Orange and Rockland Utilities, Inc.
Third Quarter 2013 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,	
	2013	2012	2013	2012
	(Millions of Dollars)			
OPERATING REVENUES				
Electric	$ 200	$ 199	$ 492	$ 457
Gas	26	27	143	144
TOTAL OPERATING REVENUES	226	226	635	601
OPERATING EXPENSES				
Purchased power	68	70	169	150
Gas purchased for resale	10	11	50	48
Operations and maintenance	79	72	225	219
Depreciation and amortization	14	13	42	39
Taxes, other than income taxes	16	16	48	45
TOTAL OPERATING EXPENSES	187	182	534	501
OPERATING INCOME	39	44	101	100
TOTAL OTHER INCOME (DEDUCTIONS)	-	-	-	-
INCOME BEFORE INTEREST AND INCOME TAX EXPENSE	39	44	101	100
INTEREST EXPENSE				
Interest on long-term debt	9	9	25	25
Other interest	-	(2)	4	(2)
Allowance for funds used during construction	-	-	(1)	(1)
NET INTEREST EXPENSE	9	7	28	22
INCOME BEFORE INCOME TAX EXPENSE	30	37	73	78
INCOME TAX EXPENSE	11	14	17	24
NET INCOME	$ 19	$ 23	$ 56	$ 54

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,	
	2013	2012	2013	2012
	(Millions of Dollars)			
NET INCOME	$ 19	$ 23	$ 56	$ 54
OTHER COMPREHENSIVE INCOME, NET OF TAXES				
Pension plan liability adjustments, net of $1 and $3 taxes in 2013 and $1 and $6 taxes in 2012, respectively	2	2	6	10
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAXES	2	2	6	10
COMPREHENSIVE INCOME	$ 21	$ 25	$ 62	$ 64

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

	For the Nine Months Ended September 30, 2013	2012
	(Millions of Dollars)	
OPERATING ACTIVITIES		
Net income	$ 56	$ 54
PRINCIPAL NON-CASH CHARGES/(CREDITS) TO INCOME		
Depreciation and amortization	42	39
Deferred income taxes	5	49
Other non-cash items (net)	(11)	6
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable - customers, less allowance for uncollectibles	(14)	(6)
Accounts receivable from affiliated companies	47	(47)
Materials and supplies, including gas in storage	(6)	5
Prepayments, other receivables and other current assets	(3)	(4)
Recoverable energy costs	4	(2)
Accounts payable	(67)	(7)
Accounts payable to affiliated companies	7	4
Pensions and retiree obligations	47	64
Pensions and retiree contributions	(57)	(60)
Accrued taxes	4	-
Accrued interest	1	(1)
Accrued wages	(6)	(6)
Deferred charges, noncurrent assets and other regulatory assets	39	-
Deferred credits and other regulatory liabilities	(9)	(8)
Superfund and other environmental costs (net)	(2)	-
Other liabilities	(10)	(1)
NET CASH FLOWS FROM OPERATING ACTIVITIES	67	79
INVESTING ACTIVITIES		
Utility construction expenditures	(89)	(83)
Cost of removal less salvage	(6)	(3)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(95)	(86)
FINANCING ACTIVITIES		
Net proceeds of short-term debt	46	-
Retirement of long-term debt	(2)	(2)
Dividend to parent	(28)	(26)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	16	(28)
CASH AND TEMPORARY CASH INVESTMENTS:		
NET CHANGE FOR THE PERIOD	(12)	(35)
BALANCE AT BEGINNING OF PERIOD	38	69
BALANCE AT END OF PERIOD	$ 26	$ 34
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid/(refunded) during the period for:		
Interest	$21	$21
Income taxes	$(34)	$19

