

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

**PURPOSE:**

The purpose of the Compensation Committee is (a) to assist the Board of Directors in its oversight of the executive compensation and benefits programs of the Company and (b) to produce, in accordance with the rules of the Securities and Exchange Commission, an annual "Compensation Committee Report" for inclusion in the Company's annual proxy statement.

**COMMITTEE MEMBERSHIP:**

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

The members of the Compensation 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 Compensation Committee shall be appointed by the Board annually for a term of one 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 Compensation Committee, including the Chair of the Committee, shall serve at the discretion of the Board.

Each member of the Compensation Committee shall meet:

- a) the independence requirements of the listing standards of the New York Stock Exchange;
- b) the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended;
- c) the outside director definition for purposes of Section 162(m) of the Internal Revenue Code; and
- d) the qualifications for service as a Director of the Company as set forth in Section 3 of the Company's Governance Guidelines.

**MEETINGS:**

The Compensation Committee shall meet at least three times each year, and at such other times as it deems necessary to fulfill its duties.

Reports of Compensation Committee meetings and of any actions taken by the Compensation Committee shall be made by the Committee Chairman or by his or her designee to the Board at its next regularly scheduled meeting following the Compensation Committee's meeting or action.

**AUTHORITY AND RESPONSIBILITY:**

a) **Compensation Budget.** The Compensation Committee, in consultation with management, shall establish an annual budget for the compensation of executives and Directors of the Company.

b) **Compensation Objectives.** The Compensation Committee, in consultation with management, shall review on an annual basis, the Company's goals, policies and procedures with respect to the Company's executive compensation and benefit programs. The Compensation Committee shall from time to time make recommendations to the Board with respect to executive officer compensation, incentive compensation plans and equity based plans. In connection with its annual review of executive compensation, the Compensation Committee shall prepare an annual report for inclusion in the next annual proxy statement of the Company.

c) **Compensation of the Chairman of the Board, President and Chief Executive Officer**

(i) The principal executive officer of the Company is the Chairman of the Board, President and Chief Executive Officer (hereinafter referred to as the "Chief Executive Officer").

(ii) The Compensation Committee shall review and approve on an annual basis the goals and objectives of the Company relevant to the compensation of the Chief Executive Officer.

(iii) The Compensation Committee shall annually evaluate the performance of the Chief Executive Officer in light of the approved corporate goals and objectives relevant to his or her compensation. Based on this evaluation, the Compensation Committee shall annually recommend, for approval by a majority of the independent Directors on the Board, the compensation level for the Chief Executive Officer.

(iv) In determining its recommendations regarding a long-term incentive component of the Chief Executive Officer's compensation, the Compensation Committee shall seek to foster alignment of the interests of the Chief Executive Officer with the interests of the shareholders and shall consider the Company's performance and relative shareholder return, the value of similar incentive awards to persons with similar principal executive responsibilities at comparable companies, the awards given to the Chief Executive Officer in prior years and the

Committee's assessment of his or her current and expected contributions to the Company's success.

d) **Compensation of Executive Officers.** The Chief Executive Officer shall provide the Compensation Committee on an annual basis with an evaluation of the performance of each of the Executive Officers. After reviewing the evaluations from the Chief Executive Officer, and after making its own assessment of each such Executive Officer's performance, the Compensation Committee shall annually recommend, for approval by a majority of the independent directors on the Board, the compensation level for each such Executive Officer of the Company in light of his or her performance, the compensation objectives of the Company, and the compensation budget established by the Compensation Committee.

e) **Compensation of Other Executives.** The Executive Officers of the Company shall provide the Chief Executive Officer on an annual basis with an evaluation of the performance of the other executives of the Company who report to them. After reviewing these evaluations, the Chief Executive Officer shall set the compensation level of each of the other executives of the Company in light of his or her performance, the compensation objectives of the Company, and the compensation budget established by the Compensation Committee.

f) **Appointment and Promotion of Officers.** The Compensation Committee, after consultation with the Chief Executive Officer, shall make recommendations to the Board, at such times as may be appropriate, with respect to succession planning for the officer positions of the Company, and with respect to specific appointments and promotions of individual officers of the Company.

g) **Compensation of Directors.** The Compensation Committee shall from time to time review and make recommendations to the Board with respect to the compensation of Directors.

h) **Administration of Long-Term Equity Incentive Plan.** The Compensation Committee shall administer the Company's Long-Term Equity Incentive Plan in accordance with the terms and conditions of the Plan.

i) **Compensation Committee Report for Annual Proxy Statement.** The Compensation Committee shall annually produce a "Compensation Committee Report" for inclusion in the Company's annual proxy statement that states (A) whether the Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis ("CD&A") prepared by management for inclusion in the Company's annual report and annual proxy statement, and (B) whether, based on its review and discussion of the CD&A with management, the Committee has recommended to the Board that the CD&A be included in the Company's annual report and annual proxy statement.

#### **OTHER:**

a) The Compensation Committee shall receive and review reports from management, at such times as may be appropriate, on matters relating to staffing, appointments, and personnel practices.

b) The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant used to assist the Company in the evaluation of its compensation programs for Directors, the Chief Executive Officer or other Executive Officers of the Company. The Compensation Committee shall have sole authority to approve such consultants' fees and other terms of retention.

c) The Compensation Committee shall annually review and evaluate the Committee's performance and the performance of individual Committee members.

d) In addition to the responsibilities and duties described in this Charter, the Compensation Committee shall undertake such other duties as the Board delegates to it.

e) In carrying out its responsibilities and duties, the Compensation Committee shall have access to all relevant documents, data and information of the Company relevant to the responsibilities and duties of the Committee.

f) Unless otherwise authorized by an amendment to this Charter, the Compensation Committee may not delegate any of its authority to any subcommittee. In accordance with Section 3.3 of the Company's By-Laws, the Committee may operate according to such procedures as it deems expedient for carrying out its responsibilities.

g) This Charter shall govern the operations and procedures of the Compensation Committee.

h) The Compensation Committee shall review and re-examine this Charter annually and make recommendations to the Board for any proposed changes.