

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

	2002					2003			
	1st Qtr***	2nd Qtr***	3rd Qtr***	4th Qtr***	Year***	1st Qtr***	2nd Qtr***	3rd Qtr	Year
<b>Income (loss) from continuing operations (1)</b>	\$46.5	(\$335.8)	(\$171.2)	(\$151.2)	(\$611.7)	(\$39.3)	\$116.2	\$22.8	\$99.7
<b>Preferred stock dividends</b>	69.7	6.8	6.8	6.8	90.1	6.8	22.7	-	29.5
<b>Income (loss) from continuing operations available to common stockholder:</b>	<b>(\$23.2)</b>	<b>(\$342.6)</b>	<b>(\$178.0)</b>	<b>(\$158.0)</b>	<b>(\$701.8)</b>	<b>(\$46.1)</b>	<b>\$93.5</b>	<b>\$22.8</b>	<b>\$70.2</b>
<b>Income (loss) from continuing operations - diluted earnings per share</b>	<b>(\$0.05)</b>	<b>(\$0.65)</b>	<b>(\$0.34)</b>	<b>(\$0.31)</b>	<b>(\$1.35)</b>	<b>(\$0.09)</b>	<b>\$0.18</b>	<b>\$0.04</b>	<b>\$0.13</b>
<b>Nonrecurring items:</b>									
<i>Power</i>									
Hazelton plant expansion write-off	-	-	3.3	-	3.3	-	-	-	-
Strategic realignment-related charges	-	-	5.2	-	5.2	-	-	-	-
Impairments and loss accruals for commitments related to assets to have been used in power projects	-	81.8	11.5	50.8	144.1	-	-	-	-
Impairment of goodwill**	-	57.5	-	3.0	60.5	-	-	-	-
Reversal of Energy Capital Mezzanine Financing accrual	-	(7.0)	-	(6.2)	(13.2)	-	-	-	-
Write-off of costs associated with termination of certain projects	-	8.9	(1.0)	-	7.9	-	-	-	-
Early retirement expenses	-	4.2	-	-	4.2	-	-	-	-
Severance accrual	-	3.0	-	-	3.0	-	0.6	-	0.6
Worthington impairment	-	-	-	44.7	44.7	-	-	-	-
Capstone stock write-down**	-	-	-	2.0	2.0	-	-	-	-
Thermogas casualty and environmental costs and claim	-	-	-	4.0	4.0	-	-	-	-
Loss on Gulfmark JV dissolution	-	-	-	5.7	5.7	-	-	-	-
Accelerated compensation expense associated with workforce reductions	-	-	-	-	-	11.8	-	-	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)	(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)
<i>Total Power nonrecurring items</i>	-	148.4	19.0	104.0	271.4	11.8	(242.2)	(26.5)	(256.9)
<i>Gas Pipeline</i>									
Cross Bay write-off	-	-	1.6	-	1.6	-	-	-	-
Gain on sale of Northern Border Limited Partnership units	-	-	(8.7)	-	(8.7)	-	-	-	-
Net impairment on investment Alliance US sale	-	-	11.6	(1.2)	10.4	-	-	-	-
Loss on sale of Cove Point	-	-	3.7	-	3.7	-	-	-	-
Strategic realignment-related charges	-	-	4.5	-	4.5	-	-	-	-
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	-	-	-	-
Loss accrual for regulatory issue	-	-	-	17.0	17.0	-	-	-	-
SCADA property write-off	-	-	-	4.7	4.7	-	-	-	-
Write-off of Oneline information system project	-	-	-	-	-	-	25.5	-	25.5
Severance accrual	-	-	-	-	-	-	0.9	-	0.9
<i>Total Gas Pipeline nonrecurring items</i>	-	(4.4)	12.7	20.5	28.8	-	26.4	-	26.4
<i>Exploration &amp; Production</i>									
(Gain) loss on sale of certain E&P properties	(3.9)	-	3.8	1.1	1.0	-	(91.5)	-	(91.5)
Gain on sale of Anadarko	-	-	(21.6)	0.2	(21.4)	-	-	-	-
Gain on sale of Jonah	-	-	(122.3)	2.0	(120.3)	-	-	-	-
Strategic realignment-related charges	-	-	0.1	-	0.1	-	-	-	-
Early retirement expenses	-	0.4	-	-	0.4	-	-	-	-
<i>Total Exploration &amp; Production nonrecurring items</i>	(3.9)	0.4	(140.0)	3.3	(140.2)	-	(91.5)	-	(91.5)
<i>Midstream Gas &amp; Liquids</i>									
Impairment of WS-1 building	-	-	2.4	-	2.4	-	-	-	-
Strategic realignment-related charges	-	-	1.5	-	1.5	-	-	-	-
Impairment of Canadian assets**	-	-	-	115.0	115.0	-	-	-	-
Impairment of Kansas-Hugoton facilities as assets held for sale	-	4.8	1.1	-	5.9	-	-	-	-
Impairment of investment in Aux Sable	-	-	-	-	-	-	8.5	5.6	14.1