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

	September 30, 2013	December 31, 2012
	(Millions of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	$ 26	$ 38
Accounts receivable - customers, less allowance for uncollectible accounts of $4 and $5 in 2013 and 2012, respectively	70	56
Accrued unbilled revenue	23	38
Other receivables, less allowance for uncollectible accounts of $2 in 2013 and 2012	4	3
Accounts receivable from affiliated companies	26	73
Gas in storage, at average cost	23	19
Materials and supplies, at average cost	15	13
Prepayments	42	24
Deferred tax assets - current	28	51
Regulatory assets	4	13
Other current assets	10	11
TOTAL CURRENT ASSETS	271	339
INVESTMENTS	17	16
UTILITY PLANT, AT ORIGINAL COST		
Electric	1,361	1,297
Gas	594	573
General	178	175
Total	2,133	2,045
Less: Accumulated depreciation	595	563
Net	1,538	1,482
Construction work in progress	77	80
NET UTILITY PLANT	1,615	1,562
OTHER NONCURRENT ASSETS		
Regulatory assets	693	733
Other deferred charges and noncurrent assets	17	21
TOTAL OTHER NONCURRENT ASSETS	710	754
TOTAL ASSETS	$ 2,613	$ 2,671

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

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

	September 30, 2013	December 31, 2012
	(Millions of Dollars)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Long-term debt due within one year	$ 4	$ 3
Notes payable	49	3
Accounts payable	68	135
Accounts payable to affiliated companies	19	21
Customer deposits	12	12
Accrued taxes	7	3
Accrued taxes to affiliated companies	14	5
Accrued interest	9	8
Accrued wages	4	10
Fair value of derivative liabilities	1	6
Regulatory liabilities	31	38
Other current liabilities	24	36
TOTAL CURRENT LIABILITIES	242	280
NONCURRENT LIABILITIES		
Provision for injuries and damages	7	7
Pensions and retiree benefits	402	458
Superfund and other environmental costs	109	113
Fair value of derivative liabilities	21	18
Other noncurrent liabilities	3	3
TOTAL NONCURRENT LIABILITIES	542	599
DEFERRED CREDITS AND REGULATORY LIABILITIES		
Deferred income taxes and investment tax credits	497	493
Regulatory liabilities	126	124
Other deferred credits	4	3
TOTAL DEFERRED CREDITS AND REGULATORY LIABILITIES	627	620
LONG-TERM DEBT	601	604
COMMON SHAREHOLDER'S EQUITY (See Statement of Common Shareholder's Equity)	601	568
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 2,613	$ 2,671

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

Orange and Rockland Utilities, Inc.
CONSOLIDATED STATEMENT OF COMMON SHAREHOLDER'S 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, 2011	1,000	$ -	$ 304	$ 277	$ (49)	$ 532
Net income				20		20
Common stock dividend to parent				(9)		(9)
Other comprehensive income					7	7
BALANCE AS OF MARCH 31, 2012	1,000	$ -	$ 304	$ 288	$ (42)	$ 550
Net income				11		11
Common stock dividend to parent				(9)		(9)
Other comprehensive income					1	1
BALANCE AS OF JUNE 30, 2012	1,000	$ -	$ 304	$ 290	$ (41)	$ 553
Net income				23		23
Common stock dividend to parent				(8)		(8)
Other comprehensive income					2	2
BALANCE AS OF SEPTEMBER 30, 2012	1,000	$ -	$ 304	$ 305	$ (39)	$ 570
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

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 consolidated 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, 2013 and 2012, operating revenues for RECO and Pike were 22.2 percent and 0.9 percent and 24.7 percent and 0.8 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 owns Rockland Electric Company Transition Funding LLC (Transition Funding), which was formed in 2004 in connection with the securitization of certain purchased power costs.

The Company is subject to regulation by the Federal Energy Regulatory Commission (FERC), the New York State 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, 2013 and for the three and nine month periods ended September 30, 2013 and 2012 (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, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, including the notes thereto.

During the three months ended September 30, 2013, O&R recorded an adjustment to net income of $2 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, 2013.

