

**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 *	4th Qtr	Year
<b>Income (loss) from continuing operations<sup>(1)</sup></b>	(\$52.2)	\$50.0	\$18.0	(\$73.3)	(\$57.5)	\$0.0	(\$18.5)	\$16.2	\$95.5	\$93.2
<b>Preferred stock dividends</b>	6.8	22.7	-	-	29.5	-	-	-	-	-
<b>Income (loss) from continuing operations available to common stockholders</b>	(\$59.0)	\$27.3	\$18.0	(\$73.3)	(\$87.0)	\$0.0	(\$18.5)	\$16.2	\$95.5	\$93.2
<b>Income (loss) from continuing operations - diluted earnings per share</b>	(\$0.12)	\$0.05	\$0.03	(\$0.14)	(\$0.17)	\$-	(\$0.03)	\$0.03	\$0.17	\$0.17
<b>Nonrecurring items:</b>										
<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 <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	-	-	-	-	-
Hazelnut 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)	(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
<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	-	4.1	15.4
<b>Total Exploration &amp; Production nonrecurring items</b>	-	(91.5)	-	-	(91.5)	-	11.3	-	4.1	15.4
<i>Midstream Gas &amp; Liquids</i>										
La Maquina depreciable life adjustment	-	-	4.2	-	4.2	-	-	6.4	1.2	7.6
Gain on sale of Louisiana Olefins assets	-	-	-	-	-	-	-	-	(9.5)	(9.5)
Gain on sale of West Texas LPG Pipeline, L.P.	-	-	(11.0)	-	(11.0)	-	-	-	-	-
Gain on sale of wholesale propane	-	-	-	(16.2)	(16.2)	-	-	-	-	-
Gulf Liquids arbitration award (Winterthur)	-	-	-	-	-	-	-	-	(93.6)	(93.6)
Impairment of Discovery	-	-	-	-	-	-	-	-	16.9	16.9
Gulf Liquids impairment	-	92.6	(0.3)	16.4	108.7	-	-	-	-	-
Devil's Tower revenue correction	-	-	-	-	-	-	(16.5)	16.5	-	-
<b>Total Midstream Gas &amp; Liquids nonrecurring items</b>	-	92.6	(7.1)	0.2	85.7	-	(16.5)	22.9	(85.0)	(78.6)
<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)	-	-	-	-	-
Augusta environmental reserve	-	-	-	-	-	-	-	-	11.8	11.8
Longhorn recapitalization fee	-	-	-	-	-	6.5	-	-	-	6.5
<b>Total Other nonrecurring items</b>	-	49.6	(9.2)	-	40.4	6.5	10.8	-	11.8	29.1
<b>Nonrecurring items included in segment profit (loss)</b>	(1.9)	(169.0)	(38.2)	113.7	(95.4)	6.5	14.6	22.9	(69.1)	(25.1)
<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>(6)</sup> (Investing income (loss) - Various)	-	19.1	2.3	-	21.4	-	-	15.7	2.3	18.0
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	155.1	29.7	281.5
Gulf Liquids arbitration award (Winterthur) - interest income - (Investing income loss) - Midstream)	-	-	-	-	-	-	-	-	(9.6)	(9.6)
Loss provision related to an ownership dispute - interest component (Interest accrued - Exploration & Production)	-	-	-	-	-	-	1.9	-	2.1	4.0
	12.0	50.4	3.5	66.8	132.7	-	102.4	170.8	24.5	297.7
<b>Total nonrecurring items</b>	10.1	(118.6)	(34.7)	180.5	37.3	6.5	117.0	193.7	(44.6)	272.6
Tax effect for above items	3.9	(73.3)	(14.2)	49.7	(33.9)	2.5	44.8	74.1	(17.1)	104.3
<b>Recurring income (loss) from continuing operations available to common stockholders</b>	(\$52.8)	(\$18.0)	(\$2.5)	\$57.5	(\$15.8)	\$4.0	\$53.7	\$135.8	\$68.0	\$261.5
<b>Recurring diluted earnings per common share</b>	(\$0.10)	(\$0.03)	\$-	\$0.11	(\$0.03)	\$0.01	\$0.10	\$0.26	\$0.12	\$0.49
<b>Weighted-average shares - diluted (thousands)</b>	517,652	524,546	524,711	518,502	518,137	519,485	521,698	529,525	586,497	535,611

<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.

<sup>(6)</sup> For \$21.4 million in 2003, no tax benefit.

\* Amounts have been restated from 3rd Quarter 2004 to reflect Gulf Liquids as continuing 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.