Orange and Rockland Utilities, Inc.
Third Quarter 2014 Financial Statements and Notes

Financial Statements (Unaudited)

Orange and Rockland Utilities, Inc.
CONSOLIDATED INCOME STATEMENT
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Millions of Dollars)			
OPERATING REVENUES				
Electric	$ 205	$ 200	$ 525	$ 492
Gas	27	26	155	143
TOTAL OPERATING REVENUES	232	226	680	635
OPERATING EXPENSES				
Purchased power	67	68	187	169
Gas purchased for resale	11	10	65	50
Operations and maintenance	81	79	235	225
Depreciation and amortization	16	14	45	42
Taxes, other than income taxes	14	16	46	48
TOTAL OPERATING EXPENSES	189	187	578	534
OPERATING INCOME	43	39	102	101
OTHER INCOME				
Investment and other income	-	-	2	-
Allowance for equity funds used during construction	-	-	1	-
TOTAL OTHER INCOME	-	-	3	-
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	43	39	105	101
INTEREST EXPENSE				
Interest on long-term debt	8	9	25	25
Other interest	-	-	2	4
Allowance for borrowed funds used during construction	-	-	(1)	(1)
NET INTEREST EXPENSE	8	9	26	28
INCOME BEFORE INCOME TAX EXPENSE	35	30	79	73
INCOME TAX EXPENSE (BENEFIT)	15	11	30	17
NET INCOME	$ 20	$ 19	$ 49	$ 56

The accompanying notes are an integral part of these financial statements.

Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Millions of Dollars)			
NET INCOME	$ 20	$ 19	$ 49	$ 56
OTHER COMPREHENSIVE INCOME, NET OF TAXES				
Pension and other postretirment benefit plan liability adjustments, net of taxes	2	2	5	6
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	2	2	5	6
COMPREHENSIVE INCOME	$ 22	$ 21	$ 54	$ 62

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Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	2014	2013
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$ 49	$ 56
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	45	42
Deferred income taxes	13	5
Other non-cash items (net)	9	(11)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable - customers, less allowance for uncollectibles	(9)	(14)
Accounts receivable from affiliated companies	41	47
Materials and supplies, including gas in storage	(1)	(6)
Prepayments, other receivables and other current assets	(2)	(3)
Accounts payable	13	(67)
Accounts payable to affiliated companies	(1)	7
Pensions and retiree benefits obligations (net)	20	47
Pensions and retiree contributions	(40)	(57)
Accrued taxes	(10)	4
Accrued interest	2	1
Accrued wages	(5)	(6)
Superfund and environmental remediation costs (net)	(7)	(2)
Deferred charges, noncurrent assets and other regulatory assets	-	39
Deferred credits and other regulatory liabilities	29	(9)
Other liabilities	(2)	(6)
NET CASH FLOWS FROM OPERATING ACTIVITIES	144	67
INVESTING ACTIVITIES		
Utility construction expenditures	(110)	(89)
Cost of removal less salvage	(4)	(6)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(114)	(95)
FINANCING ACTIVITIES		
Net Issuance of short-term debt	2	46
Retirement of long-term debt	(2)	(2)
Dividend to parent	(30)	(28)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(30)	16
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	-	(12)
BALANCE AT BEGINNING OF PERIOD	29	38
BALANCE AT END OF PERIOD	$ 29	$ 26
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid/(refunded) during the period for:		
Interest	$20	$21
Income taxes	$14	$(34)

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Orange and Rockland Utilities, Inc.
CONSOLIDATED BALANCE SHEET
(Unaudited)

	September 30, 2014	December 31, 2013
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$ 29	$ 29
Special deposits	-	4
Accounts receivable - customers, less allowance for uncollectible accounts of $5 and $4 in 2014 and 2013, respectively	78	69
Other receivables, less allowance for uncollectible accounts of $2 in 2014 and 2013	12	13
Accrued unbilled revenue	28	38
Accounts receivable from affiliated companies	10	51
Gas in storage, at average cost	19	20
Materials and supplies, at average cost	18	16
Prepayments	42	28
Regulatory assets	2	3
Deferred tax assets - current	15	17
Other current assets	13	7
TOTAL CURRENT ASSETS	266	295
INVESTMENTS	18	18
UTILITY PLANT, AT ORIGINAL COST		
Electric	1,466	1,377
Gas	622	603
General	190	182
Total	2,278	2,162
Less: Accumulated depreciation	636	603
Net	1,642	1,559
Construction work in progress	67	91
NET UTILITY PLANT	1,709	1,650
OTHER NONCURRENT ASSETS		
Regulatory assets	541	564
Other deferred charges and noncurrent assets	17	21
TOTAL OTHER NONCURRENT ASSETS	558	585
TOTAL ASSETS	$ 2,551	$ 2,548

The accompanying notes are an integral part of these financial statements.

Orange and Rockland Utilities, Inc.
CONSOLIDATED BALANCE SHEET
(Unaudited)

	September 30, 2014	December 31, 2013
	(Millions of Dollars)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	$ 143	$ 4
Notes payable	71	69
Accounts payable	72	70
Accounts payable to affiliated companies	22	23
Customer deposits	13	12
Accrued taxes	4	2
Accrued taxes to affiliated companies	6	18
Accrued interest	9	7
Accrued wages	5	10
Fair value of derivative liabilities	-	2
Regulatory liabilities	44	41
Other current liabilities	30	29
TOTAL CURRENT LIABILITIES	419	287
NONCURRENT LIABILITIES		
Provision for injuries and damages	10	15
Pensions and retiree benefits	229	274
Superfund and other environmental costs	98	105
Deferred income taxes and investment tax credits	519	506
Regulatory liabilities	163	132
Other deferred credits and noncurrent liabilities	10	9
TOTAL NONCURRENT LIABILITIES	1,029	1,041
LONG-TERM DEBT	459	600
COMMON SHAREHOLDER'S EQUITY (See Statement of Equity)	644	620
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 2,551	$ 2,548

The accompanying notes are an integral part of these financial statements.

Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF EQUITY
(Unaudited)

(Millions of Dollars/Except Share Data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE AS OF DECEMBER 31, 2012	1,000	$ -	$ 304	$ 307	$ (43)	$ 568
Net income				30		30
Common stock dividend to parent				(10)		(10)
Other comprehensive income					3	3
BALANCE AS OF MARCH 31, 2013	1,000	$ -	$ 304	$ 327	$ (40)	$ 591
Net income				6		6
Common stock dividend to parent				(9)		(9)
Other comprehensive income					1	1
BALANCE AS OF JUNE 30, 2013	1,000	$ -	$ 304	$ 324	$ (39)	$ 589
Net income				19		19
Common stock dividend to parent				(9)		(9)
Other comprehensive income					2	2
BALANCE AS OF SEPTEMBER 30, 2013	1,000	$ -	$ 304	$ 334	$ (37)	$ 601
BALANCE AS OF DECEMBER 31, 2013	1,000	$ -	$ 304	$ 334	$ (18)	$ 620
Net income				21		21
Common stock dividend to parent				(10)		(10)
Other comprehensive income					2	2
BALANCE AS OF MARCH 31, 2014	1,000	$ -	$ 304	$ 345	$ (16)	$ 633
Net income				8		8
Common stock dividend to parent				(10)		(10)
Other comprehensive income					1	1
BALANCE AS OF JUNE 30, 2014	1,000	$ -	$ 304	$ 343	$ (15)	$ 632
Net income				20		20
Common stock dividend to parent				(10)		(10)
Other comprehensive income					2	2
BALANCE AS OF SEPTEMBER 30, 2014	1,000	$ -	$ 304	$ 353	$ (13)	$ 644

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements (Unaudited)

General

These notes accompany and form an integral part of the financial statements of Orange and Rockland Utilities, Inc., a New York corporation, and its subsidiaries (the Company or O&R). The Company is a regulated utility, the equity of which is owned entirely by Consolidated Edison, Inc. (Con Edison). O&R has two regulated utility subsidiaries: Rockland Electric Company (RECO) and Pike County Light & Power Company (Pike). For the nine months ended September 30, 2014 and 2013, operating revenues for RECO and Pike were 20.2 percent and 1.2 percent and 22.2 percent and 0.9 percent, respectively, of O&R's consolidated operating revenues. O&R, along with its regulated utility subsidiaries, provides electric service in southeastern New York and adjacent areas of northern New Jersey and eastern Pennsylvania and gas service in southeastern New York and adjacent areas of eastern Pennsylvania. RECO has a subsidiary, Rockland Electric Company Transition Funding LLC (Transition Funding), which was formed in 2004 in connection with the securitization of certain purchased power costs. See "Long-Term Debt" in Note C.

The Company is subject to regulation by the Federal Energy Regulatory Commission (FERC), the New York Public Service Commission (NYSPSC), the New Jersey Board of Public Utilities (NJBPU) and the Pennsylvania Public Utility Commission (PAPUC) with respect to rates and accounting.

The interim consolidated financial statements as of September 30, 2014 and for the three and nine month periods ended September 30, 2014 and 2013 (the Third Quarter Financial Statements) are unaudited but, in the opinion of the Company's management, reflect all adjustments (which include only normally recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. The Third Quarter Financial Statements should be read together with the audited consolidated financial statements of the Company, as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, including the notes thereto.

During the nine months ended September 30, 2014, O&R recorded a charge to net income of $1.8 million to correct the cumulative effect of accounting entries that originated in prior periods. The amounts were not material to the Company's financial statements in any prior period, and the cumulative amount is not material to the estimated results of operations for the year ending December 31, 2014.

The Company has, pursuant to the accounting rules for subsequent events, evaluated events or transactions that occurred after September 30, 2014 through the posting on its website (November 14, 2014) of the Third Quarter Financial Statements for potential recognition or disclosure in the Third Quarter Financial Statements.

Note A – Summary of Significant Accounting Policies

Changes in Accumulated Other Comprehensive Income by Component

For the three and nine months ended September 30, 2014 and 2013, changes to accumulated other comprehensive income (OCI) are as follows:

	For the Three Months Ended September 30,	
(Millions of Dollars)	**2014**	**2013**
Beginning balance, accumulated OCI, net of taxes	$(15)	$(39)
OCI before reclassifications, net of tax of $- and $-, respectively	-	-
Amounts reclassified from accumulated OCI related to pension and other postretirement benefit plan liabilities, net of tax of $1 and $1, respectively(a)(b)	2	2
Current period total OCI, net of taxes	$2	$2
Ending balance, accumulated OCI, net of taxes(b)	$(13)	$(37)

	For the Nine Months Ended September 30,	
(Millions of Dollars)	**2014**	**2013**
Beginning balance, accumulated OCI, net of taxes	$(18)	$(43)
OCI before reclassifications, net of tax of $1 and $1, respectively	1	1
Amounts reclassified from accumulated OCI related to pension and other postretirement benefit plan liabilities, net of tax of $2 and $3, respectively(a)(b)	4	5
Current period total OCI, net of taxes	$5	$6
Ending balance, accumulated OCI, net of taxes(b)	$(13)	$(37)

(a) Only RECO's portion of unrecognized pension and other postretirement benefit costs and Pike's portion of unrecognized pension costs are recorded into, and amortized out of, OCI. All other such costs are recorded through regulatory assets. The net actuarial losses and prior service costs recognized during the period are included in the computation of net periodic pension and other postretirement benefit cost. See Notes E and F.

(b) Tax reclassified from accumulated OCI is reported in the income tax expense.

