



Financial Highlights and Operating Statistics
(UNAUDITED)

September 30, 2004

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*	3rd Qtr	Year
<i>(Dollars in millions, except for per-share amounts)</i>									
Income (loss) from continuing operations⁽¹⁾	(\$43.1)	\$113.7	\$20.0	(\$62.4)	\$28.2	(\$1.5)	(\$18.0)	\$16.1	(\$3.4)
Preferred stock dividends	6.8	22.7	-	-	29.5	-	-	-	-
Income (loss) from continuing operations available to common stockholders	(\$49.9)	\$91.0	\$20.0	(\$62.4)	(\$1.3)	(\$1.5)	(\$18.0)	\$16.1	(\$3.4)
Income (loss) from continuing operations - diluted earnings per share	(\$0.10)	\$0.17	\$0.04	(\$0.12)	(\$0.01)	\$-	(\$0.03)	\$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	-	-	-	-
Impairment of investment in Aux Sable	-	8.5	5.6	-	14.1	-	-	-	-
Loss accrual for regulatory issues ⁽²⁾	-	20.0	-	-	20.0	-	-	-	-
Prior period item correction ⁽³⁾	(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 ⁽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>	(1.9)	(246.1)	(21.9)	113.4	(156.5)	-	-	-	-
<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
<i>Total Gas Pipeline nonrecurring items</i>	-	26.4	-	0.1	26.5	-	9.0	-	9.0
<i>Exploration & 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
<i>Total Exploration & Production nonrecurring items</i>	-	(91.5)	-	-	(91.5)	-	11.3	-	11.3
<i>Midstream Gas & Liquids</i>									
La Maquina depreciable life adjustment	-	-	4.2	-	4.2	-	-	6.4	6.4
Gain on sale of West Texas LPG Pipeline, L.P.	-	-	(11.0)	-	(11.0)	-	-	-	-
Gain on sale of wholesale propane	-	-	-	(16.2)	(16.2)	-	-	-	-
Devil's Tower revenue correction	-	-	-	-	-	-	(16.5)	16.5	-
<i>Total Midstream Gas & Liquids nonrecurring items</i>	-	-	(6.8)	(16.2)	(23.0)	-	(16.5)	22.9	6.4
<i>Other</i>									
Impairment of Longhorn and Aspen project ⁽⁵⁾	-	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
<i>Total Other nonrecurring items</i>	-	49.6	(9.2)	-	40.4	6.5	10.8	-	17.3
Nonrecurring items included in segment profit (loss)	(1.9)	(261.6)	(37.9)	97.3	(204.1)	6.5	14.6	22.9	44.0
Nonrecurring items below segment profit (loss)									
<i>Convertible preferred stock dividends⁽²⁾ (Preferred stock dividends - Corporate)</i>	-	13.8	-	-	13.8	-	-	-	-
<i>Impairment of cost-based investments⁽⁶⁾ (Investing income (loss) - Various)</i>	-	19.1	2.3	-	21.4	-	-	15.7	15.7
<i>Severance accrual (General corporate expenses)</i>	-	3.0	-	-	3.0	-	-	-	-
<i>Impairment of Algar Telecom investment (Investing income (loss) - Other)</i>	12.0	-	1.2	-	13.2	-	-	-	-
<i>Write-off of capitalized debt expense (Interest accrued - Corporate)</i>	-	14.5	-	-	14.5	-	3.8	-	3.8
<i>Premiums, fees and expenses related to the debt repurchase and debt tender offer (Other income (expense) - net - Corporate and Exploration & Production)</i>	-	-	-	66.8	66.8	-	96.7	155.1	251.8
<i>Loss provision related to an ownership dispute - interest component (Interest accrued - Exploration & Production)</i>	-	-	-	-	-	-	1.9	-	1.9
	12.0	50.4	3.5	66.8	132.7	-	102.4	170.8	273.2
Total nonrecurring items	10.1	(211.2)	(34.4)	164.1	(71.4)	6.5	117.0	193.7	317.2
Tax effect for above items	3.9	(108.7)	(14.0)	43.4	(75.5)	2.5	44.8	74.1	121.3
Recurring income (loss) from continuing operations available to common stockholders	(\$43.7)	(\$11.5)	(\$0.4)	\$58.3	\$2.8	\$2.5	\$54.2	\$135.7	\$192.5
Recurring diluted earnings per common share	(\$0.08)	(\$0.02)	\$-	\$0.11	\$0.01	\$-	\$0.10	\$0.26	\$0.37
Weighted-average shares - diluted (thousands)	517,652	534,839	524,711	518,502	518,137	525,752	521,698	529,525	521,438

⁽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 \$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.

⁽⁴⁾For \$5.6 million, no tax benefit.