The Company has, pursuant to the accounting rules for subsequent events, evaluated events or transactions that occurred after September 30, 2013 through the posting on its website (November 8, 2013) 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, 2013, changes to accumulated other comprehensive income (OCI) are as follows:

(Millions of Dollars)	
Accumulated OCI, net of taxes, at December 31, 2012	$(43)
OCI before reclassifications, net of tax of $1	1
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $1 (a)(b)	2
Total OCI, net of taxes, at March 31, 2013	3
Accumulated OCI, net of taxes, at March 31, 2013 (b)	$(40)
OCI before reclassifications	-
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $1 (a)(b)	1
Total OCI, net of taxes, at June 30, 2013	1
Accumulated OCI, net of taxes, at June 30, 2013 (b)	$(39)
OCI before reclassifications	-
Amounts reclassified from accumulated OCI related to pension plan liabilities, net of tax of $1 (a)(b)	2
Total OCI, net of taxes, at September 30, 2013	2
Accumulated OCI, net of taxes, at September 30, 2013 (b)	$(37)

(a) Only RECO's portion of unrecognized pension and other postretirement benefit 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 line item of the income statement.

Note B –Regulatory Matters

Other Regulatory Matters

In April 2010, the NJBPU approved a March 2010 stipulation among RECO, the Division of Rate Counsel and Staff of the NJBPU, authorizing RECO to recover, through a customer bill surcharge, the revenue requirement impact associated with 50 percent of up to $19.4 million of the costs of certain RECO smart electric grid projects for which RECO receives grants for the remaining 50 percent of such costs from the United States Department of Energy under the American Recovery and Reinvestment Act of 2009. The revenue requirement recovered through the bill surcharge includes a return on investment based upon a return on common equity of 10.3 percent. Pursuant to the stipulation, in the company's next base rate proceeding, the NJBPU will review the projects' costs, require the company to refund to customers amounts collected for costs, if any, that were not prudent, reasonable and incremental, and include in the company's rate base the remaining projects' costs.

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, 2013, O&R incurred response and restoration costs for Superstorm Sandy of $92 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. The New York electric rate plan includes provisions for revenue decoupling, as a result of which delivery revenues generally are not affected by changes in delivery volumes from levels assumed when rates were approved. The provisions of the New York electric plan that impose penalties for operating performance provide for exceptions for major storms and catastrophic events beyond the control of the Company, including natural disasters such as hurricanes and floods. The NYSPSC is investigating, and the New York State Attorney General investigated, the preparation and performance of the Company in connection with Superstorm Sandy and other major storms.

In June 2013, a commission appointed by the Governor of New York issued its final report on utility storm preparation and response. The commission identified deficiencies in the performance of the Company and other New York utilities and made recommendations regarding, among other things, preparation and response to flooding; estimation of customer restoration times; reliability of website outage maps; coordination with local governments and providers of other utility services; availability and allocation of staffing and other resources (including the utility industry's mutual aid process); and communications with affected communities and local officials. The commission's report also addressed the Long Island Power Authority, energy efficiency programs, utility infrastructure investment and regulatory deficiencies.

In March 2013, the NJBPU established a proceeding to review the prudency of costs incurred by New Jersey utilities, including RECO, in response to major storm events in 2011 and 2012. At September 30, 2013, RECO had $28 million of storm costs deferred for recovery as a regulatory asset and had incurred $6 million of capital expenditures related to the storms.

In July 2013, the PAPUC granted Pike a deferral petition for certain costs relating to Superstorm Sandy.

Regulatory Assets and Liabilities

Regulatory assets and liabilities at September 30, 2013 and December 31, 2012 were comprised of the following items:

(Millions of Dollars)	2013	2012
Regulatory assets		
Unrecognized pension and other postretirement costs	$232	$270
Environmental remediation costs	113	115
Deferred storm costs	111	124
Future federal income tax	106	91
Transition bond charges	34	39
Pension and other postretirement benefits deferrals	28	29
Deferred derivative losses – long-term	21	20
Other	48	45
Regulatory assets – long-term	693	733
Deferred derivative losses - current	3	8
Recoverable energy costs - current	1	5
Regulatory assets - current	4	13
Total regulatory assets	$697	$746
Regulatory liabilities		
Allowance for cost of removal less salvage	$ 86	$ 82
Carrying charges on transmission and distribution net plant	11	18
Other	29	24
Regulatory liabilities – long-term	126	124
Refundable energy cost – current	28	34
Revenue decoupling mechanism	3	4
Regulatory liabilities – current	31	38
Total regulatory liabilities	$157	$162

"Deferred storm costs" represent response and restoration costs, other than capital expenditures, in connection with Superstorm Sandy and other major storms that were deferred by the Company under its electric rate plans. See "Other Regulatory Matters," above.

