in the table above, the variable components of our compensation program are the short-term incentives ( STI ) and long-term incentives ( LTI ).

The Compensation Committee has not established a specific formula for the allocation of fixed and variable compensation components and instead retains the discretion to modify the allocation from year-to-year. As illustrated below, for 2008, approximately 49% of the total direct compensation opportunity for our Named Executive Officers (other than Mr. Lant) was weighted - assuming payout at target levels - towards variable components. The total direct compensation opportunity for the Chief Executive Officer was roughly 61% variable to reflect his greater job scope and responsibility. The following charts illustrate this point.

Even though the Compensation Committee has not established a specific formula for the allocation of fixed and variable compensation components, it has increased the percentage of total direct compensation allocated towards variable components (assuming payout at target levels) over the past several years to (i) increase the emphasis on pay-for-performance, and (ii) be more consistent with the practices of the companies in our compensation peer groups described below. The following chart illustrates this trend.

Name	% Variable Compensation			
	2005	2006	2007	2008
Mr. Lant	51%	53%	56%	61%
Other Named Executive Officers	37%	39%	43%	49%

**Use of Market Compensation Data**

We believe that each element of our compensation program should remain competitive in order to attract and retain key executive talent. To help determine the competitive market, the Compensation Committee relies, in part, on information about the compensation being paid to executives (i) who are working at companies engaged in businesses comparable to the Corporation's businesses and (ii) who have roles and responsibilities that are similar to the roles and responsibilities of the Corporation's executives.

The Compensation Committee has retained the Hay Group ( Hay Group ) to advise it on the form and amounts of Director and executive compensation. The Hay Group reports directly to the Compensation Committee and serves at the

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sole pleasure of the Committee. The Hay Group provides no services to CH Energy Group other than services that are requested by the Committee. The Compensation Committee asked the Hay Group to provide information about whether the compensation packages of our executive officers were competitive with the market in which we compete for executive talent. The Hay Group was also asked to determine market levels for the following components of our executives' compensation at the median and the 25th and 75th percentiles:

Base salary

Short-term incentive compensation

Total cash compensation, which is base salary plus short-term incentive compensation

Long-term incentive awards

Total direct compensation, which is total cash compensation plus long-term incentive awards

Retirement benefits

Total remuneration, which is total direct compensation plus retirement benefits

In doing this work, the Hay Group compiled compensation information about companies in four separate groups ( comparator groups ).

*Comparator Group for Mr. Lant, Mr. Meyer, and Mr. Capone.* The first comparator group consisted of 16 utility and energy companies operating in the United States. This group was used as a comparator group in determining the compensation levels for Mr. Lant, Mr. Meyer, and Mr. Capone in 2008 because the Hay Group and the Compensation Committee believe (i) the scope and complexity of the respective positions of these three executives correspond with the responsibilities of persons occupying similar positions at the companies in this comparator group and (ii) this custom peer group of companies reasonably corresponds to the market for executive talent that is relevant to the compensation for these three executives. In order to be included in the comparator group for 2008, a company had to satisfy the following three requirements:

*Revenue* - annual revenues between 50% and 200% of CH Energy Group's annual revenues. This requirement was retained from 2007 because revenue provides a strong predictor of market compensation levels.

*Complexity of Business* - either (i) at least 5% of its assets invested in non-regulated businesses or (ii) regulated operations in one of the 34 states identified by Hay, based on information from Regulatory Research Associates, as having similar regulatory environments to New York State. The regulatory environment requirement was added in 2008 to provide an alternative method for identifying business complexity.

*Market Capitalization* - a market capitalization between 25% to 300% of CH Energy Group's market capitalization. This requirement was new for 2008 and was added in order to eliminate companies that are too large or too small for meaningful compensation comparisons. Indeed, the market capitalization requirement caused three companies that otherwise satisfied the requirements above to be removed from the comparator group.

The compensation information used by the Hay Group with respect to this group was gathered from the 2007 proxy statements filed by each company in the group with the SEC. The 16 companies in this comparator group (listed in alphabetical order) were:

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ALLETE, Inc.	Otter Tail Corporation
Avista Corporation	Portland General Electric Company
Cleco Corporation	South Jersey Industries Inc.
El Paso Electric Company	Southwest Gas Corp
IDACORP, Inc	UIL Holdings Corporation
Laclede Group Inc.	Unisource Energy Corporation
MGE Energy, Inc.	Vectren Corporation
NorthWestern Corporation	Westar Energy, Inc.

*Comparator Group for Mr. DeVirgilio.* This first comparator group was not used for Mr. DeVirgilio because the Hay Group concluded that his job position involves numerous functions that are not necessarily performed by persons with similar titles at the companies in this group. Rather, in reviewing Mr. DeVirgilio's compensation level, the Hay Group used a second comparator group known as the Hay Group's National Utility Executive Compensation Database. This second comparator group was also used as a resource by the Hay Group to provide a general overview of the market with respect to Mr. Lant's, Mr. Capone's and Mr. Meyer's compensation.

For 2008, the Hay Group's National Utility Executive Compensation Database consisted of 45 utilities in the United States that participated in a national survey conducted by the Hay Group regarding compensation structures and pay levels. Based on information supplied by the 45 participating utility companies, the Hay Group compiled a proprietary database with respect to the roles, responsibilities, and compensation levels of the officer positions at the 45 participating companies. This information was gathered and analyzed in recognition of the practical reality that job responsibilities of persons with similar titles may vary significantly from company to company, and that a person's title is not necessarily descriptive of a person's duties. Using its own proprietary evaluation methodology, the Hay Group considered the scope and complexity of each officer's position within the 45 participating companies, compared it with the scope and complexity of the officer positions at the Corporation, and provided the Compensation Committee with an assessment of the relative position of the compensation being paid to the Corporation's officers in light of the compensation being paid to persons carrying duties of similar scope and complexity at the companies participating in the survey.

The Hay Group's proprietary evaluation methodology focuses on identifying positions within the comparator group that have a scope and complexity of responsibilities that are comparable to those duties exercised by particular executives of the Corporation. While information about positions in each of the 45 companies was considered, particular companies in the comparator group may not have had any positions that were considered comparable to the complexity and scope of the particular positions at the Corporation while other companies may have had a number of positions that were considered comparable.