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

⁽⁶⁾For \$21.4 million in 2003, no tax benefit.

* Amounts have been restated from 2nd quarter 2004 to reflect the transfer of our equity method investment in Aux Sable from our Midstream segment to our Power segment.

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.

Consolidated Statement of Operations
(UNAUDITED)

	2003					2004				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr	Year	
Revenues	\$ 4,776.1	\$ 3,612.3	\$ 4,743.4	\$ 3,512.9	\$ 16,644.7	\$ 3,065.5	\$ 3,048.7	\$ 3,372.8	\$ 9,487.0	
Segment costs and expenses:										
Costs and operating expenses	4,423.6	3,024.8	4,387.6	3,153.7	14,989.7	2,689.9	2,658.3	2,854.5	8,202.7	
Selling, general and administrative expenses	105.6	115.4	96.1	90.0	407.1	84.4	81.9	87.9	254.2	
Other (income) expense - net	0.7	(225.3)	(24.8)	119.2	(130.2)	8.4	23.0	(4.8)	26.6	
Total segment costs and expenses	4,529.9	2,914.9	4,458.9	3,362.9	15,266.6	2,782.7	2,763.2	2,937.6	8,483.5	
Equity earnings	4.4	1.0	6.8	8.1	20.3	11.6	10.7	15.9	38.2	
Income (loss) from investments	-	(46.1)	17.6	3.2	(25.3)	(7.0)	(11.6)	-	(18.6)	
Intercompany interest rate swaps	(5.9)	(16.7)	10.0	9.7	(2.9)	(21.6)	20.5	(15.5)	(16.6)	
Total segment profit	244.7	635.6	318.9	171.0	1,370.2	265.8	305.1	435.6	1,006.5	
Reclass equity earnings	(4.4)	(1.0)	(6.8)	(8.1)	(20.3)	(11.6)	(10.7)	(15.9)	(38.2)	
Reclass (income) loss from investments	-	46.1	(17.6)	(3.2)	25.3	7.0	11.6	-	18.6	
Reclass intercompany interest rate swaps	5.9	16.7	(10.0)	(9.7)	2.9	21.6	(20.5)	15.5	16.6	
General corporate expenses	(22.9)	(21.8)	(17.8)	(24.5)	(87.0)	(32.0)	(28.3)	(24.2)	(84.5)	
Operating income	223.3	675.6	266.7	125.5	1,291.1	250.8	257.2	411.0	919.0	
Interest accrued	(352.8)	(405.9)	(276.3)	(251.1)	(1,286.1)	(243.3)	(222.3)	(197.3)	(662.9)	
Interest capitalized	11.9	11.3	11.4	10.9	45.5	4.0	0.7	1.0	5.7	
Interest rate swap income (loss)	(2.8)	(6.1)	2.5	4.2	(2.2)	(8.1)	6.8	(4.0)	(5.3)	
Investing income (loss)	46.3	(43.2)	40.6	29.4	73.1	10.3	11.7	9.2	31.2	
Early debt retirement costs	-	-	-	-	-	(0.5)	(96.8)	(155.1)	(252.4)	
Minority interest in income of consolidated subsidiaries	(3.5)	(6.0)	(5.6)	(4.3)	(19.4)	(4.8)	(6.0)	(5.2)	(16.0)	
Other income (expense) - net	22.1	13.9	3.7	(65.8)	(26.1)	1.4	13.4	4.9	19.7	
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principles	(55.5)	239.6	43.0	(151.2)	75.9	9.8	(35.3)	64.5	39.0	
Provision (benefit) for income taxes	(12.4)	125.9	23.0	(88.8)	47.7	11.3	(17.3)	48.4	42.4	
Income (loss) from continuing operations	(43.1)	113.7	20.0	(62.4)	28.2	(1.5)	(18.0)	16.1	(3.4)	
Income (loss) from discontinued operations	(10.1)	156.0	86.3	8.7	240.9	11.4	(0.2)	82.5	93.7	
Income (loss) before cumulative effect of change in accounting principles	(53.2)	269.7	106.3	(53.7)	269.1	9.9	(18.2)	98.6	90.3	
Cumulative effect of change in accounting principles	(761.3)	-	-	-	(761.3)	-	-	-	-	
Net income (loss)	(814.5)	269.7	106.3	(53.7)	(492.2)	9.9	(18.2)	98.6	90.3	
Preferred stock dividends	6.8	22.7	-	-	29.5	-	-	-	-	
Income (loss) applicable to common stock	\$ (821.3)	\$ 247.0	\$ 106.3	\$ (53.7)	\$ (521.7)	\$ 9.9	\$ (18.2)	\$ 98.6	\$ 90.3	
Diluted earnings (loss) per common share:										
Income (loss) from continuing operations	\$ (0.10)	\$ 0.17	\$ 0.04	\$ (0.12)	\$ (0.01)	\$ -	\$ (0.03)	\$ 0.03	\$ (0.01)	
Income (loss) from discontinued operations	(0.02)	0.29	0.16	0.02	0.47	0.02	-	0.16	0.18	
Income (loss) before cumulative effect of change in accounting principles	(0.12)	0.46	0.20	(0.10)	0.46	0.02	(0.03)	0.19	0.17	
Cumulative effect of change in accounting principles	(1.47)	-	-	-	(1.47)	-	-	-	-	
Net income (loss)	\$ (1.59)	\$ 0.46	\$ 0.20	\$ (0.10)	\$ (1.01)	\$ 0.02	\$ (0.03)	\$ 0.19	\$ 0.17	
Weighted-average number of shares used in computation (thousands)	517,652	534,839	524,711	518,502	518,137	525,752	521,698	529,525	521,438	
Common shares outstanding at end of period (thousands)	517,538	517,677	517,961	518,232	518,232	519,824	522,373	523,043	523,043	
Market price per common share (end of period)	\$ 4.58	\$ 7.90	\$ 9.42	\$ 9.82	\$ 9.82	\$ 9.57	\$ 11.90	\$ 12.10	\$ 12.10	
Common dividends per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03	
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.									