Note C – Capitalization

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

	September 30, 2013		December 31, 2012	
(Millions of Dollars)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Long-Term Debt (including current portion)	$605	$654	$607	$717

Fair values of long-term debt have been estimated primarily using available market information and are classified as Level 2 liabilities.

Note D – Short-Term Borrowing

At September 30, 2013, O&R had $49 million of commercial paper outstanding. At December 31, 2012, O&R had $3 million of commercial paper outstanding. At September 30, 2013 and December 31, 2012, $18 million and $10 million of letters of credit, respectively, and no other borrowings were outstanding for O&R under the Credit Agreement. In 2013, the termination date under the Credit Agreement was extended from October 2016 to October 2017 with respect to lenders with aggregate commitments under the Credit Agreement of approximately $2.1 billion. Under the Credit Agreement, there is a maximum of $200 million available to O&R (subject to increase to $250 million if the necessary regulatory approvals are requested and obtained).

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, 2013 and 2012 were as follows:

	For the Three Months Ended September 30,	
(Millions of Dollars)	**2013**	**2012**
Service cost – including administrative expenses	$ 4	$ 4
Interest cost on projected benefit obligation	9	9
Expected return on plan assets	(9)	(9)
Recognition of net actuarial loss	10	10
Recognition of prior service costs	1	-
NET PERIODIC BENEFIT COST	$15	$14
Cost capitalized	(8)	(4)
Reconciliation to rate level	3	1
Cost charged to operating expenses	$10	$11

(Millions of Dollars)	For the Nine Months Ended September 30, 2013	2012
Service cost – including administrative expenses	$13	$12
Interest cost on projected benefit obligation	27	26
Expected return on plan assets	(27)	(26)
Recognition of net actuarial loss	31	29
Recognition of prior service costs	1	1
NET PERIODIC BENEFIT COST	$45	$42
Cost capitalized	(15)	(13)
Reconciliation to rate level	1	(1)
Cost charged to operating expenses	$31	$28

Contributions

O&R made contributions to the pension plan during 2013 of $57 million. O&R's policy is to fund its accounting cost to the extent tax deductible.

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, 2013 and 2012 were as follows:

(Millions of Dollars)	For the Three Months Ended September 30, 2013	2012
Service cost	$ 1	$ 1
Interest cost on accumulated other postretirement benefit obligation	2	2
Expected return on plan assets	(2)	(2)
Recognition of net actuarial loss	2	3
Recognition of prior service costs	(1)	(1)
NET PERIODIC POSTRETIREMENT BENEFIT COST	$ 2	$ 3
Cost capitalized	(1)	(1)
Reconciliation to rate level	2	-
Cost charged to operating expenses	$ 3	$ 2

(Millions of Dollars)	For the Nine Months Ended September 30, 2013	2012
Service cost	$ 4	$ 4
Interest cost on accumulated other postretirement benefit obligation	6	7
Expected return on plan assets	(7)	(7)
Recognition of net actuarial loss	6	8
Recognition of prior service costs	(3)	(3)
NET PERIODIC POSTRETIREMENT BENEFIT COST	$ 6	$ 9
Cost capitalized	(2)	(4)
Reconciliation to rate level	7	3
Cost charged to operating expenses	$11	$ 8

Contributions

O&R made a contribution of $0.3 million to the other postretirement benefit plans in 2013.

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, 2013 and December 31, 2012 were as follows:

(Millions of Dollars)	2013	2012
Accrued Liabilities:		
Manufactured gas plant sites	$108	$112
Other Superfund Sites	1	1
Total	$109	$113
Regulatory assets	$113	$115

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, 2013 and for the year ended December 31, 2012 were immaterial.

Environmental remediation costs incurred related to Superfund Sites for the three and nine months ended September 30, 2013 and 2012 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Millions of Dollars)	**2013**	**2012**	**2013**	**2012**
Remediation costs incurred	$0.3	$2.0	$4.7	$2.7

In 2010, 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 $200 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.

