

**CHARTER FOR THE  
AUDIT COMMITTEE  
CH ENERGY GROUP, INC.**

**PURPOSE:**

The purpose of the Audit Committee is to assist the Board of Directors in its oversight of (a) the accounting and financial reporting processes of the Company, and (b) the auditing of the financial statements of the Company. Specifically, the Committee shall assist the Board in overseeing:

- the integrity of the Company's financial statements;
- the Company's compliance with legal and regulatory requirements regarding accounting, auditing and financial reporting;
- the independent auditor's qualifications and the independence of the Company's independent auditor;
- the performance of the Company's independent auditor; and
- the performance of the Company's internal audit function.

In addition, the Committee shall prepare the Audit Committee Report that is required by the rules of the Securities and Exchange Commission ("SEC") to be included in the annual proxy statement of the Company.

**COMMITTEE MEMBERSHIP:**

The Audit Committee shall be comprised of no fewer than three (3) members of the Board.

The members of the Audit Committee shall be appointed by the Board annually for terms of one year, after receipt by the Board from the Governance and Nominating Committee of recommendations regarding persons to be appointed to the Committee.

The Chair of the Audit Committee shall be appointed by the Board annually for a term of one (1) year, after receipt by the Board from the Governance and Nominating Committee of a recommendation regarding the person to be appointed as Chair of the Committee.

Each member of the Audit Committee, including the Chair of the Committee, shall serve at the discretion of the Board.

Each member of the Audit Committee shall meet:

- (i) the independence requirements of the listing standards of the New York Stock Exchange;
- (ii) the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended; and

- (iii) the qualifications for service as a Director of the Company as set forth in Section 3 of the Company's Governance Guidelines.

Each member of the Audit Committee shall be financially literate. At least one member of the Audit Committee shall be an "audit committee financial expert" within the meaning of applicable Securities and Exchange Commission and New York Stock Exchange rules in effect from time to time (the "SEC Rules" and the "NYSE Rules," respectively).

The Board of Directors shall determine whether any members of the Audit Committee, and any candidates for membership on the Audit Committee, are audit committee financial experts within the meaning of the term as it is defined by the Sarbanes Oxley Act of 2002 and the applicable SEC Rules. The Board shall review these determinations on an annual basis.

The Board of Directors shall determine whether each member of the Audit Committee, and any candidate for membership on the Audit Committee, is financially literate. The Board shall review these determinations with respect to members of the Audit Committee on an annual basis. The meaning of the qualification of financial literacy shall be determined by the Board in the exercise of its business judgment.

No member of the Audit Committee may serve simultaneously on the audit committee of more than two other public companies.

#### **MEETINGS:**

The Audit Committee shall meet at least quarterly, and at such other times as it deems necessary to fulfill its duties. The Audit Committee shall meet separately and periodically in executive sessions with management, with the internal auditor and with the independent auditor. Reports of Audit Committee meetings and of any actions taken by the Audit Committee shall be made by the Committee Chairman or his or her designee to the Board at its next regularly scheduled meeting following the Audit Committee's meeting or action. As a matter of general practice, and subject to the discretion of the Audit Committee, the Chair of the Audit Committee normally informs the Chairman of the Board and the President and Chief Executive Officer on a reasonably prompt basis about the substance of discussions that took place in the periodic executive session meetings with management, with the internal auditor and with the independent auditor.

#### **AUTHORITY AND RESPONSIBILITY:**

- (i) The Audit Committee shall directly appoint, retain, compensate, evaluate and, when appropriate, terminate the Company's independent auditor;
- (ii) The Audit Committee shall resolve any disagreement between management and the Company's independent auditor regarding financial reporting;
- (iii) The Company's independent auditor shall report directly to the Audit Committee;
- (iv) The Audit Committee shall pre-approve all auditing and permitted non-audit services performed by the Company's independent auditor;

- (v) The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints from Company employees and others on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters;
- (vi) The Audit Committee shall obtain advice and assistance from outside legal, accounting or other advisors as it deems necessary to carry out its duties;
- (vii) The Audit Committee shall receive appropriate funding, as determined by the Audit Committee, from the Company for payment of compensation to the outside legal, accounting or other advisors employed by the Audit Committee;
- (viii) The Audit Committee shall, at least annually, obtain and review a report by the Company's independent auditor describing: (a) the firm's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (c) all relationships between the independent auditor and the company (to assist the Committee in assessing the independent auditor's independence);
- (ix) The Audit Committee shall meet to review and discuss the annual audited financial statements and quarterly financial statements with management and with the independent auditor, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations;"
- (x) The Audit Committee shall discuss earnings releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Audit Committee's discussion of earnings releases as well as financial information and earnings guidance may be general in nature (i.e., discussion of the types of information to be disclosed and the types of presentation to be made). Each such discussion of earnings releases shall be considered a meeting of the Audit Committee. The Audit Committee need not discuss in advance each earnings release or each instance in which the Company provides financial information or earnings guidance to analysts, rating agencies or the public;
- (xi) The Audit Committee shall discuss policies with respect to risk assessment and risk management;
- (xii) The Audit Committee shall review with the independent auditor any audit problems or difficulties and management's response;
- (xiii) The Audit Committee shall set clear hiring policies for employees or former employees of the independent auditor; and

- (xiv) The Audit Committee shall evaluate the Committee's performance and the performance of individual Committee members at least annually.

