

NORFOLK SOUTHERN CORP
Form 10-Q
July 27, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended JUNE 30, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____

Commission file number 1-8339

NORFOLK SOUTHERN CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Virginia (State or other jurisdiction of incorporation) | 52-1188014 (IRS Employer Identification No.) |
| Three Commercial Place Norfolk, Virginia (Address of principal executive offices) | 23510-2191 (Zip Code) |
| (757) 629-2680 (Registrant's telephone number, including area code) | |
| No Change (Former name, former address and former fiscal year, if changed since last report) | |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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| Class | Outstanding at June 30, 2015 |
|---|--|
| Common Stock (\$1.00 par value per share) | 301,386,849 (excluding 20,320,777 shares held by the registrant's consolidated subsidiaries) |

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

| | Second Quarter | | First Six Months | |
|----------------------------------|--|---------|------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| | (\$ in millions, except per share amounts) | | | |
| Railway operating revenues | \$2,713 | \$3,042 | \$5,280 | \$5,731 |
| Railway operating expenses: | | | | |
| Compensation and benefits | 724 | 715 | 1,507 | 1,455 |
| Purchased services and rents | 438 | 414 | 861 | 806 |
| Fuel | 255 | 408 | 519 | 840 |
| Depreciation | 247 | 238 | 492 | 475 |
| Materials and other | 235 | 248 | 481 | 469 |
| Total railway operating expenses | 1,899 | 2,023 | 3,860 | 4,045 |
| Income from railway operations | 814 | 1,019 | 1,420 | 1,686 |
| Other income – net | 19 | 18 | 40 | 44 |
| Interest expense on debt | 134 | 139 | 266 | 278 |
| Income before income taxes | 699 | 898 | 1,194 | 1,452 |
| Provision for income taxes | 266 | 336 | 451 | 522 |
| Net income | \$433 | \$562 | \$743 | \$930 |
| Per share amounts: | | | | |
| Net income | | | | |
| Basic | \$1.43 | \$1.81 | \$2.43 | \$2.99 |
| Diluted | 1.41 | 1.79 | 2.41 | 2.97 |
| Dividends | 0.59 | 0.54 | 1.18 | 1.08 |

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
 Consolidated Statements of Comprehensive Income
 (Unaudited)

| | Second Quarter | | First Six Months | |
|---|------------------|-------|------------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| | (\$ in millions) | | | |
| Net income | \$433 | \$562 | \$743 | \$930 |
| Other comprehensive income, before tax: | | | | |
| Pension and other postretirement benefits | 11 | 7 | 21 | 306 |
| Other comprehensive income (loss) of equity investees | — | 7 | (4 |) 10 |
| Other comprehensive income, before tax | 11 | 14 | 17 | 316 |
| Income tax expense related to items of other comprehensive income | (5 |) (4 |) (8 |) (118 |
| Other comprehensive income, net of tax | 6 | 10 | 9 | 198 |
| Total comprehensive income | \$439 | \$572 | \$752 | \$1,128 |

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

| | June 30, 2015 | December 31, 2014 |
|--|------------------|----------------------|
| | (\$ in millions) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 889 | \$ 973 |
| Accounts receivable – net | 1,055 | 1,055 |
| Materials and supplies | 277 | 236 |
| Deferred income taxes | 125 | 167 |
| Other current assets | 67 | 347 |
| Total current assets | 2,413 | 2,778 |
| Investments | 2,724 | 2,679 |
| Properties less accumulated depreciation of \$11,188 and \$10,814, respectively | 28,075 | 27,694 |
| Other assets | 98 | 49 |
| Total assets | \$ 33,310 | \$ 33,200 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,144 | \$ 1,233 |
| Short-term debt | — | 100 |
| Income and other taxes | 295 | 217 |
| Other current liabilities | 264 | 228 |
| Current maturities of long-term debt | 500 | 2 |
| Total current liabilities | 2,203 | 1,780 |
| Long-term debt | 8,890 | 8,883 |
| Other liabilities | 1,322 | 1,312 |
| Deferred income taxes | 8,818 | 8,817 |
| Total liabilities | 21,233 | 20,792 |
| Stockholders' equity: | | |
| Common stock \$1.00 per share par value, 1,350,000,000 shares authorized; outstanding 301,386,849 and 308,240,130 shares, respectively, net of treasury shares | 303 | 310 |
| Additional paid-in capital | 2,146 | 2,148 |
| Accumulated other comprehensive loss | (389) | (398) |
| Retained income | 10,017 | 10,348 |
| Total stockholders' equity | 12,077 | 12,408 |
| Total liabilities and stockholders' equity | \$ 33,310 | \$ 33,200 |

See accompanying notes to consolidated financial statements.