The Company's accrued liability for asbestos suits and workers' compensation proceedings (including those related to asbestos exposure) at September 30, 2013 and December 31, 2012 were as follows:

(Millions of Dollars)	2013	2012
Accrued liability – asbestos suits	$0.3	$0.3
Regulatory assets – asbestos suits	0.3	0.3
Accrued liability – workers' compensation	$4.9	$4.8
Regulatory assets – workers' compensation	-	0.1

Note H – Income Tax

The Company's income tax expense decreased to $11 million for the three months ended September 30, 2013, from $14 million for the three months ended September 30, 2012. The effective tax rates for the three months ended September 30, 2013 and 2012 were 37 percent and 38 percent, respectively. The decrease in income tax expense was due primarily to lower income before income tax expense.

The Company's income tax expense decreased to $17 million for the nine months ended September 30, 2013, from $24 million for the nine months ended September 30, 2012. The effective tax rates for the nine months ended September 30, 2013 and 2012 were 23 percent and 31 percent, respectively. The lower effective tax rate in 2013 is due primarily to changes in estimates relating to accumulated deferred income taxes. The effective tax rate in 2012 was also impacted by the tax treatment of a $6 million life insurance benefit.

In September 2013, the IRS issued final regulations that provide guidance on the appropriate tax treatment of costs incurred to acquire, produce or improve tangible property. The new regulations, effective beginning in 2014, permit an acceleration of tax deductions for certain materials and supplies recorded as inventory for financial accounting purposes. The application of these regulations is not expected to have a material impact on the Company's financial position, results of operations or liquidity.

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)	2013	2012	2013	2012	2013	2012	2013	2012
Electric	$200	$199	$-	$-	$10	$ 9	$46	$50
Gas	26	27	-	-	4	4	(7)	(6)
Total	$226	$226	$-	$-	$14	$13	$39	$44

	For the Nine Months Ended September 30,							
	Operating Revenues		Inter-segment revenues		Depreciation and amortization		Operating income	
(Millions of Dollars)	2013	2012	2013	2012	2013	2012	2013	2012
Electric	$492	$457	$-	$-	$31	$28	$81	$ 74
Gas	143	144	-	-	11	11	20	26
Total	$635	$601	$-	$-	$42	$39	$101	$100

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.

Effective January 1, 2013, the Company adopted Accounting Standards Updates (ASUs) No. 2011-11, “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities” and No. 2013-01, “Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities”. The amendments require the Company to disclose certain quantitative information concerning financial and derivative instruments that are offset in the balance sheet and a description of the rights of setoff, including the nature of such rights, associated with recognized assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement.

The Company enters into master agreements for their commodity derivatives. These agreements typically provide setoff provisions 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, 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	$4	$(3)	$1[(a)]	$-	$-	$1[(a)]
Derivative liabilities	(24)	6	(18)	-	-	(18)
Net derivative assets/(liabilities)	$(20)	$3	$(17)[(a)]	$-	$-	$(17)[(a)]

(a) At September 30, 2013, the Company had margin deposits of $2 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.

The fair values of the Company's commodity derivatives including the offsetting of assets and liabilities at December 31, 2012 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	$3	$(2)	$1[a]	$ -	$ -	$1[a]
Derivative liabilities	(23)	4	(19)	-	-	(19)
Net derivative assets/(liabilities)	$(20)	$2	$(18)[a]	$ -	$ -	$(18)[a]

(b) At December 31, 2012, the Company had margin deposits of $2 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 Consolidated Edison Company of New York, Inc. (CECONY) (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 K.

Credit Exposure

The Company is exposed to credit risk related to transactions entered into primarily for the various energy 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 $3 million of credit exposure in connection with energy supply and hedging activities, net of collateral, at September 30, 2013. The Company's net credit exposure consisted of $2 million with commodity exchange brokers and $1 million with investment-grade counterparties.