The 45 companies included in this comparator group for 2008 (listed in alphabetical order) were:

AGL Resources	Mirant
Alabama Electric Cooperative	Montana Dakota Utility
Allegheny Energy	National Fuel Gas
Arctic Slope Regional	New York Independent System Operator
Atmos Energy	New York Power Authority
California Independent System Operator	Piedmont Natural Gas Company
CenterPoint Energy	PJM Interconnection
City of Philadelphia Philadelphia Gas Works	PNM Resources
Coffeyville Resources	Public Works Commission of Fayetteville, NC
Des Moines Water Works	Rosewood Resources
Dominion Resources	Sierra Southwest Co-Op Services
Electricities of North Carolina	South Jersey Industries
FPL Group	Southern Minnesota Municipal Power Agency

Great Plains Energy	Kansas City Power and Light	Southern Union
Hess		Southwest Gas
Integrus		Southwest Power Pool
Iroquois Pipeline		SUEZ Energy
Kinder Morgan		Turlock Irrigation District
Lower Colorado River Authority		TXU
Mid-Carolina Electric Cooperate		United Water
Midland Cogeneration Venture		Unitil
Midwest Independent Transmission System Operator		WBI Holdings
Minnkota Power Cooperative		

*Comparator Group for Mr. Groft.* Because Mr. Groft's responsibilities are in unregulated businesses, and primarily in the fuel distribution business of Griffith, the Compensation Committee and the Hay Group did not think it appropriate to use either of the above-described comparator groups for analyzing Mr. Groft's compensation levels. Rather, a third comparator group known as the Hay Group General Market Executive Compensation Database was used in considering Mr. Groft's compensation for 2008. This Database consisted of over 4,000 separate companies operating in numerous industries throughout the United States. The Hay Group used this Database for Mr. Groft because it believes the broad spectrum of compensation information in the Database enables the Hay Group, using its proprietary evaluation methodology, to assess the relative position of the compensation being paid to Mr. Groft in light of the compensation being paid to persons carrying duties of similar scope and complexity at the business units participating in the national survey. This third comparator group was also used as a resource by the Hay Group to provide a general overview of the market with respect to Mr. Capone's compensation.

*Comparator Group for Total Remuneration Analysis.* The Hay Group also used a fourth comparator group for its total remuneration analysis, which is total direct compensation plus retirement benefits. Specifically, the Hay Group used a proprietary methodology to assess the competitiveness of CH Energy Group's retirement benefits in the marketplace. In this regard, the Hay Group used information about retirement benefits provided by 41 utilities in the United States. These companies were selected because (i) many of them are included in the second comparator group described above (*i.e.*, Hay Group's National Utility Executive Compensation Database), and (ii) they provide retirement benefits similar to those offered by CH Energy Group. The 41 companies included in this comparator group for 2008 (listed in alphabetical order) were:

AGL Resources	National Fuel Gas
Alabama Electric Cooperative	New York Independent System Operator
American AGIP	Northern California Power Agency
Atmos Energy	PG&E Pacific Gas and Electric
California Independent System Operator	Piedmont Natural Gas Company
City of Philadelphia Philadelphia Gas Works	PJM Interconnection
Coffeyville Resources	PNM Resources
Connecticut Municipal Electric Energy Corporation	Public Works Commission of Fayetteville, NC
Des Moines Water Works	Sacramento Municipal Utilities District
Edison International Southern California Edison	Sempra Energy San Diego Gas & Electric
Electric Reliability Council of Texas	Sierra Southwest Co-Op Services
ElectriCities of North Carolina	South Jersey Industries
Energy Northwest	Southern Company
Iroquois Pipeline	Southern Minnesota Municipal Power Agency
ISO New England	Southwest Power Pool
Kinder Morgan	SUEZ Energy
Los Angeles Department of Water & Power	Turlock Irrigation District
Lower Colorado River Authority	TXU

Midwest Independent Transmission System Operator  
Montana Dakota Utility  
Nashville Electric Service

United Water  
Unitil

**Pay Competitively Within the Relevant Market for Executive Talent**

Each year, the Committee reviews and establishes the base salary, annual short-term incentives and long-term incentives for our Named Executive Officers. The Compensation Committee also monitors the competitiveness of our retirement, severance and personal benefits programs; however, these benefit programs generally do not change from year-to-year. The Committee generally strives to structure each element of compensation close to the median of the market data, as described in detail below under the heading Description of our Executive Compensation Program. The Compensation Committee retains the flexibility to make adjustments to specific compensation elements in order to respond to market conditions, promotions, individual performance or other circumstances. The Committee believes offering competitive compensation opportunities to its executives is necessary to attract and retain qualified executives.

In addition to the benchmarking analysis of each element of compensation, the Committee annually reviews the total remuneration paid to each Named Executive Officer, which includes base salary, annual short-term incentive, long-term incentives and retirement benefits. This information allows the Committee to evaluate the total compensation package for each Named Executive Officer as well as isolated adjustments or incremental changes to specific elements of the package. Although this information does not necessarily drive the Committee's decisions with respect to each element of compensation, it does provide the Committee with the following perspective:

The Committee is able to confirm that the total compensation package for the Named Executive Officers is at or near the median of the market data. In this regard, the total target remuneration of our Named Executive Officers in 2008 ranged from the 45th percentile to the 60th percentile of the median levels of the applicable comparator group.

The Committee is able to better understand the relationship of various components of the total compensation program to each other. For example, the total remuneration calculations provided to the Compensation Committee illustrate how adjustments to base salary and short-term incentives impact the retirement benefits, and therefore to total remuneration, of the Named Executive Officers.

**Role of CEO in the Compensation Process**

In addition to considering the competitive data from the comparator groups when establishing the compensation program for our Named Executive Officers, the Committee also considers input and recommendations from Mr. Lant, who attends the non-executive session portions of the Compensation Committee meetings. Specifically, as part of the annual compensation planning process, Mr. Lant:

performs an annual evaluation of the performance of each of the four other Named Executive Officers and provides recommendations to the Committee concerning base salary adjustments for each of them;

provides recommendations to the Committee for team and individual performance objectives, along with their relative weightings, under the short-term incentive plan for the coming year; and

provides the Committee with an assessment of the extent to which individual performance objectives for the previous year have been achieved.

After considering Mr. Lant's assessments and recommendations, as well as the competitive data from the comparator groups, the Compensation Committee determines what changes, if any, should be made to the compensation levels and incentive opportunities for our Named Executive Officers. In the case of Mr. Lant, the Compensation

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Committee meets in executive session each year to conduct his performance review and establish his base salary and short-term and long-term incentive opportunities.