Reconciliation of Segment Profit (Loss) to Recurring Segment Profit (Loss)

(UNAUDITED)

(Dollars in millions)	2003					2004			
	1st Qtr ⁽²⁾	2nd Qtr ⁽²⁾	3rd Qtr ⁽²⁾	4th Qtr ⁽²⁾	Year ⁽²⁾	1st Qtr ⁽²⁾	2nd Qtr ⁽²⁾	3rd Qtr	Year
Segment profit (loss):									
Power ⁽¹⁾	\$ (137.0)	\$ 335.9	\$ 37.2	\$ (101.0)	\$ 135.1	\$ (32.0)	\$ 43.8	\$ 109.3	\$ 121.1
Gas Pipeline	150.3	115.5	141.5	148.2	555.5	147.4	132.8	148.8	429.0
Exploration & Production	113.8	178.7	58.8	50.1	401.4	51.5	43.3	70.1	164.9
Midstream Gas & Liquids	112.8	57.2	77.3	81.4	328.7	107.6	99.5	105.0	312.1
Other	4.8	(51.7)	4.1	(7.7)	(50.5)	(8.7)	(14.3)	2.4	(20.6)
Total segment profit	\$ 244.7	\$ 635.6	\$ 318.9	\$ 171.0	\$ 1,370.2	\$ 265.8	\$ 305.1	\$ 435.6	\$ 1,006.5
Nonrecurring adjustments:									
Power	\$ (1.9)	\$ (246.1)	\$ (21.9)	\$ 113.4	\$ (156.5)	\$ -	\$ -	\$ -	\$ -
Gas Pipeline	-	26.4	-	0.1	26.5	-	9.0	-	9.0
Exploration & Production	-	(91.5)	-	-	(91.5)	-	11.3	-	11.3
Midstream Gas & Liquids	-	-	(6.8)	(16.2)	(23.0)	-	(16.5)	22.9	6.4
Other	-	49.6	(9.2)	-	40.4	6.5	10.8	-	17.3
Total segment nonrecurring adjustments	\$ (1.9)	\$ (261.6)	\$ (37.9)	\$ 97.3	\$ (204.1)	\$ 6.5	\$ 14.6	\$ 22.9	\$ 44.0
Recurring segment profit (loss):									
Power	\$ (138.9)	\$ 89.8	\$ 15.3	\$ 12.4	\$ (21.4)	\$ (32.0)	\$ 43.8	\$ 109.3	\$ 121.1
Gas Pipeline	150.3	141.9	141.5	148.3	582.0	147.4	141.8	148.8	438.0
Exploration & Production	113.8	87.2	58.8	50.1	309.9	51.5	54.6	70.1	176.2
Midstream Gas & Liquids	112.8	57.2	70.5	65.2	305.7	107.6	83.0	127.9	318.5
Other	4.8	(2.1)	(5.1)	(7.7)	(10.1)	(2.2)	(3.5)	2.4	(3.3)
Total recurring segment profit	\$ 242.8	\$ 374.0	\$ 281.0	\$ 268.3	\$ 1,166.1	\$ 272.3	\$ 319.7	\$ 458.5	\$ 1,050.5

Note: Segment profit (loss) includes equity earnings (losses) and certain income (loss) from investments reported in investing income (loss) in the Consolidated Statement of Operations. Equity earnings (losses) are from investments accounted for under the equity method. Income (loss) from investments results from the management of investments in certain equity instruments.