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, 2013 and December 31, 2012 were:

Fair Value of Commodity Derivatives [(a)]

(Millions of Dollars)	Balance Sheet Location	2013	2012
Derivative Assets			
Current	Other current assets	$2	$1
Long-term	Other deferred charges and non-current assets	2	2
Total derivative assets		$4	$3
Impact of netting		(1)	-
Net derivative assets		$3	$3
Derivative Liabilities			
Current	Fair value of derivative liabilities	$5	$ 8
Long-term	Fair value of derivative liabilities	19	15
Total derivative liabilities		$24	$23
Impact of netting		(6)	(4)
Net derivative liabilities		$18	$19

(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.

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 tables present the changes in the fair values of commodity derivatives that have been deferred for the three and nine months ended September 30, 2013 and 2012:

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

(Millions of Dollars)	Balance Sheet Location	Deferred for the Three Months Ended September 30, 2013	2012
Current	Deferred derivative gains	$-	$-
Long-term	Deferred derivative gains	-	1
Total deferred gains/(losses)		$-	$1
Current	Deferred derivative losses	$1	$9
Current	Recoverable energy costs	(2)	(8)
Long-term	Deferred derivative losses	(1)	3
Total deferred gains/(losses)		$(2)	$4
Net deferred gains/(losses)		$(2)	$5

(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	Deferred for the Nine Months Ended September 30, 2013	2012
Current	Deferred derivative gains	$-	$-
Long-term	Deferred derivative gains	-	1
Total deferred gains/(losses)		$-	$1
Current	Deferred derivative losses	$5	$12
Current	Recoverable energy costs	(3)	(22)
Long-term	Deferred derivative losses	(3)	(7)
Total deferred gains/(losses)		$(1)	$(17)
Net deferred gains/(losses)		$(1)	$(16)

(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, 2013, the Company had 79 electric or gas derivative contracts hedging electric energy or capacity 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 Capacity Contracts[a]	MWs[b]	Number of Contracts[a]	Dths[b]	Total Number of Contracts[a]
26	1,269,677	3	5,150	50	4,720,000	79

(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 K). The amount of collateral to be provided will depend on the fair value of the derivative instruments and the Utilities' credit ratings.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position, and collateral posted at September 30, 2013, and the additional collateral that would have been required to be posted had the lowest applicable credit rating been reduced one level and to below investment grade were:

(Millions of Dollars)	
Aggregate fair value – net liabilities[a]	$1
Collateral posted	-
Additional collateral[b] (downgrade one level from current rating[c])	-
Additional collateral[b] (downgrade to below investment grade from current rating[c])	2[d]

(a) 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 from the table. These transactions primarily include purchases of electricity from independent system operators. For certain other such non-derivative transactions, the Company could be required to post collateral under certain circumstances, including in the event counterparties had reasonable grounds for insecurity.
(b) The additional collateral amounts shown above are based upon the estimated O&R allocation of the Utilities' collateral requirements. The Utilities measure the collateral requirements by taking into consideration the fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liability position plus amounts owed to counterparties for settled transactions and amounts required by counterparties for minimum financial security. The fair value amounts represent unrealized losses, net of any unrealized gains where the Utilities have a legally enforceable right of setoff.
(c) The current long-term ratings of O&R are Baa1/A-/A- by Moody's, S&P, and Fitch, respectively. Credit ratings assigned by rating agencies are expressions of opinions that are subject to revision or withdrawal at any time by the assigning rating agency.
(d) Derivative instruments that are net assets have been excluded from the table. At September 30, 2013, if O&R had been downgraded to below investment grade, it would have been required to post additional collateral for such derivative instruments of $1 million.

Interest Rate Swaps

O&R has an interest rate swap pursuant to which it pays a fixed-rate of 6.09 percent and receives a LIBOR-based variable rate. The fair value of this interest rate swap at September 30, 2013 was an unrealized loss of $3 million, which has been included in the Company's consolidated balance sheet as a noncurrent liability/fair value of derivative liabilities and a regulatory asset. The increase in the fair value of the swap for the three and nine months ended September 30, 2013 was $1 million and $3 million, respectively. In the event O&R's credit rating was downgraded to BBB- or lower by S&P or Baa3 or lower by Moody's, the swap counterparty could elect to terminate the agreement and, if it did so, the parties would then be required to settle the transaction.

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 participant's 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, 2013 are summarized below.