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Norfolk Southern Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

| | First Six Months 2015 | 2014 | |
|--|--------------------------|---------|---|
| | (\$ in millions) | | |
| Cash flows from operating activities: | | | |
| Net income | \$743 | \$930 | |
| Reconciliation of net income to net cash provided by operating activities: | | | |
| Depreciation | 494 | 478 | |
| Deferred income taxes | 35 | 17 | |
| Gains and losses on properties and investments | (18 |) (3 |) |
| Changes in assets and liabilities affecting operations: | | | |
| Accounts receivable | — | (98 |) |
| Materials and supplies | (41 |) (28 |) |
| Other current assets | 282 | 30 | |
| Current liabilities other than debt | (1 |) 144 | |
| Other – net | (21 |) (33 |) |
| Net cash provided by operating activities | 1,473 | 1,437 | |
| Cash flows from investing activities: | | | |
| Property additions | (886 |) (809 |) |
| Property sales and other transactions | 32 | 44 | |
| Investments, including short-term | (3 |) (3 |) |
| Investment sales and other transactions | 5 | 121 | |
| Net cash used in investing activities | (852 |) (647 |) |
| Cash flows from financing activities: | | | |
| Dividends | (360 |) (335 |) |
| Common stock issued | 28 | 82 | |
| Purchase and retirement of common stock | (765 |) (100 |) |
| Proceeds from borrowings – net | 494 | — | |
| Debt repayments | (102 |) (213 |) |
| Net cash used in financing activities | (705 |) (566 |) |
| Net increase (decrease) in cash and cash equivalents | (84 |) 224 | |
| Cash and cash equivalents: | | | |
| At beginning of year | 973 | 1,443 | |
| At end of period | \$889 | \$1,667 | |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the period for: | | | |
| Interest (net of amounts capitalized) | \$249 | \$255 | |

| | | |
|-------------------------------|----|-----|
| Income taxes (net of refunds) | 55 | 313 |
|-------------------------------|----|-----|

See accompanying notes to consolidated financial statements.

Norfolk Southern Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly Norfolk Southern Corporation (Norfolk Southern) and subsidiaries' (collectively, NS, we, us, and our) financial condition at June 30, 2015, and December 31, 2014, our results of operations and comprehensive income for the second quarters and first six months of 2015 and 2014, and our cash flows for the first six months of 2015 and 2014 in conformity with U.S. generally accepted accounting principles (GAAP).

These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in our latest Annual Report on Form 10-K.

1. Stock-Based Compensation

During the first and second quarters of 2015, a committee of non-employee members of our Board of Directors granted stock options, restricted stock units (RSUs) and performance share units (PSUs) pursuant to the Long-Term Incentive Plan (LTIP) and granted stock options pursuant to the Thoroughbred Stock Option Plan (TSOP) as discussed below. Stock-based compensation expense was \$4 million and \$10 million during the second quarters of 2015 and 2014, respectively. For the first six months of 2015 and 2014, stock-based compensation was \$35 million and \$42 million, respectively. The total tax effects recognized in income in relation to stock-based compensation were net benefits of \$1 million and \$4 million for the second quarters of 2015 and 2014, respectively, and net benefits of \$11 million and \$14 million for the first six months of 2015 and 2014, respectively.

Stock Options

In the first quarter of 2015, 511,010 options were granted under LTIP and 181,320 options were granted under TSOP. In the second quarter of 2015, 132,880 options were granted under LTIP. The grant prices were \$104.23 and \$92.76 for the options granted in the first and second quarters of 2015, respectively, which was the greater of the average fair market value of Norfolk Southern common stock (Common Stock) or the closing price of Common Stock on the effective date of the grant, and the options have a term of ten years. The options granted under LTIP and TSOP may not be exercised prior to the fourth and third anniversaries of the date of grant, respectively, or if the optionee retires or dies before that anniversary date, may not be exercised before the later of one year after the grant date or the date of the optionee's retirement or death. Holders of the 2015 options granted under LTIP who remain actively employed receive cash dividend equivalent payments during the four year vesting period in an amount equal to the regular quarterly dividends paid on Common Stock. Dividend equivalent payments are not made on TSOP options.

The fair value of each option award was measured on the date of grant using a lattice-based option valuation model. Expected volatilities are based on implied volatilities from traded options on, and historical volatility of, Common Stock. Historical data is used to estimate option exercises and employee terminations within the valuation model. The average expected option life is derived from the output of the valuation model and represents the period of time that all options granted are expected to be outstanding, including the branches of the model that result in options expiring unexercised. The average risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. A dividend yield of zero was used for LTIP options during the vesting period. A dividend yield of 2.27% was used for all vested LTIP options and all TSOP options.

