

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

(UNAUDITED)

	2003					2004		
	1st Qtr *	2nd Qtr *	3rd Qtr *	4th Qtr *	Year *	1st Qtr *	2nd Qtr	Year
<i>(Dollars in millions, except for per-share amounts)</i>								
<b>Income (loss) from continuing operations<sup>(1)</sup></b>	(\$43.1)	\$113.7	\$20.0	(\$62.4)	\$28.2	(\$1.5)	(\$18.0)	(\$19.5)
<b>Preferred stock dividends</b>	6.8	22.7	-	-	29.5	-	-	-
<b>Income (loss) from continuing operations available to common stockholders</b>	(\$49.9)	\$91.0	\$20.0	(\$62.4)	(\$1.3)	(\$1.5)	(\$18.0)	(\$19.5)
<b>Income (loss) from continuing operations - diluted earnings per share</b>	(\$0.10)	\$0.17	\$0.04	(\$0.12)	(\$0.01)	\$-	(\$0.03)	(\$0.04)
<b>Nonrecurring items:</b>								
<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 <sup>(2)</sup>	-	20.0	-	-	20.0	-	-	-
Prior period item correction <sup>(3)</sup>	(13.7)	(93.1)	(1.0)	(9.0)	(116.8)	-	-	-
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 <sup>(2)</sup>	-	-	-	45.0	45.0	-	-	-
Hazleton impairment	-	-	-	44.1	44.1	-	-	-
California rate refund and other accrual adjustments <sup>(4)</sup>	-	-	-	33.3	33.3	-	-	-
<b>Total Power nonrecurring items</b>	(1.9)	(254.6)	(27.5)	113.4	(170.6)	-	-	-
<i>Gas Pipeline</i>								
Write-off of Oneline information system project	-	25.5	-	0.1	25.6	-	-	-
Severance accrual	-	0.9	-	-	0.9	-	-	-
Write-off of previously-capitalized costs - idled segment of Northwest's pipeline	-	-	-	-	-	-	9.0	9.0
<b>Total Gas Pipeline nonrecurring items</b>	-	26.4	-	0.1	26.5	-	9.0	9.0
<i>Exploration &amp; Production</i>								
Gain on sale of certain E&P properties	-	(91.5)	-	-	(91.5)	-	-	-
Loss provision related to an ownership dispute	-	-	-	-	-	-	11.3	11.3
<b>Total Exploration &amp; Production nonrecurring items</b>	-	(91.5)	-	-	(91.5)	-	11.3	11.3
<i>Midstream Gas &amp; 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)	-	-	-
Gain on sale of wholesale propane	-	-	-	(16.2)	(16.2)	-	-	-
<b>Total Midstream Gas &amp; Liquids nonrecurring items</b>	-	8.5	(1.2)	(16.2)	(8.9)	-	-	-
<i>Other</i>								
Impairment of Longhorn and Aspen project <sup>(5)</sup>	-	49.6	-	-	49.6	-	10.8	10.8
Gain on sale of butane blending inventory	-	-	(9.2)	-	(9.2)	-	-	-
Longhorn recapitalization fee	-	-	-	-	-	6.5	-	6.5
<b>Total Other nonrecurring items</b>	-	49.6	(9.2)	-	40.4	6.5	10.8	17.3
<b>Nonrecurring items included in segment profit (loss)</b>	(1.9)	(261.6)	(37.9)	97.3	(204.1)	6.5	31.1	37.6
<b>Nonrecurring items below segment profit (loss)</b>								
Convertible preferred stock dividends <sup>(2)</sup> (Preferred stock dividends - Corporate)	-	13.8	-	-	13.8	-	-	-
Impairment of cost-based investments <sup>(2)</sup> (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) - Other)	12.0	-	1.2	-	13.2	-	-	-
Write-off of capitalized debt expense (Interest accrued - Corporate)	-	14.5	-	-	14.5	-	3.8	3.8
Premiums, fees and expenses related to the debt repurchase and debt tender offer (Other income (expense) - net - Corporate and Exploration & Production)	-	-	-	66.8	66.8	-	96.7	96.7
Loss provision related to an ownership dispute - interest component (Interest accrued - Exploration & Production)	-	-	-	-	-	-	1.9	1.9
	12.0	50.4	3.5	66.8	132.7	-	102.4	102.4
<b>Total nonrecurring items</b>	10.1	(211.2)	(34.4)	164.1	(71.4)	6.5	133.5	140.0
Tax effect for above items	3.9	(108.7)	(14.0)	43.4	(75.5)	2.5	51.1	53.6
<b>Recurring income (loss) from continuing operations available to common stockholders</b>	(\$43.7)	(\$11.5)	(\$0.4)	\$58.3	\$2.8	\$2.5	\$64.4	\$66.9
<b>Recurring diluted earnings per common share</b>	(\$0.08)	(\$0.02)	\$-	\$0.11	\$0.01	\$-	\$0.12	\$0.13
<b>Weighted-average shares - diluted (thousands)</b>	517,652	534,839	524,711	518,502	518,137	525,752	521,698	520,592

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

<sup>(2)</sup>No tax benefit

<sup>(3)</sup>Power recognized \$116.8 million of revenue in 2003 from a correction of the accounting treatment previously applied to certain third party derivative contracts during 2002 and 2001.

<sup>(4)</sup>For \$5.6 million, no tax benefit

<sup>(5)</sup>For \$20.2 million, no tax benefit in 2nd Qtr 2003.

\* Amounts have been restated from 1st quarter 2004 to reflect the Canadian straddle plants as discontinued operations.

Note: The sum of earnings (loss) per share for the quarters may not equal the total earnings (loss) per share for the year due to changes in the weighted-average number of common shares outstanding