(Millions of Dollars)	Level 1	Level 2	Level 3	Netting Adjustments [d]	Total
Derivative assets:					
Commodity [a][e]	$-	$2	$-	$1	$3
Other assets [c][e]	7	10	-	-	17
Total	$7	$12	$-	$1	$20
Derivative liabilities:					
Commodity	$-	$4	$18	$(4)	$18
Interest rate contract [b][e]	-	3	-	-	3
Total	$-	$7	$18	$(4)	$21

(a) A portion of the commodity derivative contracts categorized in Level 3 is valued using an internally developed model with observable inputs. The model also includes some less readily observable inputs resulting in the classification of the respective contract as Level 3. See Note J.
(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 nine months ended September 30, 2013.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 are summarized below.

(Millions of Dollars)	Level 1	Level 2	Level 3	Netting Adjustments [d]	Total
Derivative assets:					
Commodity [a][e]	$-	$ 3	$ -	$-	$ 3
Other assets [c][e][f]	7	9	-	-	16
Total	$7	$12	$ -	$-	$ 19
Derivative liabilities:					
Commodity [a][e][h]	$-	$ 4	$19	$(4)	$19
Interest rate contract [b][e][g]	-	6	-	-	6
Total	$-	$10	$19	$(4)	$25

(a) A significant portion of the commodity derivative contracts categorized in Level 3 is valued using an internally developed model with observable inputs. The models also include some less readily observable inputs resulting in the classification of the respective contract as Level 3. See Note J.

(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.
(f) On March 31, 2012, other assets of $10 million were transferred from Level 3 to Level 2 because of reassessment of the levels in the fair value hierarchy within which certain inputs fall.
(g) On March 31, 2012, interest rate contract of $8 million was transferred from Level 3 to Level 2 because of reassessment of the levels in the fair value hierarchy within which certain inputs fall.
(h) During 2012, commodity derivative contract liabilities of $2 million were transferred from Level 3 to Level 2 because of reassessment of the levels in the fair value hierarchy within which certain inputs fall.

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 the Utilities' risk committee, comprised of officers and employees of the Utilities' that oversee energy hedging. The managers of the risk management group report to the Utilities' Vice President and Treasurer.

	Fair Value of Level 3 at September 30, 2013 (Millions of Dollars)	Valuation Techniques	Unobservable Inputs	Range
Electricity	$ (1)	Discounted cash flow	Forward energy prices [(a)]	$43 - $71 per MWH
Standard Offer Capacity	(17)	Discounted cash flow	Forward capacity prices [(a)]	$119 - $248 MW - day
Agreements			Present value factor [(a)]	2.64%
Total	$(18)			

(a) Generally, increases/(decreases) in this input in isolation would result in a higher/(lower) fair value measurement.

The tables listed below provide a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value as of September 30, 2013 and 2012 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)

(Millions of Dollars)	For the Nine Months Ended September 30, 2013								
		Total Gains/(Losses) – Realized and Unrealized							
	Beginning Balance as of January 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)

(Millions of Dollars)	For the Three Months Ended September 30, 2012								
		Total Gains/(Losses) – Realized and Unrealized							
	Beginning Balance as of July 1, 2012	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, 2012
Derivatives:									
Commodity	$(36)	$(8)	$11	$-	$-	$-	$8	$13	$(12)
Total	$(36)	$(8)	$11	$-	$-	$-	$8	$13	$(12)

(Millions of Dollars)	For the Nine Months Ended September 30, 2012								
		Total Gains/(Losses) – Realized and Unrealized							
	Beginning Balance as of January 1, 2012	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, 2012
Derivatives:									
Commodity	$(29)	$(21)	$3	$-	$-	$-	$21	$ 14	$(12)
Interest rate contract	(8)	(1)	-	-	-	-	1	8[(a)]	-
Other assets	9	-	1	-	-	-	-	(10)[(a)]	-
Total	$(28)	$(22)	$4	$-	$-	$-	$22	$ 12	$(12)

(a) Other assets and interest rate contract were transferred as of March 31, 2012.