The assumptions for the 2015 LTIP and TSOP grants are shown in the following table:

| | |
|--------------------------------------|-----------|
| Expected volatility range | 19% - 27% |
| Average expected volatility | 25% |
| Average risk-free interest rate | 1.83% |
| Average expected option term LTIP | 9.3 years |
| Per-share grant-date fair value LTIP | \$30.35 |
| Average expected option term TSOP | 9.1 years |
| Per-share grant-date fair value TSOP | \$24.71 |

For the second quarter of 2015, options relating to 90,269 shares were exercised, yielding \$5 million of cash proceeds and \$1 million of tax benefit recognized as additional paid-in capital. For the second quarter of 2014, options relating to 353,327 shares were exercised, yielding \$16 million of cash proceeds and \$4 million of tax benefit recognized as additional paid-in capital.

For the first six months of 2015, options relating to 331,673 shares were exercised, yielding \$17 million of cash proceeds and \$4 million of tax benefit recognized as additional paid-in capital. For the first six months of 2014, options relating to 1,234,071 shares were exercised, yielding \$56 million of cash proceeds and \$15 million of tax benefit recognized as additional paid-in capital.

Restricted Stock Units

During the first quarter of 2015, there were 101,470 RSUs granted with a grant-date fair value of \$104.23 and a five-year restriction period that will be settled through the issuance of shares of Common Stock. The RSU grants include cash dividend equivalent payments during the restriction period commensurate with regular quarterly dividends paid on Common Stock.

No RSUs were earned or paid out during the second quarters of 2015 or 2014. During the first six months of 2015, 166,750 of the RSUs granted in 2010 vested, with 99,337 shares of Common Stock issued net of withholding taxes. For the first six months of 2014, 318,150 of the RSUs granted in 2009 vested, with 187,449 shares of Common Stock issued net of withholding taxes. The total related tax benefits recognized as additional paid-in capital were less than \$1 million for the second quarters of both 2015 and 2014, and \$4 million and \$6 million for the first six months of 2015 and 2014, respectively.

Performance Share Units

PSUs provide for awards based on achievement of certain predetermined corporate performance goals at the end of a three-year cycle and are settled through the issuance of shares of Common Stock. During the first quarter of 2015, there were 413,770 PSUs granted. PSUs will earn out based on the achievement of a return on average invested capital target (a performance condition) and a total shareholder return target (a market condition). The grant-date fair values of the PSUs associated with the performance and market conditions were \$97.24 and \$46.08, respectively, with the market condition fair value measured on the date of grant using a Monte Carlo simulation model.

No PSUs were earned or paid out in the second quarters of 2015 and 2014. During the first six months of 2015, 236,601 of the PSUs granted in 2012 were earned, with 141,386 shares of Common Stock issued net of withholding taxes. For the first six months of 2014, 374,099 of the PSUs granted in 2011 were earned, with 223,253 shares of Common Stock issued net of withholding taxes. The total related tax benefits recognized as additional paid-in capital were \$3 million and \$5 million for the first six months of 2015 and 2014, respectively.

2. Income Taxes

There have been no material changes to the balance of unrecognized tax benefits reported at December 31, 2014. IRS examinations have been completed for all years prior to 2011. Our consolidated federal income tax returns for 2011 and 2012 are currently being audited by the IRS. We anticipate that the IRS will complete its examination in 2015. We do not expect that the resolution of the examination will have a material effect on our financial position, results of operations, or liquidity.

3. Earnings Per Share

The following table sets forth the calculation of basic and diluted earnings per share:

| | Basic Second Quarter | | Diluted | |
|--|---|--------|---------|--------|
| | 2015 | 2014 | 2015 | 2014 |
| | (\$ in millions, except per share amounts, shares in millions) | | | |
| Net income | \$433 | \$562 | \$433 | \$562 |
| Dividend equivalent payments | (1) | (2) | (1) | (1) |
| Income available to common stockholders | \$432 | \$560 | \$432 | \$561 |
| Weighted-average shares outstanding | 302.9 | 309.5 | 302.9 | 309.5 |
| Dilutive effect of outstanding options and share-settled awards | | | 2.6 | 3.3 |
| Adjusted weighted-average shares outstanding | | | 305.5 | 312.8 |
| Earnings per share | \$1.43 | \$1.81 | \$1.41 | \$1.79 |
| | Basic First Six Months | | Diluted | |
| | 2015 | 2014 | 2015 | 2014 |
| | (\$ in millions, except per share amounts, shares in millions) | | | |
| Net income | \$743 | \$930 | \$743 | \$930 |
| Dividend equivalent payments | (3) | (4) | (2) | (2) |
| Income available to common stockholders | \$740 | \$926 | \$741 | \$928 |
| Weighted-average shares outstanding | 304.8 | 309.5 | 304.8 | 309.5 |
| Dilutive effect of outstanding options and share-settled awards | | | 2.7 | 3.2 |
| Adjusted weighted-average shares outstanding | | | 307.5 | 312.7 |
| Earnings per share | \$2.43 | \$2.99 | \$2.41 | \$2.97 |