Note B – Regulatory Matters

Rate Plans

In July 2014, the NJBPU approved an electric rate increase, effective August 1, 2014, of $13 million for O&R's New Jersey regulated utility subsidiary, RECO. The new rates, among other things, reflect a return on common equity of 9.75 percent, a common equity ratio of approximately 50 percent and recovery of $25.6 million of deferred storm costs over a four-year period. The NJBPU continued provisions with respect to recovery from customers of the cost of purchased power and did not provide for reconciliation of actual expenses to amounts reflected in electric rates for pension and other postretirement benefit costs.

In September 2014, the Pennsylvania Public Utility Commission (PAPUC) approved an electric rate increase, effective September 15, 2014, of $1.25 million for Pike. In August 2014, the PAPUC approved a gas rate increase, effective September 1, 2014, of $100,000 for Pike.

On November 14, 2014, O&R filed a request with the NYSPSC for an increase in the rates it charges for electric service rendered in New York, effective November 1, 2015, of $33.4 million. The filing reflects a return on common equity of 9.75 percent and a common equity ratio of 48 percent. The filing proposes continuation of the current provisions with respect to recovery from customers of the cost of purchased power, and the reconciliation of actual expenses allocable to the electric business to the amounts for such costs reflected in electric rates for pension and other postretirement benefit costs, environmental and research and development costs.

On November 14, 2014, O&R filed a request with the NYSPSC for an increase in the rates it charges for gas service rendered in New York, effective November 1, 2015, of $40.7 million. The filing reflects a return on common equity of 9.75 percent and a common equity ratio of 48 percent. The filing proposes continuation of the current provisions with respect to recovery from customers of the cost of purchased gas, and the reconciliation of actual expenses allocable to the gas business to the amounts for such costs reflected in gas rates for pension and other postretirement benefit costs, environmental and research and development costs.

Other Regulatory Matters

In late October 2012, Superstorm Sandy caused extensive damage to the Company's electric distribution system and interrupted service to approximately 0.3 million customers. As of September 30, 2014, O&R incurred response and restoration costs for Superstorm Sandy of $91 million (including capital expenditures of $15 million). Most of the costs that were not capitalized were deferred for recovery as a regulatory asset under the Company's electric rate plans. See "Regulatory Assets and Liabilities" below. In November 2014, O&R requested recovery of deferred storm costs for its New York electric operations, which are subject to NYSPSC review. RECO's current electric rate plan includes collection from customers of deferred storm costs. See "Rate Plans" above.

In June 2014, the NYSPSC initiated a proceeding to investigate the practices of qualifying persons to perform plastic fusions on gas facilities. New York State regulations require gas utilities to qualify and, except in certain circumstances, annually requalify workers that perform fusion to join plastic pipe. The NYSPSC directed the New York gas utilities to provide information in this proceeding about their compliance with the qualification and requalification requirements and related matters; their procedures for compliance with all gas safety regulations; and their annual chief executive officer certifications regarding these and other procedures. O&R had not timely requalified certain workers that had been qualified under its procedures to perform fusion to join plastic pipe. O&R has requalified its workers who perform fusion to join plastic pipe. In October 2014, O&R submitted for NYSPSC staff review its plan for testing fusion to join plastic pipe that was performed on its gas delivery system, additional leakage surveying and reporting.

Regulatory Assets and Liabilities

Regulatory assets and liabilities at September 30, 2014 and December 31, 2013 were comprised of the following items:

(Millions of Dollars)	2014	2013
Regulatory assets		
Future income tax	$113	$114
Environmental remediation costs	104	108
Unrecognized pension and other postretirement costs	99	120
Deferred storm costs	96	107
Property tax reconciliation	32	22
Transition bond charges	28	33
Pension and other postretirement benefits deferrals	25	29
Revenue taxes	11	11
Surcharge for New York State assessment	10	4
Deferred derivative losses – noncurrent	-	1
Other	23	15
Regulatory assets – noncurrent	541	564
Recoverable energy costs - current	1	-
Deferred derivative losses – current	1	3
Regulatory assets – current	2	3
Total regulatory assets	$543	$567
Regulatory liabilities		
Allowance for cost of removal less salvage	$96	$87
Carrying charges on repair allowance and bonus depreciation	16	10
Unrecognized other postretirement benefit costs	9	-
Other postretirement benefit deferrals	8	2
New York State income tax rate change	4	-
Carrying charges on transmission and distribution net plant	2	8
Other	28	25
Regulatory liabilities – noncurrent	163	132
Refundable energy cost – current	36	34
Deferred derivative gains - current	8	3
Revenue decoupling mechanism	-	4
Regulatory liabilities – current	44	41
Total regulatory liabilities	$207	$173

Note C – Capitalization

Long-Term Debt

The carrying amounts and fair values of long-term debt are:

	September 30, 2014		December 31, 2013	
(Millions of Dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt (including current portion)	$602	$670	$604	$650

Fair values of long-term debt have been estimated primarily using available market information.

At September 30, 2014 and December 31, 2013, long-term debt of the Company included $3 million of mortgage bonds, collateralized by substantially all utility plant and other physical property of Pike. Long-term debt also included $20 million and $22 million at September 30, 2014 and December 31, 2013, respectively, of Transition Bonds issued by Transition Funding in July 2004. The proceeds from the Transition Bonds were used to purchase from RECO the right to be paid a Transition Bond Charge and associated tax charges by its customers relating to previously deferred purchased power costs for which the NJBPU had authorized recovery.

Note D – Short-Term Borrowing

At September 30, 2014 and December 31, 2013, O&R had $71 million and $69 million of commercial paper outstanding, respectively. At September 30, 2014 and December 31, 2013, less than $1 million and $15 million of letters of credit, respectively, were outstanding for O&R under the Credit Agreement.