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, 2013, 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 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, 2013 and 2012 were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Millions of Dollars)	**2013**	**2012**	**2013**	**2012**
Cost of services provided	$4	$ 4	$12	$14
Cost of services received	$10	$11	$30	$32

At September 30, 2013 and December 31, 2012, O&R's payable to CECONY associated with these services was $7 million and $9 million, respectively.

In addition, CECONY and O&R have joint gas supply arrangements, in connection with which O&R purchased from CECONY $14 million and $12 million of natural gas for the three months ended September 30, 2013 and 2012, respectively, and $52 million and $35 million of natural gas for the nine months ended September 30, 2013 and 2012, respectively. These amounts are net of the effect of related hedging transactions. At September 30, 2013 and December 31, 2012, O&R's net payable to CECONY associated with these gas purchases was $7 million and $9 million, respectively. At September 30, 2013 and December 31, 2012, O&R's payable to Con Edison's competitive energy businesses associated with electricity purchases and retail services was $1 million.

At September 30, 2013 and December 31, 2012, the Company's income tax related receivables from Con Edison was $5 million and $63 million, respectively.

At September 30, 2013 and December 31, 2012, the Company's receivable from CECONY for an Economic Stimulus Grant was immaterial and $1 million, respectively.

FERC has authorized CECONY through 2013 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, 2013 and December 31, 2012, there were no loans outstanding for O&R.

Note M – New Financial Accounting Standards

In December 2011 and January 2013, the Financial Accounting Standards Board (FASB) issued amendments to address and clarify the scope of the balance sheet off-setting disclosure guidance within Accounting Standards

Codification (ASC) 210, “Balance Sheet.” ASU No. 2011-11 and ASU No. 2013-01, “Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities,” provide guidance that requires a reporting entity to disclose certain quantitative information concerning financial and derivative instruments that are offset in the balance sheet and a description of the rights of setoff, including the nature of such rights, associated with recognized assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement. ASU No. 2013-01 clarifies that financial instruments subject to the disclosure guidance are (1) derivatives accounted for in accordance with ASC 815, Derivatives and Hedging, (2) repurchase agreements and reverse purchase agreements and (3) securities borrowing and securities lending transactions that are either offset in accordance with ASC Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. A reporting entity electing gross presentation of such assets and liabilities in its balance sheet will still be subject to the same disclosure requirements. Both ASUs are applicable for fiscal years beginning on or after January 1, 2013, interim periods within those fiscal years, and retrospectively for all comparative periods presented. The application of this guidance does not have a material impact on the Company’s financial position, results of operations and liquidity. See Note J.

In February 2013, the FASB issued amendments to improve the reporting of reclassifications out of accumulated OCI through ASU No. 2013-02, “Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.” The amendments require an entity to provide information either on the face of the financial statements or in a single footnote on significant amounts reclassified out of accumulated OCI and the related income statement line items to the extent an amount is reclassified in its entirety to net income under U.S. GAAP. For significant items not reclassified to net income in their entirety, an entity is required to cross-reference to other disclosures that provide additional information. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The application of this guidance does not have a material impact on the Company’s financial position, results of operations and liquidity. See Note A.

In July 2013, the FASB issued ASU No. 2013-10, “Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (a consensus of the FASB Emerging Issues Task Force).” The new guidance permits designating the Federal Funds Effective Swap Rate as a benchmark interest rate for hedge accounting. Previously, only the U.S. Treasury and LIBOR rates were allowed under the hedge accounting rules in U.S. GAAP. The new guidance also eliminates the restriction on using different benchmark interest rates for similar hedges. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The application of this guidance does not have a material impact on the Company’s financial position, results of operations and liquidity.

In July 2013, the FASB issued ASU No. 2013-11, “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a Consensus of the FASB Emerging Issues Task Force).” The amendments require a liability related to an unrecognized tax benefit to be presented on a net basis with its associated deferred tax asset when utilization of such deferred tax assets is required or expected in the event the uncertain tax position is disallowed. Otherwise, the unrecognized tax benefit will be presented as a liability and will not be netted against deferred tax assets. For public entities, the amendments are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The application of this guidance is not expected to have a material impact on the Company's financial position, results of operations and liquidity. See Note H.