(1) Power's segment profit includes the effect of intercompany interest rate swaps entered into with the corporate parent.

(2) Amounts have been restated from 2nd quarter 2004 to reflect the transfer of our equity method investment in Aux Sable from our Midstream segment to our Power segment.

Power

(UNAUDITED)

(Dollars in millions)	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Revenues:*								
Natural gas & power	\$ 3,101.5	\$ 2,752.5	\$ 3,618.8	\$ 2,382.4	\$ 11,855.2	\$ 2,211.3	\$ 2,032.4	\$ 2,533.8
Crude & refined products	689.6	215.9	242.8	198.9	1,347.2	106.9	277.3	89.6
Other	(15.5)	(44.9)	36.8	13.8	(9.8)	(43.4)	44.0	(34.7)
Total revenues	3,775.6	2,923.5	3,898.4	2,595.1	13,192.6	2,274.8	2,353.7	2,588.7
Segment costs and expenses:								
Costs and operating expenses	3,874.1	2,704.2	3,849.4	2,562.3	12,990.0	2,282.6	2,287.7	2,463.4
Selling, general and administrative expenses	36.4	44.1	26.2	17.3	124.0	16.2	20.0	19.3
Other (income) expense - net	1.5	(164.3)	(3.3)	116.4	(49.7)	8.7	1.3	(2.7)
Total segment costs and expenses	3,912.0	2,584.0	3,872.3	2,696.0	13,064.3	2,307.5	2,309.0	2,480.0
Equity Earnings	(0.6)	(3.6)	(1.1)	0.4	(4.9)	0.7	(0.9)	0.6
Income (loss) from investments	-	-	12.2	(0.5)	11.7	-	-	-
Reported segment profit (loss)	(137.0)	335.9	37.2	(101.0)	135.1	(32.0)	43.8	109.3
Nonrecurring adjustments	(1.9)	(246.1)	(21.9)	113.4	(156.5)	-	-	-
Recurring segment profit (loss), pre-tax	\$ (138.9)	\$ 89.8	\$ 15.3	\$ 12.4	\$ (21.4)	\$ (32.0)	\$ 43.8	\$ 109.3

* Power's segment profit includes the effect of intercompany interest rate swaps entered into with the corporate parent.

** Amounts have been restated from 2nd quarter 2004 to reflect the transfer of our equity method investment in Aux Sable from our Midstream segment to our Power segment.

Operating statistics

Volumes	2003	2004	2005	2006	2007	2008	2009	2010
Natural gas (Bcf/d)	3.5	2.5	2.4	2.4	2.7	2.6	2.2	2.2
Crude & refined products (MBPD)	144.4	37.3	60.0	66.0	77.0	27.4	66.7	-
Power (GWh)	40,536	35,589	53,054	36,729	165,908	22,383	22,507	28,506

Additional statistics

Value at risk

	Quarter ended 9/30/04 (in Millions)
One day VaR - 95% confidence level	
Trading	\$1.2MM
Non-Trading	\$18.5MM
Aggregate Earnings VaR	\$18.7MM
One day VaR - 95% confidence level	
Trading	\$2.0MM
Non-Trading	\$19.3MM
Aggregate Earnings VaR	\$18.3MM
One day VaR - 95% confidence level	
Trading	\$2.9MM
Non-Trading	\$23.2MM
Aggregate Earnings VaR	\$21.4MM

Net Credit Exposure

(in Millions)	Investment	
	Grade	Total
Gas and electric utilities	\$ 136.9	\$ 149.2
Energy marketers and traders	470.2	704.0
Financial institutions	217.2	217.2
Other	1.2	2.0
	<u>\$ 825.5</u>	<u>\$ 1,072.4</u>
Credit Reserves		(31.8)
Net Credit Exposure from Derivative Contract		<u>\$ 1,040.6</u>

Fair Value Of Mark-to-Market Derivatives (in Millions)

Period the value of mark-to-market derivatives is expected to be realized:	
1-12 months	\$ (12.6)
13-36 months	(4.5)
37-60 months	(10.9)
61-120 months	-
121+ months	0.3
Total Fair Value	<u>(27.7)</u>
Non-Trading MTM Derivatives	865.5
SFAS 133 Hedges	(610.2)
Non-Power Business Unit Hedges	16.7
Total Net Derivative Assets and Liabilities:	<u>\$ 244.3</u>

Power Portfolio (Megawatts)

	Quarter Ended	
	9/30/04	9/30/03
Owned	207	207
Contracted	8,888	8,697
Total	<u>9,095</u>	<u>8,904</u>

Credit Support (in Millions)

As of September 30, 2004	
Prepays	\$37
Margins	\$84
Adequate Assurance	\$70

Gas Pipeline

(UNAUDITED)