### Description of our Executive Compensation Program

A brief summary of the components of the compensation program for our Named Executive Officers is set forth below.

#### Base Salary

We provide competitive base salaries to attract and retain key executive talent. Base salaries also form the basis for calculating other compensation opportunities for our Named Executive Officers, such as their short-term and long-term incentive opportunities, retirement benefits and change in control severance benefits.

Base salaries are designed to be competitive with base salaries paid by the companies in the comparator groups to executives with responsibilities that are similar to the responsibilities of our Named Executive Officers. In this regard, the Committee generally targets base salary at the median level of the salary distribution levels in the comparator groups for the executives in the aggregate, but individual salaries vary from the median based on experience and performance. Mr. Lant's base salary is higher than the other Named Executive Officers to reflect the greater policy and decision making responsibility of the Chief Executive Officer position and the higher level of responsibility that he bears with respect to the Corporation's strategic direction and financial and operating results.

The following chart summarizes the base salary adjustments, if any, for 2008:

<u>Name</u>	<u>Base Salary Adjustment</u>	<u>Market Analysis</u>
Mr. Lant, Mr. Meyer, Mr. DeVirgilio, and Mr. Groft	No base salary adjustment for 2008	<p>The base salary level for each of those executives was at or close to the median level for each person (<i>i.e.</i>, within a 3-6% variance from median).</p> <p>In lieu of base salary adjustments, the Committee made significant adjustments to their long-term incentive opportunities to (i) bring their total direct compensation levels closer to the median levels of the companies in the applicable comparator groups, (ii) increase the percentage of total direct compensation that is allocated to long-term incentives, and (iii) better reflect the market's increasing emphasis on long-term performance.</p>
Mr. Capone	7.7% increase in base salary.	The adjustment was intended to reflect Mr. Capone's development and performance, and to make his base salary more competitive with the base salaries paid to chief financial officers of companies in the applicable comparator group. With this adjustment, Mr. Capone's base salary was at the 45th percentile of the applicable comparator group.

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For more information about the 2008 base salaries for each of our Named Executive Officers, please refer to the Salary column of the Summary Compensation Table.

### Short-Term Incentives

Our Named Executive Officers are eligible to receive annual incentive cash payments based on performance against established performance targets. The short-term incentive program is an important component of total cash compensation because it rewards our executives for achieving targeted annual financial and operating results and emphasizes variable or at risk compensation. Short-term incentives are also part of total cash compensation which forms the basis for calculating other compensation opportunities for our Named Executive Officers, such as their retirement benefits and change in control severance benefits.

The short-term incentive opportunity levels are calculated as a percentage of base salary. They are intended to be competitive with short-term incentives offered by the companies in the relevant comparator groups. For 2008, the short-term incentive award opportunities were as follows:

<u>Name</u>	<u>Short-Term Incentive Opportunity</u>	<u>Market Analysis</u>
Mr. Lant	Remained at 60% of base salary with no increase from the 2007 level	There was no adjustment to his targeted percentage of base salary, because it was already competitive ( <i>i.e.</i> , a 1% variance from median) with the short-term incentive opportunities provided to chief executive officers of companies in the applicable comparator group.
Mr. Capone, Mr. Meyer, and Mr. DeVirgilio	Increased from 40% in 2007 to 45% in 2008	The adjustments were intended to make the short-term incentive opportunities competitive with the short-term incentive opportunities provided by companies in the applicable comparator group (which ranged from 45% to 50% of base salary).
Mr. Groft	Increased from 40% in 2007 to 50% in 2008	The adjustment was intended to reflect the increasing size of Griffith's business and the expanding scope and complexity of Mr. Groft's job position. The market data for his expanded scope and complexity ranged from 20% to 50% of base salary.

Prior to 2008, the short-term incentive payout varied according to the level of overall corporate performance achieved for the year relative to the established performance targets. The resulting short-term incentive was then adjusted, after the end of the performance period, upwards or downwards by up to 50% based upon the Compensation Committee's assessment of the individual's performance. We refer to this possible increase or decrease as an individual contributor adjustment.

In 2008, the Committee, upon the recommendation of the Hay Group, restructured the short-term incentive to eliminate the individual contributor adjustment at the end of the performance period and replace it with pre-established individual performance objectives that are communicated to the executives at the beginning of each year. The Committee believes that this revised approach improves the short-term incentive program by: (i) improving communication about the

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impact of individual performance on short-term incentive payouts, (ii) increasing the focus on individual performance by making individual goals a discreet and separate component of the payout, and (iii) providing a clearer link between individual performance and the short-term incentive payouts.

As a result of the restructuring, each Named Executive Officers' 2008 short-term incentive opportunity was comprised of two components:

60% of the short-term incentive opportunity was based on the attainment of pre-established team goals; and

40% of the short-term incentive opportunity was based on the attainment of pre-established individual performance goals.

The team and individual goals were established so that target attainment is not assured. Instead, our executives are required to demonstrate significant effort, dedication, and achievement to attain payment for performance at target or above. The annual average of actual achievement levels for our Named Executive Officers has ranged from 52.4% to 156.6% of target over the past six performance periods (including 2008).

### *Team Goals*

The following chart sets forth the 2008 team goals for the performance of CH Energy Group, Central Hudson and Griffith, along with their relative weightings, performance levels and business objectives. For Mr. Lant and Mr. Capone, CH Energy Group's team goals were applied, because of their broad overall responsibilities across all business units. For Mr. Meyer, Central Hudson's team goals were applied, because Mr. Meyer's responsibilities were focused on the performance of Central Hudson. For Mr. DeVirgilio and Mr. Groft, both CH Energy Group team goals and Griffith team goals were applied, reflecting their multiple responsibilities. In Mr. DeVirgilio's case, the weighting of the team goals was 50% CH Energy Group and 50% Griffith. In Mr. Groft's case the weighting was 33.3% CH Energy Group and 66.7% Griffith.