Note E – Pension Benefits

Net Periodic Benefit Cost

The components of the Company's net periodic benefit costs for the three and nine months ended September 30, 2014 and 2013 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Millions of Dollars)	**2014**	**2013**	**2014**	**2013**
Service cost – including administrative expenses	$4	$4	$11	$13
Interest cost on projected benefit obligation	9	9	27	27
Expected return on plan assets	(10)	(9)	(31)	(27)
Recognition of net actuarial loss	8	10	24	31
Recognition of prior service costs	-	1	1	1
NET PERIODIC BENEFIT COST	$11	$15	$32	$45
Cost capitalized	(3)	(8)	(9)	(15)
Reconciliation to rate level	2	3	8	1
Cost charged to operating expenses	$10	$10	$31	$31

Contributions

O&R made contributions to the pension plan during 2014 of $40 million. O&R's policy is to fund its accounting cost to the extent tax deductible.

Mortality Table Revision

In October 2014, the Society of Actuaries issued revised mortality tables for use in estimating pension and other postretirement benefit plan obligations, accounting costs and required contribution amounts. The new mortality tables indicate substantial life expectancy improvements since the last tables published in 2000 (RP 2000). These improvements are expected to result in significant increases in future pension and other postretirement benefit plan obligations, accounting costs, and required contribution amounts for many plan sponsors. The Company is currently evaluating the impact of the revised mortality tables on the December 31, 2014 plan obligations, future accounting costs and expected plan contributions. Under its current New York rate plans, O&R defers as a regulatory asset or liability, as the case may be, the differences between the actual level of expenses for pension and other postretirement benefits and amounts for those expenses reflected in rates. Pike has a similar deferral provision for its other postretirement benefits plan. The rate plans for RECO and Pike do not have comparable deferral provisions for RECO's retirement benefits and Pike's pension plan.

Note F – Other Postretirement Benefits

Net Periodic Benefit Cost

The components of the Company's net periodic postretirement benefit costs for the three and nine months ended September 30, 2014 and 2013 were as follows:

(Millions of Dollars)	For the Three Months Ended September 30, 2014	2013	For the Nine Months Ended September 30, 2014	2013
Service cost	$1	$1	$3	$4
Interest cost on accumulated other postretirement benefit obligation	2	2	7	6
Expected return on plan assets	(2)	(2)	(7)	(7)
Recognition of net actuarial loss	1	2	4	6
Recognition of prior service costs	(1)	(1)	(3)	(3)
NET PERIODIC POSTRETIREMENT BENEFIT COST	$1	$2	$4	$6
Cost capitalized	-	(1)	(1)	(2)
Reconciliation to rate level	2	2	6	7
Cost charged to operating expenses	$3	$3	$9	$11

Contributions

O&R made a contribution of $0.2 million to the other postretirement benefit plans in 2014.

Note G – Environmental Matters

Superfund Sites

Hazardous substances, such as asbestos, polychlorinated biphenyls (PCBs) and coal tar, have been used or generated in the course of operations of O&R and its predecessors and are present at sites and in facilities and equipment they currently or previously owned, including seven sites at which gas was manufactured or stored.

The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and similar state statutes (Superfund) impose joint and several liability, regardless of fault, upon generators of hazardous substances for investigation and remediation costs (which include costs of demolition, removal, disposal, storage, replacement, containment, and monitoring) and natural resource damages. Liability under these laws can be material and may be imposed for contamination from past acts, even though such past acts may have been lawful at the time they occurred. The sites at which O&R has been asserted to have liability under these laws, including its manufactured gas plant sites and any neighboring areas to which contamination may have migrated, are referred to herein as "Superfund Sites."

For Superfund Sites where there are other potentially responsible parties and O&R is not managing the site investigation and remediation, the accrued liability represents an estimate of the amount O&R will need to pay to investigate and, where determinable, discharge its related obligations. For Superfund Sites (including the manufactured gas plant sites) for which O&R is managing the investigation and remediation, the accrued liability represents an estimate of the Company's share of undiscounted cost to investigate and remediate the sites. Remediation costs are estimated based on the information available, applicable remediation standards, and experience with similar sites.

The accrued liabilities and regulatory assets related to Superfund Sites at September 30, 2014 and December 31, 2013 were as follows:

(Millions of Dollars)	2014	2013
Accrued Liabilities:		
Manufactured gas plant sites	$97	$103
Other Superfund Sites	1	2
Total	$98	$105
Regulatory assets	$104	$108

The Superfund Sites have been investigated. However, for some of the sites, the extent and associated cost of the required remediation has not yet been determined. As information pertaining to the required remediation becomes available, the Company expects that additional liability may be accrued, the amount of which is not presently determinable but may be material. Under its current rate plans for provision of electric and gas service in New York, O&R is permitted to recover or defer as regulatory assets (for subsequent recovery through rates) certain site investigation and remediation costs.

Insurance recoveries related to Superfund Sites for the three and nine months ended September 30, 2014 and for the year ended December 31, 2013 were immaterial. Environmental remediation costs incurred related to Superfund Sites for the three and nine months ended September 30, 2014 and 2013 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Millions of Dollars)	2014	2013	2014	2013
Remediation costs incurred	$3.1	$0.3	$7.1	$4.7

In 2013, O&R estimated that for its manufactured gas plant sites, each of which has been investigated, the aggregate undiscounted potential liability for the remediation of coal tar and/or other manufactured gas plant related environmental contaminants could range up to $167 million. These estimates were based on assumptions regarding the extent of contamination and the type and extent of remediation that may be required. Actual experience may be materially different.

Asbestos Proceedings

Suits have been brought in New York State and federal courts against O&R and many other defendants, wherein a large number of plaintiffs sought large amounts of compensatory and punitive damages for deaths and injuries allegedly caused by exposure to asbestos at various O&R premises. The suits that have been resolved, which are many, have been resolved without any payment by O&R, or for amounts that were not, in the aggregate, material to the Company. The amounts specified in all the remaining suits total billions of dollars, but the Company believes that these amounts are greatly exaggerated, based on the disposition of previous claims.