During the second quarters and first six months of 2015 and 2014, dividend equivalent payments were made to holders of stock options and RSUs. For purposes of computing basic earnings per share, dividend equivalent payments made to holders of stock options and RSUs were deducted from net income to determine income available to common stockholders. For purposes of computing diluted earnings per share, we evaluate on a grant-by-grant basis those stock options and RSUs receiving dividend equivalent payments under the two-class and treasury stock methods to determine which method is the more dilutive for each grant. For those grants for which the two-class method was more dilutive, net income was reduced by dividend equivalent payments to determine income available to common stockholders. The dilution calculations exclude options having exercise prices exceeding the average market price of Common Stock as follows: none in the first quarter of 2015, 0.7 million in the first quarter of 2014, 0.7 million in the second quarter of 2015, and none in the second quarter of 2014.

4. Stockholders' Equity

Common Stock

Common Stock is reported net of shares held by our consolidated subsidiaries (Treasury Shares). Treasury Shares at June 30, 2015, and December 31, 2014, amounted to 20,320,777 shares, with a cost of \$19 million at both dates.

Accumulated Other Comprehensive Loss

The components of "Other comprehensive income" reported in the Consolidated Statements of Comprehensive Income and changes in the cumulative balances of "Accumulated other comprehensive loss" reported in the Consolidated Balance Sheets consisted of the following:

| | Pensions and Other Postretirement Benefits (\$ in millions) | | Other Comprehensive Loss of Equity Investees | | Accumulated Other Comprehensive Loss |
|--------------------------------------|---|---|---|---|---|
| Second Quarter | | | | | |
| March 31, 2015 | \$ (313 |) | \$ (82 |) | \$ (395 |
| Other comprehensive income: | | | | | |
| Amounts reclassified into net income | 11 | | (1) — | | 11 |
| Tax expense | (5 |) | — | | (5 |
| Other comprehensive income | 6 | | — | | 6 |
| June 30, 2015 | \$ (307 |) | \$ (82 |) | \$ (389 |
| | | | | | |
| | Pensions and Other Postretirement Benefits (\$ in millions) | | Other Comprehensive Loss of Equity Investees | | Accumulated Other Comprehensive Loss |
| Second Quarter | | | | | |
| March 31, 2014 | \$ (125 |) | \$ (68 |) | \$ (193 |
| Other comprehensive income: | | | | | |
| Amounts reclassified into net income | 7 | | (1) — | | 7 |
| Net gain | — | | 7 | | 7 |
| Tax expense | (3 |) | (1 |) | (4 |
| Other comprehensive income | 4 | | 6 | | 10 |
| June 30, 2014 | \$ (121 |) | \$ (62 |) | \$ (183 |

| | Pensions and Other Postretirement Benefits (\$ in millions) | | Other Comprehensive Loss of Equity Investees | | Accumulated Other Comprehensive Loss |
|--------------------------------------|---|---|---|---|---|
| First Six Months | | | | | |
| December 31, 2014 | \$ (320) |) | \$ (78) |) | \$ (398) |
| Other comprehensive income (loss): | | | | | |
| Amounts reclassified into net income | 21 | | (1) — | | 21 |
| Net loss | — | | (4) |) | (4) |
| Tax expense | (8) |) | — | | (8) |
| Other comprehensive income (loss) | 13 | | (4) |) | 9 |
| June 30, 2015 | \$ (307) |) | \$ (82) |) | \$ (389) |
| | | | | | |
| | Pensions and Other Postretirement Benefits (\$ in millions) | | Other Comprehensive Loss of Equity Investees | | Accumulated Other Comprehensive Loss |
| First Six Months | | | | | |
| December 31, 2013 | \$ (310) |) | \$ (71) |) | \$ (381) |
| Other comprehensive income: | | | | | |
| Prior service benefit | 367 | | — | | 367 |
| Amounts reclassified into net income | 19 | | (1) — | | 19 |
| Net gain (loss) | (80) |) | 10 | | (70) |
| Tax expense | (117) |) | (1) |) | (118) |
| Other comprehensive income | 189 | | 9 | | 198 |
| June 30, 2014 | \$ (121) |) | \$ (62) |) | \$ (183) |

(1) These items are included in the computation of net periodic pension and postretirement benefit costs. See Note 8, "Pensions and Other Postretirement Benefits" for additional information.

