

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

(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2003	2002 ***	2003	2002 ***
<i>(Dollars in millions, except for per-share amounts)</i>				
Income (loss) from continuing operations	\$118.0	(\$331.8)	\$79.2	(\$284.6)
Preferred stock dividends	22.7	6.8	\$29.5	\$76.5
Income (loss) from continuing operations available to common stockholder:	<u>\$95.3</u>	<u>(\$338.6)</u>	<u>\$49.7</u>	<u>(\$361.1)</u>
Income (loss) from continuing operations - diluted earnings per share	<u>\$0.18</u>	<u>(\$0.65)</u>	<u>\$0.09</u>	<u>(\$0.69)</u>
Nonrecurring items:				
<i>Energy Marketing & Trading</i>				
Impairments and loss accruals for commitments related to assets to have been used in power projects	-	81.8	-	81.8
Impairment of goodwill**	-	57.5	-	57.5
Reversal of Energy Capital Mezzanine Financing accrual	-	(7.0)	-	(7.0)
Write-off of costs associated with termination of certain projects	-	8.9	-	8.9
Early retirement expenses	-	4.2	-	4.2
Severance accrual	-	3.0	-	3.0
Accelerated compensation expense associated with workforce reductions	-	-	11.8	-
Loss accrual for regulatory issue**	20.0	-	20.0	-
Hedge accounting reclassifications	(34.1)	-	(34.1)	-
Energy trading asset adjustment	(46.6)	-	(46.6)	-
Gain on sale of Jackson EMC power contracts	(175.0)	-	(175.0)	-
Gain on sale of crude contracts and pipeline	(7.1)	-	(7.1)	-
<i>Total EM&T nonrecurring items</i>	<u>(242.8)</u>	<u>148.4</u>	<u>(231.0)</u>	<u>148.4</u>
<i>Gas Pipeline</i>				
Construction completion fee - received	-	(27.4)	-	(27.4)
Write-offs of terminated gas pipeline projects	-	12.3	-	12.3
Early retirement expenses	-	10.7	-	10.7
Write-off of Oneline information system project	25.5	-	25.5	-
<i>Total Gas Pipeline nonrecurring items</i>	<u>25.5</u>	<u>(4.4)</u>	<u>25.5</u>	<u>(4.4)</u>
<i>Exploration & Production</i>				
(Gain) loss on sale of E&P properties	(91.5)	-	(91.5)	(3.9)
Early retirement expenses	-	0.4	-	0.4
<i>Total Exploration & Production nonrecurring items</i>	<u>(91.5)</u>	<u>0.4</u>	<u>(91.5)</u>	<u>(3.5)</u>
<i>Midstream Gas & Liquids</i>				
Impairment of Kansas-Hugoton facilities as assets held for sale	-	4.8	-	4.8
Impairment of investment in Aux Sable	8.5	-	8.5	-
Early retirement expenses	-	0.8	-	0.8
<i>Total Midstream Gas & Liquids nonrecurring items</i>	<u>8.5</u>	<u>5.6</u>	<u>8.5</u>	<u>5.6</u>
<i>Estimated loss on realization of amounts from</i>				
<i>Witel Communications Group, Inc.</i>	-	15.0	-	247.0
Convertible preferred stock dividends**	13.8	-	13.8	69.4
Gain on disposition of Prudential shares received from demutualization	-	(11.0)	-	(11.0)
Early retirement expenses	-	12.7	-	12.7
Impairment of Longhorn and Aspen project *	49.6	-	49.6	-
Impairment of cost based investments	19.1	-	19.1	-
Severance accrual	4.5	-	4.5	-
Impairment of Algar Telecom investment	-	-	12.0	-
Write-off of capitalized debt expense	14.5	-	14.5	-
Total nonrecurring items	<u>(198.8)</u>	<u>166.7</u>	<u>(175.0)</u>	<u>464.2</u>
Tax effect for above items	<u>(104.0)</u>	<u>39.5</u>	<u>(94.9)</u>	<u>122.9</u>
Recurring income (loss) from continuing operations:	<u>\$0.5</u>	<u>(\$211.4)</u>	<u>(\$30.4)</u>	<u>(\$19.8)</u>
Recurring diluted earnings per common share	<u>\$0.00</u>	<u>(\$0.41)</u>	<u>(\$0.06)</u>	<u>(\$0.04)</u>
Weighted-average shares - diluted (thousands)	534,839	520,427	523,553	519,829

* For \$20.2 million, no tax benefit

** No tax benefit

*** Amounts have been restated to reflect certain operations as discontinued operations.