In addition, certain current and former employees have claimed or are claiming workers' compensation benefits based on alleged disability from exposure to asbestos. The Company defers as regulatory assets (for subsequent recovery through rates) liabilities incurred for asbestos claims by employees and third-party contractors relating to its divested generating plants. In the Company's estimation, there is not a reasonable possibility that an exposure to loss exists for the asbestos proceedings that is materially in excess of the estimated liability accrued.

The Company's accrued liabilities for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) at September 30, 2014 and December 31, 2013 were as follows:

(Millions of Dollars)	2014	2013
Accrued liability – asbestos suits	$0.3	$0.3
Regulatory assets – asbestos suits	0.3	0.3
Accrued liability – workers' compensation	$5.0	$4.9
Regulatory assets – workers' compensation	-	-

Note H – Income Tax

O&R's income tax expense increased to $15 million for the three months ended September 30, 2014, from $11 million for the three months ended September 30, 2013. The effective tax rate for the three months ended September 30, 2014 and 2013 was 42 percent and 37 percent, respectively. The increase in the effective tax rate was primarily attributable to unfavorable tax adjustments related to flow-through federal income tax benefits associated with plant recorded in conjunction with O&R's federal tax return in September of 2014 and higher amortization of New York State's Metropolitan Transportation Authority business tax in 2014, as compared to the same period in 2013.

O&R's income tax expense increased to $30 million for the nine months ended September 30, 2014, from $17 million for the nine months ended September 30, 2013. The effective tax rate for the nine months ended September 30, 2014 and 2013 was 38 percent and 23 percent, respectively. The increase in the effective tax rate was primarily attributable to the items discussed above and a favorable adjustment to accumulated deferred income taxes that was recorded in 2013. Additionally, the effective tax rate was impacted by increased plant related flow-through items in 2014, as compared to the same period in 2013.

On March 31, 2014, tax legislation was enacted in the State of New York that reduces the corporate franchise tax rate from 7.1 percent to 6.5 percent, beginning January 1, 2016. The application of this legislation decreased O&R's accumulated deferred tax liabilities by $4 million and increased O&R's regulatory liability by $4 million. This tax legislation had no impact on O&R's effective tax rate for the nine months ended September 30, 2014.

Uncertain Tax Positions

In 2014, O&R filed amended state tax returns for tax years 2008 through 2011 to request state refunds. As a result of positions taken on the amended state tax returns, O&R increased its estimated liabilities for uncertain tax positions by $2 million. The amended state tax returns contain uncertain tax positions unique to the State of New Jersey, and the returns remain open for examination. At September 30, 2014, the estimated liability for uncertain tax positions for O&R was $3 million and was reflected as a noncurrent liability on its consolidated balance sheet. O&R recognizes interest on liabilities for uncertain tax positions in interest expense and would recognize penalties, if any, in operating expenses in O&R's consolidated income statement. In the first nine months of 2014 and 2013, O&R recognized an immaterial amount of interest expense and no penalties for uncertain tax positions in its consolidated income statement. At September 30, 2014 and December 31, 2013, O&R recognized an immaterial amount of accrued interest on its consolidated balance sheet.

As of September 30, 2014, O&R does not expect to resolve any of its uncertain tax positions within the next twelve months. The total amount of unrecognized tax benefits, if recognized, that would reduce O&R's effective tax rate is $3 million ($2 million net of federal taxes).

Note I – Financial Information by Business Segment

The financial data for the business segments are as follows:

	For the Three Months Ended September 30,							
	Operating revenues		Inter-segment revenues		Depreciation and amortization		Operating Income	
(Millions of Dollars)	2014	2013	2014	2013	2014	2013	2014	2013
Electric	$205	$200	$-	$-	$12	$10	$51	$46
Gas	27	26	-	-	4	4	(8)	(7)
Total	$232	$226	$-	$-	$16	$14	$43	$39

	For the Nine Months Ended September 30,							
	Operating Revenues		Inter-segment revenues		Depreciation and amortization		Operating Income	
(Millions of Dollars)	2014	2013	2014	2013	2014	2013	2014	2013
Electric	$525	$492	$-	$-	$33	$31	$87	$81
Gas	155	143	-	-	12	11	15	20
Total	$680	$635	$-	$-	$45	$42	$102	$101

Note J – Derivative Instruments and Hedging Activities

Under the accounting rules for derivatives and hedging, derivatives are recognized on the balance sheet at fair value, unless an exception is available under the accounting rules. Certain qualifying derivative contracts have been designated as normal purchases or normal sales contracts. These contracts are not reported at fair value under the accounting rules.

Energy Price Hedging

The Company hedges market price fluctuations associated with physical purchases of electricity by using electric and gas derivative instruments including futures, forwards and options.

The Company enters into master agreements for their commodity derivatives. These agreements typically provide setoff in the event of contract termination. In such case, generally the non-defaulting or non-affected party's payable will be set-off by the other party's payable. The non-defaulting party will customarily notify the defaulting party within a specific time period and come to an agreement on the early termination amount.

The fair values of the Company's commodity derivatives including the offsetting of assets and liabilities at September 30, 2014 were:

(Millions of Dollars) Commodity Derivatives	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/(Liabilities) Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial instruments	Cash collateral received	
Derivative assets	$16	$(6)	$10	$-	$-	$10
Derivative liabilities	(7)	7	-	-	-	-
Net derivative assets	$9	$1	$10	$-	$-	$10

The fair values of the Company's commodity derivatives including the offsetting of assets and liabilities at December 31, 2013 were:

(Millions of Dollars) Commodity Derivatives	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/(Liabilities) Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial instruments	Cash collateral received	
Derivative assets	$10	$(5)	$5[(a)]	$-	$-	$5[(a)]
Derivative liabilities	(6)	6	-	-	-	-
Net derivative assets	$4	$1	$5[(a)]	$-	$-	$5[(a)]

(a) At December 31, 2013, the Company had margin deposits of $1 million classified as derivative assets in the balance sheet, but not included in the table. As required by an exchange, a margin is collateral, typically cash, that the holder of a derivative instrument has to deposit in order to transact on an exchange and to cover its potential losses with its broker or the exchange.