(Dollars in millions)	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Revenues:								
Northwest Pipeline	\$ 79.6	\$ 81.4	\$ 79.4	\$ 87.3	\$ 327.7	\$ 85.5	\$ 83.4	\$ 83.2
Transcontinental Gas Pipe Line	259.8	249.3	254.5	276.5	1,040.1	273.4	247.6	237.8
Other	0.2	-	0.1	0.2	0.5	0.1	-	-
Total revenues	339.6	330.7	334.0	364.0	1,368.3	359.0	331.0	321.0
Segment costs and expenses:								
Costs and operating expenses	159.0	162.1	171.6	183.0	675.7	182.9	164.3	151.3
Selling, general and administrative expenses	31.8	29.9	33.7	37.5	132.9	32.2	29.2	32.3
Other (income) expense - net	0.3	25.3	(6.8)	1.3	20.1	-	9.2	-
Total segment costs and expenses	191.1	217.3	198.5	221.8	828.7	215.1	202.7	183.6
Equity earnings	1.8	2.0	6.0	6.0	15.8	3.8	5.2	11.4
Income (loss) from investments	-	0.1	-	-	0.1	(0.3)	(0.7)	-
Reported segment profit:								
Northwest Pipeline	45.3	17.2	37.5	46.3	146.3	44.5	32.9	47.2
Transcontinental Gas Pipe Line	105.2	98.7	99.4	96.7	400.0	101.1	97.2	91.9
Other	(0.2)	(0.4)	4.6	5.2	9.2	1.8	2.7	9.7
Total reported segment profit	150.3	115.5	141.5	148.2	555.5	147.4	132.8	148.8
Nonrecurring adjustments:								
Northwest Pipeline	-	25.5	-	0.1	25.6	-	9.0	-
Transcontinental Gas Pipe Line	-	0.9	-	-	0.9	-	-	-
Other	-	-	-	-	-	-	-	-
Total nonrecurring adjustments	-	26.4	-	0.1	26.5	-	9.0	-
Recurring segment profit:								
Northwest Pipeline	45.3	42.7	37.5	46.4	171.9	44.5	41.9	47.2
Transcontinental Gas Pipe Line	105.2	99.6	99.4	96.7	400.9	101.1	97.2	91.9
Other	(0.2)	(0.4)	4.6	5.2	9.2	1.8	2.7	9.7
Total recurring segment profit, pre-tax	\$ 150.3	\$ 141.9	\$ 141.5	\$ 148.3	\$ 582.0	\$ 147.4	\$ 141.8	\$ 148.8

Operating statistics

Northwest Pipeline								
Throughput (TBtu)	195.1	172.2	146.7	167.7	681.7	177.1	153.4	143.6
Average daily transportation volumes (TBtu)	2.2	1.9	1.6	1.8	1.9	1.9	1.7	1.6
Average daily firm reserved capacity (TBtu)	3.3	2.1	2.3	2.5	2.3	2.5	2.5	2.5
Transcontinental Gas Pipe Line								
Throughput (TBtu)	523.5	432.2	426.2	488.0	1,869.9	549.0	447.9	440.9
Average daily transportation volumes (TBtu)	5.8	4.7	4.6	5.3	5.1	6.0	4.9	4.8
Average daily firm reserved capacity (TBtu)	6.6	6.3	6.4	6.6	6.5	6.8	6.5	6.3

Exploration & Production

(UNAUDITED)

(Dollars in millions)	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Revenues:								
Production	\$ 174.3	\$ 142.1	\$ 133.3	\$ 128.0	\$ 577.7	\$ 127.5	\$ 143.8	\$ 164.3
Gas management	36.6	24.4	24.0	26.8	111.8	22.2	30.2	27.9
Net nonqualified hedge derivative income (loss)	8.3	15.0	1.1	(0.3)	24.1	0.8	(1.6)	0.2
International	7.6	8.1	8.4	9.0	33.1	9.6	10.0	9.8
Other	17.1	10.6	1.9	3.4	33.0	5.1	6.6	7.1
Total revenues	243.9	200.2	168.7	166.9	779.7	165.2	189.0	209.3
Segment costs and expenses:								
Depreciation, depletion and amortization (including International)	46.8	44.5	42.4	40.2	173.9	42.5	46.4	53.1
Lease and other operating expenses	18.5	16.2	15.1	19.2	69.0	19.3	23.7	24.3
Operating taxes	16.9	15.2	16.4	13.1	61.6	15.9	17.7	22.3
Exploration expenses and property impairment	1.6	(0.1)	0.8	0.8	3.1	0.4	0.5	1.0
Selling, general and administrative expenses (including International)	15.5	15.1	12.9	13.4	56.9	14.0	13.4	16.6
Gas management expenses	35.6	24.0	23.7	26.7	110.0	22.2	30.1	27.9
Other (income) expense - net	(5.0)	(93.0)	(2.6)	0.4	(100.2)	(0.7)	12.9	(6.9)
International (excluding DD&A and SG&A)	2.3	2.1	3.7	4.8	12.9	3.0	4.2	3.5
Total segment costs and expenses	132.2	24.0	112.4	118.6	387.2	116.6	148.9	141.8
Equity earnings - International	2.1	2.5	2.5	1.8	8.9	2.9	3.2	2.6
Reported segment profit	113.8	178.7	58.8	50.1	401.4	51.5	43.3	70.1
Nonrecurring adjustments	-	(91.5)	-	-	(91.5)	-	11.3	-
Recurring segment profit, pre-tax	\$ 113.8	\$ 87.2	\$ 58.8	\$ 50.1	\$ 309.9	\$ 51.5	\$ 54.6	\$ 70.1

