

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

(UNAUDITED)

(Dollars in millions, except per-share amounts)

	2006					2007		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	Year
<b>Income (loss) from continuing operations available to common stockholders</b>	\$132.2	(\$58.8)	\$112.6	\$161.0	\$347.0	\$169.7	\$243.9	\$413.6
<b>Income (loss) from continuing operations - diluted earnings (loss) per common share</b>	\$0.22	(\$0.10)	\$0.19	\$0.26	\$0.57	\$0.28	\$0.40	\$0.68
<b>Nonrecurring items:</b>								
<i>Gas Pipeline</i>								
Reversal of litigation contingency due to favorable ruling - TGPL	(2.0)	-	-	-	(2.0)	-	-	-
Change in estimate related to a regulatory liability	-	-	-	-	-	-	(16.6)	(16.6)
<i>Total Gas Pipeline nonrecurring items</i>	(2.0)	-	-	-	(2.0)	-	(16.6)	(16.6)
<i>Midstream Gas &amp; Liquids</i>								
Reversal of a maintenance accrual	-	-	-	-	-	(7.9)	-	(7.9)
Gains on sales of MGL properties	-	-	(7.9)	-	(7.9)	-	-	-
Adjustment of accounts payable accrual	-	-	10.6	-	10.6	-	-	-
Losses on asset retirements and abandonments	-	-	5.2	-	5.2	-	-	-
Accrual for Gulf Liquids litigation contingency	-	68.0	2.4	2.3	72.7	-	-	-
Settlement of an international contract dispute <sup>(1)</sup>	(6.3)	-	-	-	(6.3)	-	-	-
<i>Total Midstream Gas &amp; Liquids nonrecurring items</i>	(6.3)	68.0	10.3	2.3	74.3	(7.9)	-	(7.9)
Nonrecurring items included in segment profit (loss)	(8.3)	68.0	10.3	2.3	72.3	(7.9)	(16.6)	(24.5)
<b>Nonrecurring items below segment profit (loss)</b>								
<i>Impairment of cost-based investment - Petroway</i>								
(Investing income / loss - Exploration & Production) <sup>(1)</sup>	-	-	-	16.4	16.4	-	-	-
Securities litigation settlement and related costs <sup>(2)</sup>	1.2	160.7	3.4	2.0	167.3	-	-	-
Reversal of interest accrual related to reversal of litigation contingency noted above								
(Interest accrued - Gas Pipeline - TGPL)	(5.0)	-	-	-	(5.0)	-	-	-
Early debt retirement costs (Corporate and Exploration & Production) <sup>(1)</sup>	27.0	4.4	-	-	31.4	-	-	-
Gain on sale of Algar/Triangulo shares (Investing income / loss - Other)	(6.7)	-	-	-	(6.7)	-	-	-
Interest related to Gulf Liquids litigation contingency (Interest accrued - Midstream)	-	20.0	0.6	1.4	22.0	1.4	1.2	2.6
Contract termination gain related to Gray's Harbor (NWP)	-	-	-	-	-	-	(6.0)	(6.0)
	16.5	185.1	4.0	19.8	225.4	1.4	(4.8)	(3.4)
<b>Total nonrecurring items</b>	8.2	253.1	14.3	22.1	297.7	(6.5)	(21.4)	(27.9)
Tax effect for above items <sup>(1)(2)</sup>	3.4	76.6	5.3	2.3	87.6	(2.5)	1.0	(1.5)
Adjustment for nonrecurring excess deferred tax provision	-	-	-	7.4	7.4	-	-	-
Adjustment for tax benefit related to federal income tax litigation	-	-	-	(25.1)	(25.1)	-	-	-
<b>Recurring income from continuing operations available to common stockholders</b>	\$137.0	\$117.7	\$121.6	\$163.1	\$539.4	\$165.7	\$221.5	\$387.2
<b>Recurring diluted earnings per common share</b>	\$0.23	\$0.20	\$0.20	\$0.27	\$0.89	\$0.27	\$0.36	\$0.63
<b>Weighted-average shares - diluted (thousands)</b>	607,073	595,561	609,062	610,352	608,627	611,470	613,172	612,325

<sup>(1)</sup> The tax rate applied to Midstream's international contract dispute settlement in 1st quarter 2006 is 34%. The tax rate applied to nonrecurring items for 2nd quarter 2006 has been adjusted for the effect of early debt retirement costs related to our convertible debt. The tax rate applied to 4th quarter 2006 has also been adjusted for the effect of a nondeductible international impairment.

<sup>(2)</sup> The tax rate applied to nonrecurring items for 2nd, 3rd and 4th quarters 2006 has been adjusted for the effect of nondeductible expenses associated with securities litigation settlement and related costs. The tax rate applied to nonrecurring items for 2nd quarter 2007 has been adjusted to reverse the effect of certain of these previous adjustments as these expenses are now considered deductible based on an IRS ruling.

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.