O&R and Con Edison's other utility subsidiary, Consolidated Edison Company of New York, Inc. (CECONY, and together with O&R, the Utilities) have combined their gas requirements, and contracts to meet those requirements, into a single portfolio. The combined portfolio is administered by, and related management services (including hedging market price fluctuations associated with the physical purchase of gas) are provided by, CECONY (for itself and as agent for O&R) and costs (net of the effect of the related hedging transactions) are allocated between the Utilities in accordance with provisions approved by the NYSPSC. See Note L.

Credit Exposure

The Company is exposed to credit risk related to transactions entered into primarily for the various electric supply and hedging activities. The Company uses credit policies to manage this risk, including an established credit approval process, monitoring of counterparty limits, netting provisions within agreements and collateral or prepayment arrangements.

The Company had $10 million of credit exposure in connection with electricity supply and hedging activities, net of collateral, at September 30, 2014. The Company's net credit exposure consisted of $8 million with investment-grade counterparties and $2 million with commodity exchange brokers.

Economic Hedges

The Company enters into certain derivative instruments that do not qualify or are not designated as hedges under the accounting rules for derivatives and hedging. However, management believes these instruments represent economic hedges that mitigate exposure to fluctuations in commodity prices.

The fair values of the Company's commodity derivatives at September 30, 2014 and December 31, 2013 were:

(Millions of Dollars)	Fair Value of Commodity Derivatives[a] Balance Sheet Location	2014	2013
	Derivative Assets		
Current	Other current assets	$11	$7
Noncurrent	Other deferred charges and noncurrent assets	5	3
Total derivative assets		$16	$10
Impact of netting		(6)	(4)
Net derivative assets		$10	$6
	Derivative Liabilities		
Current	Fair value of derivative liabilities	$3	$3
Noncurrent	Fair value of derivative liabilities	4	3
Total derivative liabilities		$7	$6
Impact of netting		(7)	(6)
Net derivative liabilities		$-	$-

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

The Company generally recovers all of its prudently incurred purchased power and gas costs, including hedging gains and losses, in accordance with rate provisions approved by the applicable state utility commissions. In accordance with the accounting rules for regulated operations, the Company records a regulatory asset or liability to defer recognition of unrealized gains and losses on its commodity derivatives. As gains and losses are realized in future periods, they will be recognized as purchased power costs in the Company's consolidated income statement.

The following table presents the changes in the fair values of commodity derivatives that have been deferred for the three and nine months ended September 30, 2014 and 2013:

Realized and Unrealized Gains/(Losses) on Commodity Derivatives[a]

(Millions of Dollars)	Balance Sheet Location	For the Three Months Ended September 30, 2014	2013
Pre-tax gains/(losses) deferred in accordance with the accounting rules for regulated operations:			
Current	Deferred derivative gains	$(1)	$-
Long-term	Deferred derivative gains	(1)	-
Total deferred gains/(losses)		$(2)	$-
Current	Deferred derivative losses	$-	$1
Current	Recoverable energy costs	(4)	(2)
Long-term	Deferred derivative losses	-	(1)
Total deferred gains/(losses)		$(4)	$(2)
Net deferred gains/(losses)		$(6)	$(2)

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

Realized and Unrealized Gains/(Losses) on Commodity Derivatives[a]

(Millions of Dollars)	Balance Sheet Location	For the Nine Months Ended September 30, 2014	2013
Pre-tax gains/(losses) deferred in accordance with the accounting rules for regulated operations:			
Current	Deferred derivative gains	$5	$-
Long-term	Deferred derivative gains	1	-
Total deferred gains/(losses)		$6	$-
Current	Deferred derivative losses	$-	$5
Current	Recoverable energy costs	13	(3)
Long-term	Deferred derivative losses	(1)	(3)
Total deferred gains/(losses)		$12	$(1)
Net deferred gains/(losses)		$18	$(1)

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivatives and hedging and, therefore, are excluded from the table.

As of September 30, 2014, the Company had 65 electric or gas derivative contracts hedging electric energy market prices, which were considered to be derivatives under the accounting rules for derivatives and hedging (excluding qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts). The following table presents the number of contracts by commodity type:

Electric Derivatives		Gas Derivatives		
Number of Energy Contracts[a]	MWHs[b]	Number of Contracts[a]	Dths[b]	Total Number of Contracts[a]
20	1,221,370	45	5,240,000	65

(a) Qualifying derivative contracts, which have been designated as normal purchases or normal sales contracts, are not reported at fair value under the accounting rules for derivative and hedging and, therefore, are excluded from the table.
(b) Volumes are reported net of long and short positions.

The collateral requirements associated with, and settlement of, derivative transactions are included in net cash flows from operating activities in the Company's consolidated statement of cash flows. Most derivative instrument contracts contain provisions that may require the Company to provide collateral on derivative instruments in net liability positions. The Utilities enter into separate derivative instruments for electric energy or capacity, and CECONY enters into derivative instruments in connection with the Utilities' joint gas supply arrangements (see Note L). The amount of collateral to be provided will depend on the fair value of the derivative instruments and the Utilities' credit ratings.