5. Stock Repurchase Program

We repurchased and retired 7.4 million and 1.0 million shares of Common Stock under our stock repurchase program in each of the first six months of 2015 and 2014, respectively, at a cost of \$765 million and \$100 million, respectively. The timing and volume of purchases is guided by our assessment of market conditions and other pertinent factors. Any near-term share repurchases are expected to be made with internally generated cash, cash on hand, or proceeds from borrowings. Since the beginning of 2006, we have repurchased and retired 147.2 million shares at a total cost of \$9.2 billion.

6. Investment in Conrail

Through a limited liability company, we and CSX Corporation (CSX) jointly own Conrail Inc. (Conrail), whose primary subsidiary is Consolidated Rail Corporation (CRC). We have a 58% economic and 50% voting interest in the jointly owned entity, and CSX has the remainder of the economic and voting interests. Our investment in Conrail was \$1.1 billion at both June 30, 2015 and December 31, 2014.

CRC owns and operates certain properties (the Shared Assets Areas) for the joint and exclusive benefit of Norfolk Southern Railway Company (NSR) and CSX Transportation, Inc. (CSXT). The costs of operating the Shared Assets Areas are borne by NSR and CSXT based on usage. In addition, NSR and CSXT pay CRC a fee for access to the Shared Assets Areas. "Purchased services and rents" and "Fuel" include expenses for amounts due to CRC for the operation of the Shared Assets Areas totaling \$40 million and \$34 million for the second quarters of 2015 and 2014, respectively, and \$77 million and \$68 million for the first six months of 2015 and 2014, respectively. Our equity in the earnings of Conrail, net of amortization, included in "Purchased services and rents" was \$13 million and \$10 million for the second quarters of 2015 and 2014, respectively, and \$23 million and \$16 million for the first six months of 2015 and 2014, respectively.

"Accounts payable" includes \$72 million at June 30, 2015, and \$56 million at December 31, 2014, due to Conrail for the operation of the Shared Assets Areas. In addition, "Other liabilities" includes \$280 million at both June 30, 2015 and December 31, 2014, for long-term advances from Conrail, maturing 2044, that bear interest at an average rate of 2.9%.

7. Debt

In the first six months of 2015, NS repaid \$100 million under its accounts receivable securitization facility. At June 30, 2015 and December 31, 2014, the amounts outstanding under the facility were \$100 million (at an average variable interest rate of 1.29%) and \$200 million (at an average variable interest rate of 1.28%), respectively. The facility has a two year term which was renewed and amended in October 2014 to run until October 2016.

During the second quarter of 2015, NS issued \$500 million of 4.45% senior notes due 2045.

NS has authority from its Board of Directors to issue an additional \$1.2 billion of debt or equity securities through public or private sale.

8. Pensions and Other Postretirement Benefits

We have both funded and unfunded defined benefit pension plans covering principally salaried employees. We also provide specified health care and life insurance benefits to eligible retired employees; these plans can be amended or terminated at our option. Under our self-insured retiree health care plan, for those participants who are not Medicare-eligible, a defined percentage of health care expenses is covered for retired employees and their dependents, reduced by any deductibles, coinsurance, and, in some cases, coverage provided under other group insurance policies. Those participants who are Medicare-eligible are not covered under the self-insured retiree health care plan, but instead are provided with an employer-funded health reimbursement account which can be used for reimbursement of health insurance premiums or eligible out-of-pocket medical expenses.

| | Pension Benefits Second Quarter | | Other Postretirement Benefits | |
|---------------------------------------|--------------------------------------|-------|----------------------------------|--------|
| | 2015 | 2014 | 2015 | 2014 |
| | (\$ in millions) | | | |
| Service cost | \$10 | \$8 | \$2 | \$2 |
| Interest cost | 23 | 24 | 5 | 5 |
| Expected return on plan assets | (42 |) (38 |) (5 |) (5 |
| Amortization of net losses | 17 | 13 | — | — |
| Amortization of prior service benefit | — | — | (6 |) (6 |
| Net cost (benefit) | \$8 | \$7 | \$(4 |) \$(4 |
| | Pension Benefits First Six Months | | Other Postretirement Benefits | |
| | 2015 | 2014 | 2015 | 2014 |
| | (\$ in millions) | | | |