

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

(UNAUDITED)

(Dollars in millions, except per-share amounts)

	2005					2006				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Year
Income (loss) from continuing operations available to common stockholders	<u>\$202.2</u>	<u>\$40.7</u>	<u>\$5.7</u>	<u>\$68.8</u>	<u>\$317.4</u>	<u>\$131.1</u>	<u>(\$63.9)</u>	<u>\$110.1</u>	<u>\$155.5</u>	<u>\$332.8</u>
Income (loss) from continuing operations - diluted earnings (loss) per common share	<u>\$0.34</u>	<u>\$0.07</u>	<u>\$0.01</u>	<u>\$0.11</u>	<u>\$0.53</u>	<u>\$0.22</u>	<u>(\$0.11)</u>	<u>\$0.19</u>	<u>\$0.25</u>	<u>\$0.55</u>
Nonrecurring items:										
<i>Exploration & Production</i>										
Gains on sales of E&P properties	(7.9)	-	(21.7)	-	(29.6)	-	-	-	-	-
Loss provision related to an ownership dispute	0.3	-	-	-	0.3	-	-	-	-	-
<i>Total Exploration & Production nonrecurring items</i>	<u>(7.6)</u>	<u>-</u>	<u>(21.7)</u>	<u>-</u>	<u>(29.3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Gas Pipeline</i>										
Prior period liability corrections - TGPL	(13.1)	(4.6)	-	-	(17.7)	-	-	-	-	-
Prior period pension adjustment - TGPL	-	(17.1)	-	-	(17.1)	-	-	-	-	-
Income from favorable ruling on FERC appeal (1999 Fuel Tracker)	-	-	(14.2)	-	(14.2)	-	-	-	-	-
Prior period inventory corrections - TGPL	-	-	-	32.1	32.1	-	-	-	-	-
Accrual of contingent refund obligation - TGPL	-	-	-	5.2	5.2	-	-	-	-	-
Reversal of litigation contingency due to favorable ruling - TGPL	-	-	-	-	-	(2.0)	-	-	-	(2.0)
<i>Total Gas Pipeline nonrecurring items</i>	<u>(13.1)</u>	<u>(21.7)</u>	<u>(14.2)</u>	<u>37.3</u>	<u>(11.7)</u>	<u>(2.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2.0)</u>
<i>Midstream Gas & Liquids</i>										
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	-	-	-	-	-	(6.3)	-	-	-	(6.3)
<i>Total Midstream Gas & Liquids nonrecurring items</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6.3)</u>	<u>68.0</u>	<u>10.3</u>	<u>2.3</u>	<u>74.3</u>
<i>Power</i>										
Reduction of contingent obligations associated with our former distributive power generation business	-	-	-	-	-	-	-	(12.7)	-	(12.7)
Accrual for a regulatory settlement ⁽¹⁾	4.6	-	-	-	4.6	-	-	-	-	-
Accrual for litigation contingencies ⁽¹⁾	-	13.1	0.4	68.7	82.2	-	-	3.5	1.3	4.8
Impairment of Aux Sable	-	-	-	23.0	23.0	-	-	-	-	-
Prior period correction	6.8	-	-	-	6.8	-	-	-	-	-
<i>Total Power nonrecurring items</i>	<u>11.4</u>	<u>13.1</u>	<u>0.4</u>	<u>91.7</u>	<u>116.6</u>	<u>-</u>	<u>-</u>	<u>(9.2)</u>	<u>1.3</u>	<u>(7.9)</u>
<i>Other</i>										
Impairment of Longhorn	-	49.1	-	38.1	87.2	-	-	-	-	-
Write-off of capitalized project development costs	-	4.0	-	-	4.0	-	-	-	-	-
Gain on sale of real property	-	-	-	(9.0)	(9.0)	-	-	-	-	-
<i>Total Other nonrecurring items</i>	<u>-</u>	<u>53.1</u>	<u>-</u>	<u>29.1</u>	<u>82.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrecurring items included in segment profit (loss)	<u>(9.3)</u>	<u>44.5</u>	<u>(35.5)</u>	<u>158.1</u>	<u>157.8</u>	<u>(8.3)</u>	<u>68.0</u>	<u>1.1</u>	<u>3.6</u>	<u>64.4</u>
Nonrecurring items below segment profit (loss)										
<i>Gain on sale of remaining interests in Seminole Pipeline and MAPL (Investing income / loss - Midstream)</i>	-	(8.6)	-	-	(8.6)	-	-	-	-	-