The Company did not have any derivative instruments with credit-risk-related contingent features that are in a net liability position or collateral posted at September 30, 2014. For this purpose, non-derivative transactions for the purchase and sale of electricity and qualifying derivative instruments, which have been designated as normal purchases or normal sales, are excluded. These transactions primarily include purchases of electricity from independent system operators. For certain other such non-derivative transactions, the Company would be required to post collateral under certain circumstances, including in the event counterparties have reasonable grounds for insecurity.

Interest Rate Swaps

O&R had an interest rate swap that expired on October 1, 2014, pursuant to which it paid a fixed-rate of 6.09 percent and received a LIBOR-based variable rate. The fair value of this interest rate swap at September 30, 2014 was immaterial. The increase in the fair value of the swap for the three and nine months ended September 30, 2014 was $1 million and $2 million, respectively.

Note K – Fair Value Measurements

The accounting rules for fair value measurements and disclosures define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Company often makes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The accounting rules for fair value measurements and disclosures establish a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The rules require that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Company classifies fair value balances based on the fair value hierarchy defined by the accounting rules for fair value measurements and disclosures as follows:

- Level 1 – Consists of assets or liabilities whose value is based on unadjusted quoted prices in active markets at the measurement date. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.

- Level 2 – Consists of assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement date. The industry standard models consider observable assumptions including time value, volatility factors, and current market and contractual prices for the underlying commodities, in addition to other economic measures. This category includes contracts traded on active exchanges or in over-the-counter markets priced with industry standard models.

- Level 3 – Consists of assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints. This category includes contracts priced using models that are internally developed and contracts placed in illiquid markets. It also includes contracts that expire after the period of time for which quoted prices are available and internal models are used to determine a significant portion of the value.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2014 are summarized below.

(Millions of Dollars)	Level 1	Level 2	Level 3	Netting Adjustments[(d)]	Total
Derivative assets:					
Commodity[(a)(e)]	$-	$10	$-	$-	$10
Other assets[(a)(c)(e)]	7	10	-	-	17
Total	$7	$20	$-	$-	$27
Derivative liabilities:					
Commodity[(a)]	$-	$1	$-	$(1)	$-
Interest rate contract[(a)(b)(e)]	-	-	-	-	-
Total	$-	$1	$-	$(1)	$-

(a) Level 2 assets and liabilities include investments held in the deferred compensation plan and/or non-qualified retirement plans, interest rate swap, or exchange-traded contracts where there is insufficient market liquidity to warrant inclusion in Level 1, and certain over−the−counter derivative instruments for electricity and natural gas. Derivative instruments classified as Level 2 are valued using industry standard models that incorporate corroborated observable inputs; such as pricing services or prices from similar instruments that trade in liquid markets, time value, and volatility factors.

(b) The interest rate contract expired on October 1, 2014. See Note J.

(c) Other assets are comprised of assets such as life insurance contracts within the deferred compensation plan and non-qualified retirement plans.

(d) Amounts represent the impact of legally-enforceable master netting agreements that allow the Company to net gain and loss positions and cash collateral held or placed with the same counterparties.

(e) The Company's policy is to recognize transfers into and transfers out of the levels at the end of the reporting period. There were no transfers between levels 1, 2, and 3 for the nine months ended September 30, 2014.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 are summarized below.

(Millions of Dollars)	Level 1	Level 2	Level 3	Netting Adjustments[d]	Total
Derivative assets:					
Commodity[a][e]	$-	$7	$-	$(1)	$6
Other assets[a][c][e]	7	10	-	-	17
Total	$7	$17	$-	$(1)	$23
Derivative liabilities:					
Commodity[a]	$-	$3	$-	$(3)	$-
Interest rate contract[a][b][e]	-	2	-	-	2
Total	$-	$5	$-	$(3)	$2

(a) Level 2 assets and liabilities include investments held in the deferred compensation plan and/or non-qualified retirement plans, interest rate swap, or exchange-traded contracts where there is insufficient market liquidity to warrant inclusion in Level 1, and certain over−the−counter derivative instruments for electricity and natural gas. Derivative instruments classified as Level 2 are valued using industry standard models that incorporate corroborated observable inputs; such as pricing services or prices from similar instruments that trade in liquid markets, time value, and volatility factors.

(b) See Note J.

(c) Other assets are comprised of assets such as life insurance contracts within the deferred compensation plan and non-qualified retirement plans.

(d) Amounts represent the impact of legally-enforceable master netting agreements that allow the Company to net gain and loss positions and cash collateral held or placed with the same counterparties.

(e) The Company's policy is to recognize transfers into and transfers out of the levels at the end of the reporting period. There were no transfers between levels 1, 2, and 3 for the year ended December 31, 2013.

The employees in the risk management group of the Utilities develop and maintain the Utilities' valuation policies and procedures for, and verify pricing and fair value valuation of, commodity derivatives. Under the Utilities' policies and procedures, multiple independent sources of information are obtained for forward price curves used to value commodity derivatives. Fair value and changes in fair value of commodity derivatives are reported on a monthly basis to risk committees, comprised of officers and employees of CECONY that oversee energy hedging. The managers of the risk management group report to the CECONY's Vice President and Treasurer.

At September 30, 2014, the Company did not have any assets or liabilities that were classified as a Level 3 in the fair value hierarchy.