Operating statistics

Domestic:

Total domestic net volumes (Bcfe)	45.3	45.7	42.4	41.1	174.5	41.6	46.5	49.3
Net domestic volumes per day (MMcfe/d)	504	502	461	447	478	457	511	535
Net domestic realized price (\$/Mcf) (1)	\$ 3.845	\$ 3.112	\$ 3.141	\$ 3.115	\$ 3.310	\$ 3.062	\$ 3.090	\$ 3.336
Production taxes per Mcfe	\$ 0.373	\$ 0.333	\$ 0.386	\$ 0.317	\$ 0.353	\$ 0.381	\$ 0.381	\$ 0.452
Lease and other operating expense per Mcfe	\$ 0.408	\$ 0.356	\$ 0.355	\$ 0.467	\$ 0.395	\$ 0.464	\$ 0.509	\$ 0.494

(1) Net realized price is calculated the following way: production revenues (including hedging activities and incremental margins related to gas management activities) divided by net volumes.

International:

Total volumes including Equity Investee (Bcfe)	4.9	5.2	5.4	5.4	20.9	5.3	5.4	5.7
Volumes per day (MMcfe/d)	54	57	59	59	57	59	59	62
Volumes net to Williams (after minority interest) (Bcfe)	3.7	3.8	4.2	4.1	15.8	4.0	4.0	4.3
Volumes net to Williams per day (Mmcfe/d)	41	42	46	44	43	44	44	46
Total Domestic and International:								
Volumes net to Williams (after minority interest) (Bcfe)	49.0	49.5	46.6	45.2	190.3	45.6	50.5	53.5
Volumes net to Williams per day (Mmcfe/d)	545	544	507	491	521	501	555	582

Midstream Gas & Liquids

(UNAUDITED)

(Dollars in millions)	2003					2004		
	1st Qtr *	2nd Qtr *	3rd Qtr *	4th Qtr *	Year *	1st Qtr *	2nd Qtr *	3rd Qtr
Revenues:								
Domestic:								
Gathering	\$ 75.4	\$ 82.0	\$ 71.4	\$ 72.8	\$ 301.6	\$ 69.7	\$ 69.5	\$ 71.2
Processing	23.8	24.5	23.1	22.8	94.2	21.4	21.5	23.3
NGL sales from gas processing	176.3	97.6	113.0	159.1	546.0	195.9	197.4	257.3
Production handling and transportation	15.1	16.5	18.3	17.0	66.9	16.0 **	37.7 **	5.6
Olefins sales	30.6	35.2	32.8	31.6	130.2	55.3	46.0	48.7
Trading/marketing sales	730.2	327.8	504.3	559.5	2,121.8	470.8	395.0	553.4
Other domestic revenues	26.8	26.1	24.3	15.6	92.8	26.0 **	24.5 **	24.7
	<u>1,078.2</u>	<u>609.7</u>	<u>787.2</u>	<u>878.4</u>	<u>3,353.5</u>	<u>855.1</u>	<u>791.6</u>	<u>984.2</u>
Canada	18.9	14.9	23.1	24.6	81.5	28.9	26.9	29.2
Venezuela	25.2	35.9	39.5	36.1	136.7	36.4	35.9	36.4
Intrasegment eliminations	(256.9)	(158.3)	(148.0)	(230.0)	(793.2)	(293.1)	(223.9)	(303.4)
Total revenues	<u>865.4</u>	<u>502.2</u>	<u>701.8</u>	<u>709.1</u>	<u>2,778.5</u>	<u>627.3</u>	<u>630.5</u>	<u>746.4</u>
Segment costs and expenses:								
Domestic:								
NGL cost of goods sold	124.7	81.7	98.9	126.2	431.5	162.9	168.3	191.6
Olefins cost of goods sold	27.9	35.1	30.6	27.7	121.3	45.8	40.2	38.5
Trading/marketing cost of goods sold	716.2	333.4	504.2	558.2	2,112.0	470.2	391.2	550.9
Operating costs	78.6	79.1	75.7	85.2	318.6	72.3	93.8	85.4
Canada	19.8	22.9	30.4	30.5	103.6	30.6	29.9	32.5
Venezuela	13.8	15.8	15.7	17.7	63.0	14.2	16.8	17.1
Other								
Selling, general and administrative expenses	21.7	24.6	23.1	22.3	91.7	21.5	18.3	20.0
Other (income) expense - net	4.1	7.8 *	(0.7) *	(4.8)	6.4 *	(0.7)	(0.1)	10.2
Intrasegment eliminations	(256.8)	(158.3)	(148.0)	(230.0)	(793.1)	(293.1)	(224.0)	(303.4)
Total segment costs and expenses	<u>750.0</u>	<u>442.1</u>	<u>629.9</u>	<u>633.0</u>	<u>2,455.0</u>	<u>523.7</u>	<u>534.4</u>	<u>642.8</u>
Equity earnings (losses)	(2.6) *	0.8 *	- *	1.0 *	(0.8) *	4.2 *	3.5 *	1.4
Income (loss) from investments	-	(3.7)	5.4	4.3	6.0	(0.2)	(0.1)	-
Reported segment profit	112.8	57.2	77.3	81.4	328.7	107.6	99.5	105.0
Nonrecurring adjustments	-	-	(6.8)	(16.2)	(23.0)	-	(16.5)	22.9
Recurring segment profit, pre-tax	\$ 112.8	\$ 57.2	\$ 70.5	\$ 65.2	\$ 305.7	\$ 107.6	\$ 83.0	\$ 127.9