<i>Impairment of cost-based investment - Petroway (Investing income / loss - Exploration & Production)</i>	-	-	-	-	-	-	-	-	16.4	16.4
<i>Loss provision related to an ownership dispute - interest component (Interest accrued - Exploration & Production)</i>	2.7	-	-	-	2.7	-	-	-	-	-
<i>Directors and officers insurance policy adjustment (General corporate expenses - Corporate)</i>	-	-	13.8	-	13.8	-	-	-	-	-
<i>Loss provision related to ERISA litigation settlement (Other income (expense) - net - Corporate)</i>	-	-	5.0	-	5.0	-	-	-	-	-
<i>Securities litigation settlement and related costs⁽¹⁾ (Interest accrued - Gas Pipeline - TGPL)</i>	-	-	-	9.4	9.4	1.2	160.7	3.4	2.0	167.3
<i>Reversal of interest accrued related to reversal of litigation contingency noted above (Interest accrued - Gas Pipeline - TGPL)</i>	-	-	-	-	-	(5.0)	-	-	-	(5.0)
<i>Early debt retirement costs (Corporate and Exploration & Production)</i>	-	-	-	-	-	27.0 ⁽¹⁾	4.4	-	-	31.4
<i>Gain on sale of Algar/Triangulo shares (Investing income / loss - Other)</i>	-	-	-	-	-	(6.7)	-	-	-	(6.7)
<i>Interest related to Gulf Liquids litigation contingency (Interest accrued - Midstream)</i>	-	-	-	-	-	-	20.0	0.6	1.4	22.0
	<u>2.7</u>	<u>(8.6)</u>	<u>18.8</u>	<u>9.4</u>	<u>22.3</u>	<u>16.5</u>	<u>185.1</u>	<u>4.0</u>	<u>19.8</u>	<u>225.4</u>
Total nonrecurring items	<u>(6.6)</u>	<u>35.9</u>	<u>(16.7)</u>	<u>167.5</u>	<u>180.1</u>	<u>8.2</u>	<u>253.1</u>	<u>5.1</u>	<u>23.4</u>	<u>289.8</u>
Tax effect for above items ⁽¹⁾	(2.8)	10.7	(6.4)	48.0	49.5	3.4	76.6	1.8	2.8	84.6
Adjustment for nonrecurring excess deferred tax (benefit) provision	-	-	-	(20.2)	(20.2)	-	-	-	7.4	7.4
Adjustment for tax benefit related to federal income tax litigation	-	-	-	-	-	-	-	-	(25.1)	(25.1)
Recurring income (loss) from continuing operations available to common stockholders	<u>\$198.4</u>	<u>\$65.9</u>	<u>(\$4.6)</u>	<u>\$168.1</u>	<u>\$427.8</u>	<u>\$135.9</u>	<u>\$112.6</u>	<u>\$113.4</u>	<u>\$158.4</u>	<u>\$520.3</u>
Recurring diluted earnings (loss) per common share	<u>\$0.33</u>	<u>\$0.11</u>	<u>(\$0.01)</u>	<u>\$0.28</u>	<u>\$0.72</u>	<u>\$0.23</u>	<u>\$0.19</u>	<u>\$0.19</u>	<u>\$0.26</u>	<u>\$0.86</u>
Weighted-average shares - diluted (thousands)	599,422	578,902	580,735	609,106	605,847	607,073	595,561	609,062	610,352	608,627

⁽¹⁾No tax effect on \$6 million of the accrual for a regulatory settlement in 1st quarter 2005 and \$8 million and \$42 million of the accrual for litigation contingencies in 2nd quarter 2005 and 4th quarter 2005, respectively. The tax rate applied to Midstream 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 nondeductible expenses associated with securities litigation settlement and related costs and early debt retirement costs related to our convertible debt. The tax rate applied to 3rd and 4th quarter 2006 has been adjusted for the effect of nondeductible expenses associated with the securities litigation settlement and related costs. The tax rate applied to 4th quarter 2006 has also been adjusted for the effect of a nondeductible international impairment.

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.