### 2008 Team Goals

<u>Performance Goal</u>	<u>Weight</u>	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>	<u>Business Objective</u>
<u>CH Energy Group</u>					
EPS*	75%	\$2.44	\$2.64	\$2.84	The primary drivers of share price growth are earnings per share and capacity to pay dividends
Redeployment of Capital Outside of Central Hudson	25%	\$20 Million	\$35 Million	\$50 Million	Accelerating investment beyond Central Hudson's capital investment program is intended to accelerate earnings growth
<u>Central Hudson</u>					
Group Expenses*	60%	\$119.6 Million	\$117.1 Million	\$114.6 Million	Efficient and cost-effective operations serve regulated customers interests and increase the probability of earning the return on equity authorized by

Central Hudson's  
regulatory agency  
30

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2008 Team Goals

<u>Performance Goal</u>	<u>Weight</u>	<u>Threshold</u>	<u>Target</u>	<u>Superior</u>	<u>Business Objective</u>
Customer Satisfaction - JD Power (Eastern Region)	20%	7 <sup>th</sup> of 15	5 <sup>th</sup> of 15	4 <sup>th</sup> of 15	Customer satisfaction is a primary business objective for our regulated utility business, and directly relates to cost recovery and achievement of allowed rates of return on capital
Reliability (SAIFI & CAIDI)	20%	None	Avoid PSC Penalty For Both Metrics	10% Better than Penalty Level For Both Metrics	Reliability is a primary driver of utility customer satisfaction and is viewed as such by Central Hudson's regulatory agency. Improving reliability has been the focus of a multi-year plan. SAIFI (System Average Interruption Frequency Index) and CAIDI (Customer Average Interruption Duration Index) have been selected as valid measures of reliability

Griffith

EPS*	50%	\$0.30	\$0.36	\$0.42	The primary drivers of share price growth are earnings per share and capacity to pay dividends
Expansion of customer base, operating efficiencies and performance of 2007 acquisitions	50%				The other goals relate to the focus areas of Griffith's strategy to increase its profitability and earnings contribution to the Corporation over time.

\* When these team goals were established, the Committee provided that (i) actual earnings per share for CH Energy Group may be normalized (*i.e.*, adjusted) to eliminate the impact of abnormal heating and cooling degree days and major storms; (ii) actual group expenses for Central Hudson may be normalized to eliminate the impact of major storms; and (iii) actual earnings per share for Griffith may be normalized to eliminate the impact of abnormal heating degree days. The Committee believes that these items can distort performance during a year. Moreover, the Committee wanted to structure the goals so that the executives will neither benefit nor be penalized as a result of certain events over which they have little control.

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Depending on actual performance, each executive could earn from zero to 150% of the target opportunity apportioned to the team goals. This payout schedule is a sliding scale, based on straight line interpolation, that is designed to motivate and reward superior performance, as the payout percentage directly corresponds to the extent to which target performance is achieved. It also imposes substantial downside risk for the executives, as a failure to attain threshold performance results in no payout.

*Individual Goals*

Each Named Executive Officer had individual performance goals established for 2008. These individual goals were developed and approved by the Compensation Committee in consultation with Mr. Lant. The individual goals for each Named Executive Officer consisted of a combination of strategic and operational objectives. Examples of actual individual performance objectives for our Named Executive Officers for fiscal year 2008 included:

Leadership development, succession planning and/or executive mentoring

Successful completion of labor negotiations

Reductions in lost-time accident rates

Advancement of investment options to state of greater clarity

Making profitable investments in non-regulated assets

Management of construction projects

Items specific to the individual's professional development

Depending on actual performance, each executive could earn from zero to 200% of the target opportunity apportioned to the individual goals. The payout schedule is a sliding scale, based on straight line interpolation, that is similar to the one illustrated above for the team goals.

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### *Short-Term Incentive Payouts for 2008*

The actual payout percentage for the team and individual goals established for 2008 for each of the Named Executive Officers is shown on the table below.

Name	Team Goals Achievement % (60% Weight)	Individual Goals Achievement % (40% Weight)	Actual Payout Percentage (Weighted Average of Team and Individual Achievement %s)
Mr. Lant	0%	105.0%	42.0%
Mr. Capone	0%	87.5%	35.0%
Mr. Meyer	40.0%	130.0%	76.0%
Mr. DeVirgilio	24.2%	131.0%	66.9%
Mr. Groft	32.2%	91.0%	55.8%

The primary reason for the substantially below target payout for the Named Executive Officers in 2008, especially for Mr. Lant and Mr. Capone, was that performance vs. the team goals set for CH Energy Group fell below threshold, resulting in no payout. The Committee views the payouts earned by the Named Executive Officers as consistent with the intent of the plan to align pay with performance. Performance was below target in aggregate, resulting in payouts ranging from 35% to 76% of target for the Named Executive Officers.

The Compensation Committee assessed Mr. Lant's individual performance, and determined the level of his performance with respect to the individual goals established for him in early 2008. The Committee set his achievement level for 2008 performance vs. individual goals at 105% of target because of below threshold performance with respect to Central Hudson achieving interim rate relief during 2008, above target performance with respect to the development of a comprehensive Human Resources Development Program, and a superior performance with respect to achieving a restructured collective bargaining agreement with Central Hudson's labor union. The weighted average of the achievement levels for the team goals (0% achievement level with a 60% weighting) and individual goals (105% achievement level with a 40% weighting) resulted in a short-term incentive payout for Mr. Lant equal to 42% of his target short-term incentive opportunity.

With regard to the four other Named Executive Officers, Mr. Lant, as the Chief Executive Officer, made recommendations to the Compensation Committee concerning the level of performance of each officer with respect to the person's individual goals for 2008. After taking Mr. Lant's recommendations into consideration, and after making its own assessment of each person's performance, the Compensation Committee determined the payouts to be made to each person for performance vs. 2008 individual goals:

Mr. Capone – the Committee set his achievement level for 2008 performance vs. individual goals at 87.5% of target because of below threshold performance with respect to the amount of new capital investments in 2008 in non-regulated businesses other than Griffith, superior performance with respect to the formulation of a sound approach to the filing of a rate case with the Public Service Commission of New York State (PSC), a below threshold performance regarding Central Hudson achieving interim rate relief during 2008, superior performance in connection with maintaining and increasing liquidity through the negotiation of successful increases in CH Energy Group's committed credit facilities, and a superior performance in managing the transition of management responsibilities from the retiring Controller to her successor as Controller. The weighted average of the achievement levels for the team goals (0% achievement level with a 60% weighting) and individual goals (87.5% achievement level with a 40% weighting) resulted in a short-term incentive payout for Mr. Capone equal to 35% of his target short-term incentive opportunity.

Mr. Meyer – the Committee set his achievement level for 2008 performance vs. individual goals at 130% of target because of a superior performance with respect to achieving a restructured collective bargaining

agreement with Central Hudson's labor union, a target performance with regard to identifying and prioritizing capital investment opportunities within Central Hudson, a target performance regarding the development of a succession planning program for his own position as President of Central Hudson, and a target performance in mentoring executives and managers reporting to him. The weighted average of the achievement levels for the team goals (40% achievement level with a 60% weighting) and individual goals (130% achievement level with a 40% weighting) resulted in a short-term incentive payout for Mr. Meyer equal to 76% of his target short-term incentive opportunity.