Early retirement expenses	-	0.8	-	-	0.8	-	-	-	-
La Maquina depreciable life adjustment	-	-	-	-	-	-	-	4.2	4.2
Gain on sale of West Texas LPG Pipeline, L.P.	-	-	-	-	-	-	-	(11.0)	(11.0)
<i>Total Midstream Gas &amp; Liquids nonrecurring items</i>	-	5.6	5.0	115.0	125.6	-	8.5	(1.2)	7.3
<i>Other</i>									
Gain on sale of Mazeikiu Nafta	-	-	(58.5)	-	(58.5)	-	-	-	-
Strategic realignment-related charges	-	-	4.9	-	4.9	-	-	-	-
Early retirement expenses	-	6.5	-	-	6.5	-	-	-	-
Impairment of Wiljet assets/investments	-	-	2.1	-	2.1	-	-	-	-
Impairment of Augusta refinery assets	-	-	-	3.0	3.0	-	-	-	-
Impairment of Longhorn and Aspen project *	-	-	-	-	-	-	49.6	-	49.6
Gain on sale of butane blending inventory	-	-	-	-	-	-	-	(9.2)	(9.2)
<i>Total Other nonrecurring items</i>	-	6.5	(51.5)	3.0	(42.0)	-	49.6	(9.2)	40.4
<b>Nonrecurring items included in segment profit (loss)</b>	<b>(3.9)</b>	<b>156.5</b>	<b>(154.8)</b>	<b>245.8</b>	<b>243.6</b>	<b>11.8</b>	<b>(249.2)</b>	<b>(36.9)</b>	<b>(274.3)</b>
<b>Nonrecurring items below segment profit (loss)</b>									
<i>Estimated loss on realization of amounts from</i>									
WilTel Communications Group, Inc. (Investing income (loss) - Corporate)	232.0	15.0	22.9	(1.2)	268.7	-	-	-	-
Costs associated with business & liquidity issue resolution (Interest accrued, minority interest, and other income (expense) - net - Various)	-	-	21.7	-	21.7	-	-	-	-
Strategic realignment-related charges (General corporate expenses)	-	-	3.6	-	3.6	-	-	-	-
Corporate asset impairments (Other income (expense) - net - Corporate)	-	-	4.0	-	4.0	-	-	-	-
Convertible preferred stock dividends** (Preferred stock dividends - Corporate)	69.4	-	-	-	69.4	-	13.8	-	13.8
Gain on disposition of Prudential shares received from demutualization (Other income (expense) - net - Gas Pipeline)	-	(11.0)	-	-	(11.0)	-	-	-	-
Early retirement expense (General corporate expenses)	-	6.2	-	-	6.2	-	-	-	-
Write-off of James River accrued dividends/investment (Other income (expense) - net - Corporate)	-	-	-	8.5	8.5	-	-	-	-
Impairment of cost based investments** (Investing income (loss) - Various)	-	-	-	-	-	-	19.1	2.3	21.4
Severance accrual - (General corporate expenses)	-	-	-	2.7	2.7	-	3.0	-	3.0
Executive retirement expenses (General corporate expenses)	-	-	-	2.2	2.2	-	-	-	-
Deferred stock award modification (General corporate expenses)	-	-	(1.1)	(1.1)	(1.1)	-	-	-	-
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
	301.4	10.2	52.2	11.1	374.9	12.0	50.4	3.5	65.9
<b>Total nonrecurring items</b>	<b>297.5</b>	<b>166.7</b>	<b>(102.6)</b>	<b>256.9</b>	<b>618.5</b>	<b>23.8</b>	<b>(198.8)</b>	<b>(33.4)</b>	<b>(208.4)</b>
Tax effect for above items	83.5	39.5	(39.2)	52.4	138.4	9.1	(104.0)	(13.7)	(108.6)
<b>Recurring income (loss) from continuing operations</b>	<b>\$190.8</b>	<b>(\$215.4)</b>	<b>(\$241.4)</b>	<b>\$46.5</b>	<b>(\$221.7)</b>	<b>(\$31.4)</b>	<b>(\$1.3)</b>	<b>\$3.1</b>	<b>(\$29.6)</b>
<b>Recurring diluted earnings per common share</b>	<b>\$0.37</b>	<b>(\$0.41)</b>	<b>(\$0.47)</b>	<b>\$0.09</b>	<b>(\$0.43)</b>	<b>(\$0.06)</b>	<b>\$ -</b>	<b>\$0.01</b>	<b>(\$0.06)</b>
<b>Weighted-average shares - diluted (thousands)</b>	<b>521,240</b>	<b>520,427</b>	<b>516,901</b>	<b>517,104</b>	<b>516,793</b>	<b>517,652</b>	<b>534,839</b>	<b>524,711</b>	<b>523,938</b>

\* For \$20.2 million, no tax benefit

\*\*No tax benefit

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

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