* Amounts have been restated from 2nd quarter 2004 to reflect the transfer of our equity method investment in Aux Sable from our Midstream segment to our Power segment.

** Restated from 2nd quarter 2004 for a classification correction.

Operating statistics

Domestic:								
Gathering volumes (TBtu)	325.8	321.9	311.3	313.2	1,272.2	307.1	308.4	315.9
Gathering margins (\$/MMBtu)	\$ 0.232	\$ 0.232	\$ 0.230	\$ 0.229	\$ 0.231	\$ 0.227	\$ 0.2250	\$ 0.2250
Processing volumes (TBtu)								
Processing rate (\$/MMBtu)	\$ 0.146	\$ 0.160	\$ 0.118	\$ 0.125	\$ 0.136	\$ 0.120	\$ 0.1150	\$ 0.1180
NGL equity sales (million gallons)								
NGL margin (\$/gallon)	\$ 0.172	\$ 0.080	\$ 0.062	\$ 0.110	\$ 0.111	\$ 0.101	\$ 0.0880	\$ 0.1780
Gulf olefins sales (million pounds)								
	140.2	136.2	117.6	125.3	519.3	195.3	163	145
Canada:								
Canadian olefins sales (million gallons)	39.8	33.8	34.4	39.8	147.8	42.1	38.9	33.0

Capital Expenditures and Investments

(UNAUDITED)