Mr. DeVirgilio the Committee set his achievement level for 2008 performance vs. individual goals at 131% of target because of a target performance regarding the amount of capital invested in acquisitions by Griffith in 2008, a target performance regarding the return on equity results of acquisitions made by Griffith in 2007, a superior performance with regard to the level of lost time accidents at Griffith, an above target performance with regard to the number of work days lost at Griffith per employee accident, a target performance in connection with the development of a succession planning program for the leadership of the Central Hudson information technology department, and a superior performance in connection with specific executive mentoring responsibilities within Central Hudson. The weighted average of the achievement levels for the team goals (24.2% achievement level with a 60% weighting) and individual goals (131% achievement level with a 40% weighting) resulted in a short-term incentive payout for Mr. DeVirgilio equal to 66.9% of his target short-term incentive opportunity.

Mr. Groft the Committee set his achievement level for 2008 performance vs. individual goals at 91% of target because of a target performance regarding the amount of capital invested in acquisitions by Griffith in 2008, a target performance regarding the return on equity results of acquisitions made by Griffith in 2007, a superior performance with regard to the level of lost time accidents at Griffith, an above target performance with regard to the number of work days lost at Griffith per employee accident, a below threshold performance with respect to improving his strategic planning skills, and target performances in connection with the preparation and implementation of executive development plans for particular executives of Griffith. The weighted average of the achievement levels for the team goals (32.2% achievement level with a 60% weighting) and individual goals (91% achievement level with a 40% weighting) resulted in a short-term incentive payout for Mr. Groft equal to 55.8% of his target short-term incentive opportunity.

For more information on the 2008 short-term incentive opportunities for our Named Executive Officers, please refer to the Grants of Plan-Based Awards section of this proxy statement at page 44. The amount of the 2008 short-term incentive payments is set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table of this proxy statement at page 43.

#### Long-Term Incentives

In 2008 the Corporation granted equity awards to our Named Executive Officers under our Long-Term Equity Incentive Plan. The equity award opportunities were calculated as a percentage of base salary and were intended to be competitive with long-term incentive opportunities offered by companies in the applicable comparator groups.

In 2007, the total direct compensation which consists of base salary, short-term incentives and long-term incentives for our Named Executive Officers (other than Mr. DeVirgilio) was at or near the 30th percentile of the applicable comparator group. Moreover, the long-term incentives represented a proportionately smaller percentage of total direct compensation than the companies in the applicable comparator group.

As a result, the Committee, upon the recommendation of the Hay Group, increased the 2008 target long-term incentive opportunities for the Named Executive Officers to: (i) bring their total direct compensation levels closer to the median levels of the companies in the applicable comparator groups, (ii) increase the percentage

of total direct compensation that is allocated to long-term incentives, and (iii) better reflect the market's increasing emphasis on long-term performance.

For 2008 the long-term equity incentive opportunities are set forth in the chart below.

Name	Long-Term Incentive Opportunity	Comparison to Market
Mr. Lant	Increased from 70% of base salary in 2007 to 100% of base salary in 2008.	Mr. Lant's long-term incentive opportunity is at the 35th percentile and his total direct compensation is at the 45th percentile of the median levels of the applicable comparator group.
Mr. Capone	The target percentage of base salary was increased from 40% in 2007 to 60% in 2008.	Mr. Capone's long-term incentive opportunity is at the 40th percentile and his total direct compensation is at the 40th percentile of the median levels of the applicable comparator group.
Mr. Meyer, and Mr. DeVirgilio	The target percentages of base salary were increased from 40% in 2007 to 50% in 2008.	Mr. Meyer's long-term incentive opportunity is at the 50th percentile and his total direct compensation is at the 55th percentile of the median levels of the applicable comparator group.  Mr. DeVirgilio's long-term incentive opportunity is at the 60th percentile and his total direct compensation is at the 60th percentile of the median levels of the applicable comparator group.
Mr. Groft	The target percentage of base salary was increased from 25% in 2007 to 50% in 2008.	Mr. Groft's long-term incentive opportunity is at the 50th percentile and his total direct compensation is at the 55th percentile of the median levels of the applicable comparator group.

The equity award opportunity is generally determined in November or December of the year preceding the year in which the award is granted. The target number of shares is determined by dividing each person's target award opportunity set forth above (*i.e.*, an amount equal to a percentage of his or her base salary) by the closing price of a share of the Corporation's Common Stock on the first Monday following the first Tuesday in January of the following calendar year. The Committee does not grant equity awards in anticipation of the release of material nonpublic information. Similarly, the Corporation does not time the release of material nonpublic information based on equity award grant dates.

*Performance Shares 2008-2010 Cycle*

Each Named Executive Officer, other than Mr. Groft, received a grant of performance shares in 2008. The performance shares are designed to focus the attention of our Named Executive Officers on strategic goals spanning more

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than the current year, and to align the interest of executives with the Corporation's goal of creating long-term shareholder value. For example, the shares are earned if certain performance objectives are satisfied over a three-year period (*i.e.*, a performance cycle), the number of shares actually received at the end of a performance cycle increases or decreases according to the level of performance achieved during the performance cycle, and the value of each share earned can be expected to vary with the corporate performance achieved.

The performance shares are earned based on the extent to which the Corporation achieves certain performance objectives during a three-year performance cycle. For performance shares granted in 2006 and 2007, the performance objectives consisted of two measurements of equal weight: (i) the Corporation's growth in earnings per share and (ii) the average of the Corporation's annual dividend yield on book value. In each case, the performance shares paid out based on the Corporation's performance relative to the performance of companies in the Edison Electric Institute Index (the EEI Index). We therefore refer to these performance objectives as the relative performance objectives. The Committee believes that these relative performance objectives help to focus the attention of our Named Executive Officers on how the Corporation is performing in the marketplace in comparison to its peers and therefore align the compensation of executives with the interests of shareholders.

