

Reconciliation of Income (Loss) from Continuing Operations to Recurring Earnings
(UNAUDITED)

	2003					2004
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr
<i>(Dollars in millions, except for per-share amounts)</i>						
Income (loss) from continuing operations⁽¹⁾	(\$39.3)	\$116.2	\$22.8	(\$84.5)	\$15.2	\$5.4
Preferred stock dividends	6.8	22.7	-	-	29.5	-
Income (loss) from continuing operations available to common stockholders	(\$46.1)	\$93.5	\$22.8	(\$84.5)	(\$14.3)	\$5.4
Income (loss) from continuing operations - diluted earnings per share	(\$0.09)	\$0.18	\$0.04	(\$0.16)	(\$0.03)	\$0.01
Nonrecurring items:						
<i>Power</i>						
Accelerated compensation expense associated with workforce reductions	11.8	-	-	-	11.8	-
Severance accrual	-	0.6	-	-	0.6	-
Loss accrual for regulatory issues ⁽²⁾	-	20.0	-	-	20.0	-
Prior period item correction ⁽³⁾	-	(105.0)	-	(12.0)	(117.0)	-
Gain on sale of Jackson EMC power contracts	-	(175.0)	(13.0)	-	(188.0)	-
Gain on sale of crude contracts and pipeline	-	(7.1)	-	-	(7.1)	-
Gain on sale of eSpeed stock	-	-	(13.5)	-	(13.5)	-
Impairment of goodwill ⁽²⁾	-	-	-	45.0	45.0	-
Hazleton impairment	-	-	-	44.1	44.1	-
California rate refund and other accrual adjustments ⁽⁴⁾	-	-	-	33.3	33.3	-
<i>Total Power nonrecurring items</i>	11.8	(266.5)	(26.5)	110.4	(170.8)	-
<i>Gas Pipeline</i>						
Write-off of Oneline information system project	-	25.5	-	0.1	25.6	-
Severance accrual	-	0.9	-	-	0.9	-
<i>Total Gas Pipeline nonrecurring items</i>	-	26.4	-	0.1	26.5	-
<i>Exploration & Production</i>						
Gain on sale of certain E&P properties	-	(91.5)	-	-	(91.5)	-
<i>Total Exploration & Production nonrecurring items</i>	-	(91.5)	-	-	(91.5)	-
<i>Midstream Gas & Liquids</i>						
Impairment of investment in Aux Sable	-	8.5	5.6	-	14.1	-
La Maquina depreciable life adjustment	-	-	4.2	-	4.2	-
Gain on sale of West Texas LPG Pipeline, L.P.	-	-	(11.0)	-	(11.0)	-
Impairment of Canadian assets	-	-	-	41.7	41.7	-
Gain on sale of wholesale propane	-	-	-	(16.2)	(16.2)	-
<i>Total Midstream Gas & Liquids nonrecurring items</i>	-	8.5	(1.2)	25.5	32.8	-
<i>Other</i>						
Impairment of Longhorn and Aspen project ⁽⁵⁾	-	49.6	-	-	49.6	-
Gain on sale of butane blending inventory	-	-	(9.2)	-	(9.2)	-
Longhorn recapitalization fee	-	-	-	-	-	6.5
<i>Total Other nonrecurring items</i>	-	49.6	(9.2)	-	40.4	6.5
Nonrecurring items included in segment profit (loss)	11.8	(273.5)	(36.9)	136.0	(162.6)	6.5
Nonrecurring items below segment profit (loss)						
Convertible preferred stock dividends ⁽²⁾ (Preferred stock dividends - Corporate)	-	13.8	-	-	13.8	-
Impairment of cost-based investments ⁽²⁾ (Investing income (loss) - Various)	-	19.1	2.3	-	21.4	-
Severance accrual (General corporate expenses)	-	3.0	-	-	3.0	-
Impairment of Algar Telecom investment (Investing income (loss) - International)	12.0	-	1.2	-	13.2	-
Write-off of capitalized debt expense (Interest accrued - Corporate)	-	14.5	-	-	14.5	-
Debt tender offer premiums and adjustments (Other income (expense) - net - Corporate)	-	-	-	66.8	66.8	-
	12.0	50.4	3.5	66.8	132.7	-
Total nonrecurring items	23.8	(223.1)	(33.4)	202.8	(29.9)	6.5
Tax effect for above items	9.1	(113.3)	(13.7)	56.7	(61.2)	2.5
Recurring income (loss) from continuing operations	(\$31.4)	(\$16.3)	\$3.1	\$61.6	\$17.0	\$9.4
Recurring diluted earnings per common share	(\$0.06)	\$ (0.03)	\$0.01	\$0.12	\$0.03	\$0.02
Weighted-average shares - diluted (thousands)	517,652	534,839	524,711	518,502	518,137	525,752

⁽¹⁾Includes \$126.8 million positive valuation adjustment associated with agreement to terminate contract with Allegheny in second quarter 2003.

⁽²⁾No tax benefit

⁽³⁾Power recognized \$80.7 million of revenue in the second quarter of 2003 from a correction of the accounting treatment previously applied to certain third party derivative contracts during 2002 and 2001. Results for 2003 include \$117 million of revenue related to these prior period items, of which \$24 million was recorded prior to the second quarter correction, and \$12 million was subsequently reported in the fourth quarter.

⁽⁴⁾For \$5.6 million, no tax benefit

⁽⁵⁾For \$20.2 million, no tax benefit