(Dollars in millions)	2003					2004		
	1st Qtr *	2nd Qtr *	3rd Qtr *	4th Qtr *	Year *	1st Qtr *	2nd Qtr *	3rd Qtr
Capital expenditures:								
Power	\$ 0.2	\$ 0.1	\$ 1.1	\$ (0.4)	\$ 1.0	\$ -	\$ -	\$ -
Gas Pipeline:								
Northwest Pipeline	56.0	77.1	117.7	43.8	294.6	11.2	34.0	26.6
Transcontinental Gas Pipe Line	63.6	47.9	32.9	58.6	203.0	25.1	35.0	38.3
Total	119.6	125.0	150.6	102.4	497.6	36.3	69.0	64.9
Exploration & Production	55.7	30.4	38.1	77.8	202.0	76.1	104.1	117.3
Midstream Gas & Liquids	58.9	59.1	94.2	40.7	252.9	15.2	23.4	21.1
Other	0.7	0.1	0.4	1.3	2.5	0.2	4.7	6.2
Total	\$ 235.1	\$ 214.7	\$ 284.4	\$ 221.8	\$ 956.0	\$ 127.8	\$ 201.2	\$ 209.5
Purchase of investments:								
Power	\$ 0.9	\$ -	\$ 6.0	\$ 0.3	\$ 7.2	\$ -	\$ -	\$ -
Gas Pipeline:								
Other	2.5	4.0	-	-	6.5	-	1.0	-
Exploration & Production	1.8	-	-	-	1.8	-	-	-
Midstream Gas & Liquids	-	2.4	-	127.0	129.4	-	-	-
Other	0.5	1.2	1.3	2.5	5.5	0.4	0.2	-
Total	\$ 5.7	\$ 7.6	\$ 7.3	\$ 129.8	\$ 150.4	\$ 0.4	\$ 1.2	\$ -
Summary:								
Power	\$ 1.1	\$ 0.1	\$ 7.1	\$ (0.1)	\$ 8.2	\$ -	\$ -	\$ -
Gas Pipeline	122.1	129.0	150.6	102.4	504.1	36.3	70.0	64.9
Exploration & Production	57.5	30.4	38.1	77.8	203.8	76.1	104.1	117.3
Midstream Gas & Liquids	58.9	61.5	94.2	167.7	382.3	15.2	23.4	21.1
Other	1.2	1.3	1.7	3.8	8.0	0.6	4.9	6.2
Total	\$ 240.8	\$ 222.3	\$ 291.7	\$ 351.6	\$ 1,106.4	\$ 128.2	\$ 202.4	\$ 209.5
Cumulative summary:								
Power	\$ 1.1	\$ 1.2	\$ 8.3	\$ 8.2	\$ 8.2	\$ -	\$ -	\$ -
Gas Pipeline	122.1	251.1	401.7	504.1	504.1	36.3	106.3	171.2
Exploration & Production	57.5	87.9	126.0	203.8	203.8	76.1	180.2	297.5
Midstream Gas & Liquids	58.9	120.4	214.6	382.3	382.3	15.2	38.6	59.7
Other	1.2	2.5	4.2	8.0	8.0	0.6	5.5	11.7
Total	\$ 240.8	\$ 463.1	\$ 754.8	\$ 1,106.4	\$ 1,106.4	\$ 128.2	\$ 330.6	\$ 540.1

* Amounts have been restated from 2nd quarter 2004 to reflect the transfer of our equity method investment in Aux Sable from our Midstream segment to our Power segment.

Depreciation, Depletion and Amortization and Other Selected Financial Data

(UNAUDITED)

(Dollars in millions)	2003					2004		
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr
Depreciation, depletion and amortization:								
Power	\$ 7.8	\$ 7.5	\$ 9.7	\$ 6.5	\$ 31.5	\$ 5.5	\$ 5.2	\$ 4.9
Gas Pipeline:								
Northwest Pipeline	16.8	17.0	17.2	20.0	71.0	18.2	18.8	14.3
Transcontinental Gas Pipe Line	48.0	52.0	51.5	52.1	203.6	48.0	49.6	48.4
Total	<u>64.8</u>	<u>69.0</u>	<u>68.7</u>	<u>72.1</u>	<u>274.6</u>	<u>66.2</u>	<u>68.4</u>	<u>62.7</u>
Exploration & Production	46.8	44.5	42.4	40.2	173.9	42.5	46.4	52.0
Midstream Gas & Liquids	38.7	39.4	39.5	40.1	157.7	42.4	45.0	44.0
Other	6.4	4.9	4.0	4.4	19.7	3.8	3.1	3.3
Total	<u>\$ 164.5</u>	<u>\$ 165.3</u>	<u>\$ 164.3</u>	<u>\$ 163.3</u>	<u>\$ 657.4</u>	<u>\$ 160.4</u>	<u>\$ 168.1</u>	<u>\$ 166.9</u>
Other selected financial data:								
Cash and cash equivalents	\$ 1,403.2	\$ 3,227.1	\$ 3,428.0	\$ 2,315.7	\$ 2,315.7	\$ 1,997.8	\$ 1,030.3	\$ 976.7
Total assets	\$ 35,442.3	\$ 33,853.0	\$ 30,301.7	\$ 27,021.8	\$ 27,021.8	\$ 27,790.2	\$ 26,168.4	\$ 25,559.1
Capital structure:								
Debt								
Current (1)	\$ 3,241.4	\$ 1,875.6	\$ 1,979.7	\$ 938.5	\$ 938.5	\$ 442.9	\$ 276.6	\$ 276.6
Noncurrent	\$ 9,760.9	\$ 11,209.7	\$ 10,990.1	\$ 11,039.8	\$ 11,039.8	\$ 10,824.8	\$ 9,483.0	\$ 8,667.1
Stockholders' equity	\$ 4,152.9	\$ 4,001.5	\$ 4,195.4	\$ 4,102.1	\$ 4,102.1	\$ 4,034.1	\$ 3,998.9	\$ 4,008.7
Debt to debt-plus-equity ratio	75.8%	76.6%	75.6%	74.5%	74.5%	73.6%	70.9%	69.1%

(1) Current includes notes payable, commercial paper and the current portion of long-term debt.