For 2008, the Compensation Committee continued to use the relative performance objectives described above. However, the Committee, in consultation with the Hay Group, made two important adjustments to the performance share program for awards granted in 2008:

First, the Committee changed the performance peer group for the relative performance objectives from the EEI Index to a custom performance peer group composed of utility and energy companies. The Committee made this change because it wanted the performance peer group to better reflect CH Energy Group's operating environment. Specifically, the Committee wanted the performance peer group to reflect that the regulatory environment in New York is different than the regulatory environment faced by many of the companies in the EEI Index. Therefore, the Committee, in consultation with the Hay Group, developed a new set of requirements for the new performance peer group. In order to be included in the new performance peer group, a company must have: (i) at least 75% of total assets in regulated businesses, (ii) at least 50% of total assets in electricity businesses, and (iii) regulated operations in one of the 34 states identified by Hay, based on information from Regulatory Research Associates, as having relatively similar regulatory environments to New York State. The 24 companies in this new performance peer group (listed in alphabetical order) are:

ALLETE, Inc.	Great Plains Energy Incorporated
Ameren Corporation	IDACORP, Inc.
American Electric Power Company, Inc.	Maine & Maritimes Corporation
Central Vermont Public Service Corporation	NorthWestern Corporation
Cleco Corporation	Pinnacle West Capital Corporation
CMS Energy Corporation	Portland General Electric Company
Consolidated Edison, Inc.	Sierra Pacific Resources
DPL, Inc.	UIL Holdings Corporation
El Paso Electric Company	UniSource Energy Corporation
Empire District Electric Company	Unitil Corporation
Energy East Corporation	Westar Energy, Inc.
Entergy Corporation	Xcel Energy, Inc.

Second, the Committee split the performance objectives among the two relative performance objectives described above and a new internal performance objective based on the Corporation's growth in earnings per share. Similar to the relative performance objectives, the internal performance objective is intended to align the executives with the interests of shareholders. But unlike the relative performance objectives, the internal performance objective also provides executives with a greater sense that they can more directly affect the

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payout through hard work and successful performance. For 2008, the performance objectives were as follows:

<u>Performance Objective</u>	<u>Weight</u>	<u>Business Objective</u>
The average of the Corporation's annual dividend yield on book value over the three year performance cycle as compared to the average of the annual dividend yield on book value of the companies in the performance peer group over the same time period	25%	The Compensation Committee and the Board believe that significant macro-economic factors, such as interest rates, affect the entire industry of which the Corporation is a member. The Board believes that the relative performance of the Corporation within its industry peer group is an important measure of performance and therefore assesses earnings per share growth and dividend yield against the performance peer group.
The percentage growth in the Corporation's basic earnings per share over the three-year performance cycle as compared to the percentage growth in basic earnings per share of the companies in the performance peer group over the same time period	25%	<p>The Compensation Committee and the Board believe that the Corporation's shareholders desire a substantial dividend payment and consistent share price appreciation over time, which in combination provide an attractive total return on investment.</p> <p>Earnings per share growth is used as a performance metric because the Compensation Committee and the Board believe that earnings per share growth is the primary driver of share price appreciation.</p>
The Corporation must attain a 3% increase in basic earnings per share during the performance cycle	50%	Same as immediately above.

The performance shares apportioned to the internal performance objective are earned only if the internal performance objective is attained. If the internal performance objective is not attained, then no performance shares apportioned to that objective are earned.

The performance shares apportioned to the two relative performance objectives are earned based on the Corporation's results compared to the results of the companies in the performance peer group. Depending on actual performance, each executive could earn from zero to 150% of the performance shares apportioned to the two relative performance objectives. As illustrated by the following graph, this payout schedule is a sliding scale that is designed to motivate and reward achievement of targeted performance, as the payout percentage decreases at a faster rate if targeted performance is not achieved. At the same time, it imposes substantial downside risk for the executives, as a failure to attain the 20th percentile relative to the performance peer group results in no payout.

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For more information on the performance shares granted to our Named Executive Officers in 2008, please refer to the Grants of Plan-Based Awards section of this proxy statement at page 44.

### *Restricted Shares for Mr. Groft*

In 2008, Mr. Groft received a grant of 2,700 restricted shares of CH Energy Group common stock under our Long-Term Equity Incentive Plan. Unlike the performance shares granted to the other Named Executive Officers, the vesting of the restricted shares does not depend on the Corporation's performance. Instead, the restricted shares granted to Mr. Groft generally vest on the third anniversary of the date of grant, provided that he remains employed with Griffith through that date. The size of the award was developed in consultation with the Hay Group and was intended to significantly enhance the retention programs at Griffith. The Compensation Committee believes that restricted shares provided a better retention vehicle for this purpose when compared to the performance shares described above.

For more information on the restricted shares granted to Mr. Groft in 2008, please refer to the Grants of Plan-Based Awards section of this proxy statement at page 44.

### *Performance Shares - 2006-2008 Performance Cycle*

Each Named Executive Officer received a grant of performance shares in 2006, which vest depending on the Corporation's performance relative to companies in the EEI Index during the period commencing January 1, 2006 and ending December 31, 2008. As of the date of this proxy statement, the financial information for all the companies in the EEI Index was not yet available and, therefore, the Corporation was not able to determine the payout level.

### *Performance Shares - 2005-2007 Performance Cycle*

Each Named Executive Officer received a grant of performance shares in 2005, which were earned and paid in 2008 based on the Corporation's performance during the period commencing January 1, 2005 and ending December 31, 2007. As described above, the performance objectives consisted of two measurements of equal weight: (i) the Corporation's growth in earnings per share during the performance cycle and (ii) the average of the Corporation's annual dividend yield on book value during the performance cycle. In each case, the performance shares paid out based on the Corporation's performance relative to the performance of companies in the EEI Index. Cash dividends paid on the performance shares during the performance cycle were reinvested in additional performance shares, subject to the Corporation's attainment of the performance objectives described above. The following table provides a summary of the payout levels for the 2005-2007 performance shares.

<u>EPS Growth</u>		<u>Dividend Yield</u>		<u>Total % Earned After Reinvested Dividends</u>	
<u>Percentile</u>	<u>% Earned</u>	<u>Percentile</u>	<u>% Earned</u>	<u>Total % Earned</u>	<u>Total % Earned</u>
33%	43.3%	62%	120%	87.1%	93.4%

For more information on the payment of the performance shares for the 2005-2007 performance cycle, please refer to the Option Exercises and Stock Vested section of this proxy statement at page 46.

Stock Ownership Guidelines

In November and December 2007, the Compensation Committee approved new stock ownership guidelines for the Named Executive Officers to achieve within five years from January 1, 2008, *i.e.*, by December 31, 2012. For this purpose, stock ownership includes shares of the Corporation's Common Stock owned directly, in trust, or as phantom shares under the Directors and Executives Deferred Compensation Plan.