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value as of September 30, 2013 and classified as Level 3 in the fair value hierarchy:

	For the Three Months Ended September 30, 2013								
		Total Gains/(Losses) – Realized and Unrealized							
(Millions of Dollars)	Beginning Balance as of July 1, 2013	Included in Earnings	Included in Regulatory Assets and Liabilities	Purchases	Issuances	Sales	Settlements	Transfer In/Out of Level 3	Ending Balance as of September 30, 2013
Derivatives:									
Commodity	$(17)	$(1)	$(1)	$-	$-	$-	$1	$-	$(18)
Total	$(17)	$(1)	$(1)	$-	$-	$-	$1	$-	$(18)

	For the Nine Months Ended September 30, 2013								
		Total Gains/(Losses) – Realized and Unrealized							
(Millions of Dollars)	Beginning Balance as of July 1, 2013	Included in Earnings	Included in Regulatory Assets and Liabilities	Purchases	Issuances	Sales	Settlements	Transfer In/Out of Level 3	Ending Balance as of September 30, 2013
Derivatives:									
Commodity	$(19)	$(2)	$1	$-	$-	$-	$2	$-	$(18)
Total	$(19)	$(2)	$1	$-	$-	$-	$2	$-	$(18)

Realized gains and losses on Level 3 commodity derivative assets and liabilities are reported as part of purchased power costs. The Company generally recovers these costs in accordance with rate provisions approved by the applicable state public utilities commissions. Unrealized gains and losses for commodity derivatives are generally deferred on the consolidated balance sheet in accordance with the accounting rules for regulated operations.

The accounting rules for fair value measurements and disclosures require consideration of the impact of nonperformance risk (including credit risk) from a market participant perspective in the measurement of the fair value of assets and liabilities. At September 30, 2014, the Company determined that nonperformance risk would have no material impact on its financial position or results of operations. To assess nonperformance risk, the Company considered information such as collateral requirements, master netting arrangements, letters of credit and parent company guarantees, and applied a historical default probability based on current credit ratings and a market-based method by using the counterparty (for an asset) or the Company's (for a liability) credit default swaps rates.

Note L – Related Party Transactions

The Company provides and receives administrative and other services to and from Con Edison and its subsidiaries pursuant to cost allocation procedures developed in accordance with rules approved by the NYSPSC and/or other regulatory authorities, as applicable. The services received include substantial administrative support operations, such as corporate secretarial and associated managerial duties, accounting, treasury, investor relations, information resources, legal, human resources, fuel supply, and energy management services. The costs of administrative and other services provided by the Company, and received from Con Edison and its other subsidiaries for the three and nine months ended September 30, 2014 and 2013 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Millions of Dollars)	2014	2013	2014	2013
Cost of services provided	$4	$4	$13	$12
Cost of services received	$10	$10	$30	$31

At September 30, 2014 and December 31, 2013, O&R's payable to Con Edison and its other subsidiaries associated with these services was $8 million and $5 million, respectively.

In addition, CECONY and O&R have joint gas supply arrangements, in connection with which O&R purchased from CECONY $13 million and $14 million of natural gas for the three months ended September 30, 2014 and 2013, respectively, and $65 million and $52 million of natural gas for the nine months ended September 30, 2014 and 2013, respectively. These amounts are net of the effect of related hedging transactions. At September 30, 2014 and December 31, 2013, O&R's net payable to CECONY associated with these gas purchases was $1 million and $10 million, respectively. At September 30, 2014 and December 31, 2013, O&R's payable to Con Edison's competitive energy businesses associated with electricity purchases and retail services was $1 million.

At September 30, 2014 and December 31, 2013, the Company's payable to Con Edison for income taxes was $9 million and $2 million, respectively.

FERC has authorized CECONY through 2015 to lend funds to O&R from time to time, for periods of not more than 12 months, in amounts not to exceed $250 million outstanding at any time, at prevailing market rates. At September 30, 2014 and December 31, 2013, there were no loans outstanding for O&R.

Note M – New Financial Accounting Standards

In April 2014, the Financial Accounting Standards Board (FASB) issued new amendments on reporting discontinued operations through Accounting Standards Update (ASU) No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." The amendments in this update revise the definition of a discontinued operation as a disposal of a component of an entity or a group of components of an entity, or a business or nonprofit activity that represents a strategic shift that has or will have a major effect on an entity's operations and financial results. The amendments also require additional disclosures for discontinued operations and individually significant disposals that do not qualify for discontinued operations presentation in the financial statements. For public entities, the amendments are effective prospectively for reporting periods beginning on or after December 15, 2014. The application of this guidance is not expected to have a material impact on the Company's financial position, results of operations and liquidity.

In May 2014, the FASB and the International Accounting Standards Board (IASB) jointly issued a new revenue recognition standard that will supersede the revenue recognition requirements within Accounting Standards Codification (ASC) Topic 605, "Revenue Recognition," and most industry-specific guidance under the Codification through ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." The purpose of the new guidance is to create a consistent framework for revenue recognition. The guidance clarifies how to measure and recognize revenue arising from customer contracts to depict the transfer of goods or services in an amount that reflects the consideration the entity expects to receive. The new guidance must be adopted using either a full retrospective approach or a modified retrospective approach. For public entities reporting under accounting principles generally accepted in the United States of America, the new guidance is effective for periods beginning after December 15, 2016. The Company is in the process of evaluating the application and impact of the new guidance on the Company's financial position, results of operations and liquidity.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)." The purpose of the amendments is to clarify the accounting treatment regarding performance targets. Under the new guidance, a performance target that affects vesting and that could be achieved after the requisite service period is required to be treated as a performance condition and should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized only when it becomes probable that the performance target will be achieved. The amendments are effective for periods beginning after December 15, 2015. The Company is in the process of evaluating the application and impact of the new guidance on the Company's financial position, results of operations and liquidity.

In August 2014, the FASB issued amendments on reporting about an entity's ability to continue as a going concern in ASU No. 2014-15, "Presentation of Financial Statements – Going Concern (Subtopic 205 - 40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The amendments provide guidance about management's responsibility to evaluate whether there is substantial doubt surrounding an entity's ability to continue as a going concern. If management concludes that substantial doubt exists, the amendments also require additional disclosures relating to management's evaluation and conclusion. The amendments are effective for the annual reporting period ending after December 15, 2016 and interim periods thereafter. The application of this guidance is not expected to have a material impact on the Company's financial position, results of operations and liquidity.