## **PROCEDURES:**

In accordance with Section 3.3 of the Company's By-Laws, the Audit Committee may operate according to such procedures as it deems expedient for carrying out its responsibilities. In this connection, the Audit Committee shall, at a minimum, follow the following procedures:

### **1. Independent Auditor**

- (a) *Audit Plan* - The Committee shall review the independent auditor's annual audit plan (including the scope of the audit and the quarterly reviews) and shall discuss with the independent auditor any significant changes required in the annual audit plan.
- (b) *Review of Audit Issues* - The Committee shall review with the independent auditor and, as appropriate under the circumstances, with the internal auditor and/or with management:
- all critical accounting policies and practices to be used;
  - any alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative treatments and the treatment preferred by the independent auditor; and
  - all other material written communications between the independent auditor and the management of the Company.
- (c) *Competence of Independent Auditor* - Once each year (and otherwise as the Chair may consider appropriate) the Committee shall review and evaluate the qualifications and performance of the independent auditor:
- this review shall include an evaluation of the lead partner of the independent auditor.
- (d) *Independence of Independent Auditors* - Once each year (and otherwise as the Chair may consider appropriate), the Committee shall review and evaluate the independence of the independent auditor, including a review of the services provided by the independent auditor and related fees. As part of this process:
- The Committee shall require the independent auditor to report periodically in writing on all its relationships with the Company and its management, as well as the firm's compliance with all independence requirements under applicable professional standards, SEC Rules and NYSE Rules. The Committee shall discuss any potential independence issues raised in the report with the Board and recommend actions that it deems appropriate to maintain adequate auditor independence.

- The Committee shall require management to report at least annually in writing regarding compliance with the Company's policy prohibiting hiring of members of the independent auditor engagement team for positions with a financial reporting oversight role.

## 2. **Financial Statements and Disclosures**

- (a) *Financial Statements* - In connection with its review of the Company's annual audited financial statements and quarterly financial statements, the Audit Committee shall make a recommendation to the Board with respect to the appropriateness of the Company's annual audited financial statements for inclusion in the Company's Annual Report. After receiving the report of the independent auditor regarding its quarterly review, the Audit Committee shall determine the appropriateness of the Company's quarterly, unaudited financial statements for inclusion in the Company's Quarterly Reports.
- (b) *Accounting Disclosures and Related Matters* - At the completion of the annual audit and at such other times as the Committee may deem appropriate, the Committee shall review with the independent auditor, with management and/or with the internal auditor, as appropriate:
- major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;
  - analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
  - the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of the Company; and
  - the general types of information to be disclosed, and the general types of presentations to be made, in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP information), and in financial information and earnings guidance provided to analysts, rating agencies and the public.
- (c) *Internal Control Over Financial Reporting* - Periodically, as appropriate, the Committee shall review with management, the independent auditor, and/or with the internal auditor as appropriate:
- any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting;

- any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting; and
- any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting; and
- the Management's Annual Report on Internal Control Over Financial Reporting prepared by management pursuant to the requirements of SEC Regulation S-K, Item 308(a).

### 3. **Internal Auditor**

- (a) *Internal Audit Plan and Findings* - The Audit Committee shall review and approve at least annually the internal audit plan of the internal auditor and shall discuss significant findings made by the internal auditor.
- (b) *Organization* - The Audit Committee shall review and approve at least annually the responsibilities, budget and staffing of the internal audit function.

### 4. **Other**

- (a) In addition to the responsibilities and duties described in this Charter, the Audit Committee shall undertake such other duties as the Board delegates to it.
- (b) In carrying out its responsibilities and duties, the Audit Committee may authorize or conduct investigations regarding any matter within the scope of its authority, responsibilities and duties.
- (c) Unless otherwise authorized by an amendment to this Charter, the Audit Committee may not delegate any of its authority to any subcommittee.
- (d) This Charter shall govern the operations and procedures of the Audit Committee.
- (e) The Audit Committee shall review and re-examine this Charter annually and make recommendations to the Board for any proposed changes.