The ownership guidelines were implemented to encourage our senior executives to own a significant amount of the Corporation's Common Stock. We recognize that our owners (*i.e.*, our shareholders) want us to both preserve and increase the value of our Corporation. We want our executives to focus on long-term as well as short-term success, and we want them to think as owners when they balance the risks and rewards involved with particular business decisions. We believe the equity ownership interests that result from our stock ownership guidelines will enhance the motivation of our executives to think as owners.

<u>Named Executive Officer</u>	<u>Ownership Guidelines by 12/31/2012</u>	<u>Actual Ownership as of 12/31/2008</u>
Mr. Lant	23,000 shares	19,239 shares
Mr. Capone	6,000 shares	4,202 shares
Mr. Meyer	6,000 shares	8,726 shares
Mr. DeVirgilio	6,000 shares	5,356 shares
Mr. Groft	5,000 shares	2,132 shares

Retirement Benefits

In order to attract and retain key executive talent at the Corporation and its utility subsidiary, Central Hudson, the Compensation Committee believes that it is important to provide the Named Executive Officers with retirement benefits. These retirement benefits are provided primarily under the Supplemental Executive Retirement Plan, which provides benefits in excess of those provided under the Retirement Income Plan. The Supplemental Executive Retirement Plan is designed to work in conjunction with the Retirement Income Plan to provide each Named Executive Officer, other than Mr. Groft, with a retirement benefit equal to 57% of his or her applicable final average pay at age 61 with 30 years of service. Base salary and short-term incentives are included in determining a Named Executive Officer's final average pay. Therefore, adjustments to a Named Executive Officer's base salary and short-term incentives have an impact on the amount of his retirement benefits.

A participant's Supplemental Executive Retirement Plan benefit generally becomes vested if, while employed by the Corporation or its affiliates, he or she attains the normal retirement age of 61, or attains his or her early retirement date of age 55 with ten years or more of vesting service. The Compensation Committee believes that this vesting schedule

enhances our retention program for our Named Executive Officers and rewards their long-term commitment to the Corporation.

Based on information provided by the Hay Group, the Compensation Committee believes that the retirement program is consistent with the retirement programs and benefit levels offered by many of the companies in the comparator groups. In this regard, the terms and benefit levels were established in 2005 after consultation with the Hay Group and a review of benefit levels provided to senior executives in the comparator groups. In setting the benefit levels, the Compensation Committee did not consider compensation previously paid to our Named Executive Officers, including any accumulated gains under prior equity-based compensation awards, because they were relatively minor.

Mr. Groft does not participate in the Corporation's defined benefit pension program because he is an employee at Griffith, which historically has not provided defined benefit retirement plans to its executives. Even though Mr. Groft does not participate in the defined benefit program, he is provided with the following retirement benefits:

He receives an enhanced profit sharing contribution to his 401(k) plan, the amount of which is set forth in the All Other Compensation column of the Summary Compensation Table; and

The Corporation annually reimburses Mr. Groft for a portion of the annual premiums due under a \$664,000 whole life policy owned by him. The annual amounts paid by the Corporation equal 3% of Mr. Groft's then-current annual base compensation, grossed-up for applicable taxes.

For more information on these retirement benefits and our retirement program, please refer to the Pension Benefits section of this proxy statement at page 47.

#### Health, Welfare and Other Personal Benefits

In addition to the principal compensation components described above, our Named Executive Officers are entitled to participate in all health, welfare, fringe benefit, and other arrangements generally available to other salaried employees of the corporate entity that employs them. We also may, as considered reasonable and appropriate on a case-by-case basis, provide our officers, including our Named Executive Officers, with limited financial planning benefits. The Compensation Committee believes that these health, welfare, and other personal benefits are reasonable and consistent with the practices of the companies in the relevant comparator groups. The Compensation Committee also believes that these benefits assist the Corporation in attracting and retaining key executives.

#### Severance Arrangements

The Corporation does not have employment agreements with its executive officers. The Compensation Committee believes that the absence of employment agreements provides the Corporation with more flexibility in adjusting the compensation levels of its executive officers.

However, the Corporation has entered into change in control agreements with its executive officers, including its Named Executive Officers. Under these agreements, each Named Executive Officer would be entitled to certain payments and benefits if a change in control were to occur and the Corporation or its affiliates terminated the executive's employment without cause or the executive terminated his employment with the Corporation or its affiliates for good reason within a three-year period (a two-year period for Mr. Groft) following such change in control. Benefits are also provided if the executive is terminated in anticipation of a change in control.

The benefit levels under the change in control agreements generally include a multiple of base salary and short-term incentive, along with continued welfare benefits, and are described in more detail under the Potential Payments Upon Termination or Change in Control section of this proxy statement.

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The agreements are designed to encourage the executive's full attention and dedication to the Corporation currently and in the event of any threatened or pending change in control. As described above, the agreements only provide benefits on a double trigger, meaning that the benefits are due only if our executives incur a qualifying termination in connection with a change in control. This approach strikes an appropriate balance between providing incentives for our executives to build long-term shareholder value while providing a potential acquirer the flexibility to retain executive talent after a transaction.

The Compensation Committee believes that the protections afforded by the change in control agreements are a valuable incentive for attracting and retaining key executives and are competitive with those of other corporations. Based on information provided by the Hay Group, change in control arrangements are used by a vast majority of the companies in the comparator groups, and the terms of our change in control agreements are intended to be consistent with prevailing market practices. In this regard, the terms and benefit levels were established by the Committee in 2005 after consultation with the Hay Group and a review of benefit levels provided to senior executives in the comparator groups. The Named Executive Officers did not have an opportunity to negotiate the severance benefits provided under these agreements.

As described in more detail under the Potential Payments Upon Termination or Change in Control section of this proxy statement, base salary and short-term incentives are included in a Named Executive Officer's severance benefit calculation under the change in control agreements. Therefore, adjustments to a Named Executive Officer's base salary and short-term incentives have an impact on the amount of his severance benefits under the change in control agreements. This fact did not affect decisions made with respect to base salary and short-term incentive adjustments in 2008, as these change in control agreements may never come into effect.

All equity awards held by our Named Executive Officers would immediately vest upon a change in control. Unlike the cash severance described above, the vesting is not contingent upon a qualifying termination within a certain period following a change in control. This single trigger is appropriate because the Compensation Committee wants our Named Executive Officers to have the opportunity to fully recognize the value of equity awards at the time of a change in control to the same extent as our other shareholders.

### Federal Income Tax Considerations

The performance shares granted to our Named Executive Officers are intended to be fully deductible for federal income tax purposes under the performance-based compensation exception to Section 162(m) of the Internal Revenue Code.

The short-term incentives, on the other hand, do not qualify for the performance-based compensation exception to Section 162(m) of the Internal Revenue Code, because the Committee wants to retain the flexibility to base the short-term incentive payouts in part on its assessment of individual performance of each Named Executive Officer. The Committee anticipates that, in general, the short-term incentive will be fully deductible for federal income tax purposes because the short-term incentives earned by each Named Executive Officer, when added to his other non-exempt compensation such as base salary, are highly unlikely to exceed \$1 million in any one year.

There is a mathematical possibility that a small portion (*i.e.*, around \$60,000 based on the current plan design) of Mr. Lant's short-term incentive could be non-deductible under Section 162(m) if he attained a superior performance rating for each of his team and individual goals. But the Committee decided that this potential, but unlikely, scenario did not merit a change to the overall structure of the short-term incentive plan. Moreover, Mr. Lant's 2008 short-term incentive was fully deductible for federal income tax purposes, because the aggregate of his base salary and short-term incentive for the year did not exceed \$1 million.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with the management of the Corporation and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The Compensation Committee:

Stanley J. Grubel, Chair

Margarita K. Dilley

Manuel J. Iraola

Ernest R. Verebelyi

42

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Summary Compensation Table

The following table sets forth information regarding the compensation of the Named Executive Officers for 2006, 2007 and 2008. Mr. Groft was not a Named Executive Officer in 2006.

Name Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) (1)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$) (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (3)	All Other Compensation (\$) (4)	Total (\$)
<b>Steven V. Lant</b> <i>Chairman of the Board, President, and Chief Executive Officer</i>	2008	525,000	0	230,369	0	132,300	736,900	7,750	1,632,319
	2007	525,000	58,511	180,636	4,406	390,075	235,700	10,330	1,404,658
	2006	490,000	56,840	220,996	15,658	284,200	481,300	7,500	1,556,494
<b>Christopher M. Capone</b> <i>Executive Vice President and Chief Financial Officer</i>	2008	280,000	0	66,320	0	44,100	103,300	7,750	501,470
	2007	260,000	25,740	54,844	0	128,700	56,300	8,542	534,126
	2006	240,000	14,616	66,077	0	97,440	54,900	7,500	480,533
<b>Carl E. Meyer</b> <i>Executive Vice President</i>	2008	309,000	0	73,526	0	105,678	271,000	7,750	766,954
	2007	309,000	20,394	60,032	4,687	135,960	0	12,035	542,108
	2006	291,000	16,456	72,076	14,730	109,707	6,900	7,500	518,369
<b>Joseph J. DeVirgilio, Jr.</b> <i>Executive Vice President Corporate Services and Administration</i>	2008	270,000	0	63,921	0	81,332	308,700	7,750	731,703
	2007	270,000	33,413	55,928	2,604	133,650	6,500	10,123	512,218
	2006	250,000	0	67,307	8,592	101,500	145,200	7,500	580,099
<b>W. Randolph Groft</b> <i>President and Chief Operating Officer of Griffith</i>	2008	240,000	0	67,221	0	89,274	0	33,062	429,557
	2007	240,000	12,624	32,865	2,604	136,422	0	33,074	457,589

(1) Reflects the aggregate dollar amount recognized for financial statement reporting purposes in 2008 with respect to performance share and restricted stock awards granted to each Named Executive Officer, including awards granted in prior years. The aggregate dollar amount was determined in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payment* ( FAS 123R ); however, the calculations disregard the estimate of forfeitures related to service-based vesting conditions. See Note 11 of the Consolidated Financial Statements contained in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 ( Annual Report ) for an explanation of the assumptions made by the Corporation in the valuation of these awards. For additional information about the performance share and restricted stock awards granted in 2008, please refer to the Grants of Plan-Based Awards section of this proxy statement at page 44.

- (2) Reflects the short-term incentive opportunity earned by our Named Executive Officers for 2008. For additional information about the 2008 short-term incentive opportunities, please refer to the Grants of Plan-Based Awards section of this proxy statement at page 44. Mr. Groat also received a bonus of \$22,334 under Griffith's 2007 acquisition program. The bonus was based on performance of the 2007 acquisitions during the one-year period following closing; therefore the bonus was not earned until 2008.
- (3) Reflects the increase in the present value of the accumulated benefits under the Retirement Income Plan, Supplemental Executive Retirement Plan and Retirement Benefit Restoration Plan. The increase in the present value of the accumulated benefits was based on a calendar year-end for the Retirement Income Plan, Supplemental Executive Retirement Plan and Retirement Benefit Restoration Plan. In prior years, the increase in the present value of the accumulated benefits under the Retirement Income Plan was based on a 12-month measurement period that ended each September 30th. To reflect the transition from the September 30th measurement date to the calendar year end measurement date used this year, the present value of the accumulated benefits under the Retirement Income Plan was based on a 15-month measurement period that began on October 1, 2007 and ended December 31, 2008. For information on these plans and benefits, please refer to the Pension Benefits section of this proxy statement at page 47. Mr. Groat has not accrued any benefit under the Retirement Income Plan, Supplemental Executive Retirement Plan or Retirement Benefit Restoration Plan because Mr. Groat is not eligible to participate in those plans. Our Named Executive Officers did not accrue any above-market earnings under the Directors and Executives Deferred Compensation Plan, and therefore we have not reported any earnings credited under that plan in this column.
- (4) Reflects the contributions made on behalf of each Named Executive Officer under the 401(k) Plan, which equaled \$19,090 for Mr. Groat and \$7,750 for each other Named Executive Officer. This column also reflects the reimbursement of Mr. Groat in the amount of \$7,524 for premiums paid on a life insurance policy, plus \$6,448 for the related taxes.

**Grants of Plan-Based Awards**

The following table sets forth information for each Named Executive Officer regarding estimated payouts of the (i) short-term incentive opportunities established during 2008, and (ii) performance shares and restricted stock granted under the Long-Term Equity Incentive Plan during 2008.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	Grant Date Fair Value of Stock and Option Awards (\$) (4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)		
Steven V. Lant	1/24/2008	157,500	315,000	472,500	409	12,380	18,570	0	217,396
Christopher M.		63,000	126,000	189,000					