



**KEYSPAN**

# Quarterly Update

Third Quarter – 2001



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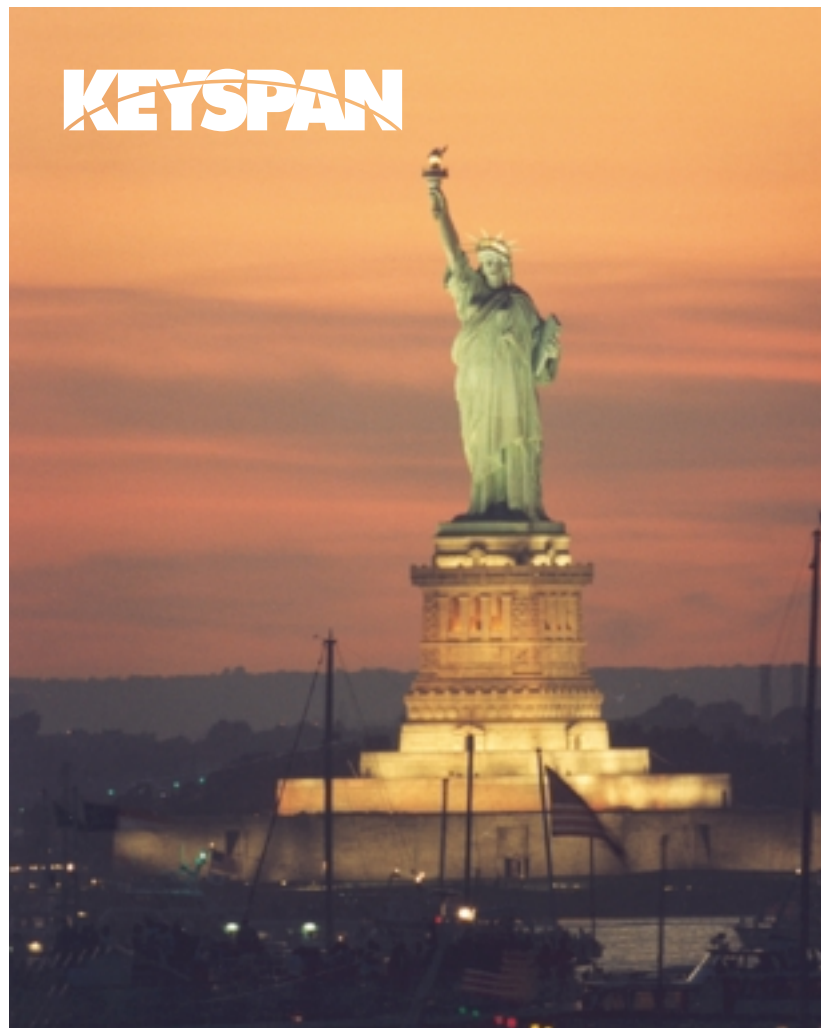
In this edition of Quarterly Update, we provide an overview of our two major business segments: Gas Distribution and Electric Services. We also provide our third quarter earnings report, which highlights the continued strong performance of these businesses as well as our decision to exit the general contracting business in our Energy Services segment.

- Gas Distribution
- Electric Services
- 2001 3rd Quarter Earnings

Please contact us at [financial@keyspanenergy.com](mailto:financial@keyspanenergy.com) if you would like any additional information. We appreciate your investment and support of KeySpan.

Sincerely,

Michael J. Taunton  
Vice President and Treasurer



# KeySpan Gas — Fueling KeySpan’s Growth

As winter approaches and temperatures drop, KeySpan is looking forward to expanding our customer base.

KeySpan Energy Delivery (KED), the natural gas distribution operation for KeySpan, services the needs of our approximately 2.5 million natural gas customers in New York, Long Island and New England. KeySpan strives to install a pipe in every premise to maximize throughput in all territories. KeySpan seeks to enhance the value of its regulated companies through “strategic” growth.

## KeySpan has developed three distinct growth strategies:

- 1) Increase usage from existing customers,
- 2) Optimize and expand the distribution system to add new customers,
- 3) Leverage technology and partnerships.

KeySpan is the largest gas distribution company in the Northeast, and has the potential to double its size through internal growth. KED operates under two main principles: keeping our existing customers satisfied and growing our customer base. The successful execution of these strategies has been supported by the American Gas Association, which has characterized KeySpan as one of the fastest growing gas distribution company in the United States.

## Operational Integration — Growth & Cost Savings

Over the last two years, KeySpan has integrated six stand-alone gas companies. The new load we have added in the last year demonstrates the successful integration of these companies. Through September 2001, KeySpan reported a 10% increase in new gross profit margin (GPM) in New York and Long Island as compared to the prior year, while our newly acquired New England territories achieved a tremendous 26% increase in new GPM over the pre-acquisition levels. In total, for the first nine months of 2001, we have completed approximately 30,000 gas installations, adding \$40 million in new gross profit margin — more than a 15% increase over last year. KeySpan is on target to achieving the \$60 plus million goal that has been set for 2001.

KeySpan focuses on both growth and cost reductions. Our aggressive sales force and profitable marketing campaigns, specifically our free boiler program, have driven the majority of our increased growth. Our sales force adheres to profitability guidelines — specifically, potential customers are measured against Internal Rate of Return hurdle rates. Incentives control the costs of achieving customer growth. Employees in marketing and distribution have incentives based on reducing total operations & maintenance and capital budgets. Efficiency ratios, which are tied to operations & maintenance and capital expenditures, incent employees to reduce costs as they add new gross profit margin.

## Initiatives Stimulating Growth

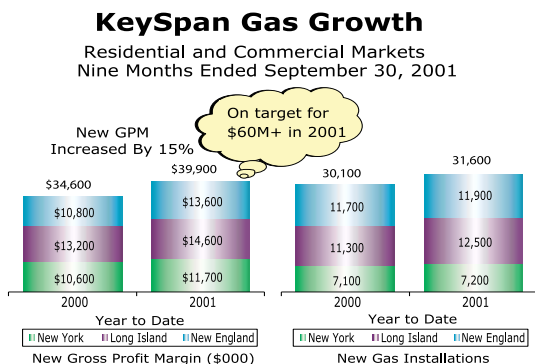
KeySpan has enhanced traditional growth vehicles with new initiatives that focus on increasing throughput and customer access to new gas options. For instance, we have introduced a new website <http://MyQuotes.keyspanenergy.com>.



*To date, more than 100 customers have converted to natural gas after logging on to [myquotes.keyspanenergy.com](http://myquotes.keyspanenergy.com).*

This initiative allows a residential customer to enter residence specifications and get a competitive range of installation costs for replacing or converting to a gas heating system. This initiative allows the customer to choose up to four contractors who are licensed in their area to bid on the installation of the new heating system. The turnaround time on these bids is three business days. This initiative allows the customer to make timely, cost effective decisions in the comfort of their own homes.

Although heating is our traditional focus, we also offer additional gas products for the home. These products, which include such items as natural gas barbecue grills, pool/spa heaters and natural gas logs, enhance customer comfort. For KeySpan, these products mean more satisfied customers and increased gas sales.



(continued on page 3)

## KeySpan Gas — Fueling KeySpan’s Growth (continued)

In our managed-expansion program, we expand our gas infrastructure by using “anchor” tenants such as shopping malls, hospitals or other large users of gas to profitably expand the system. In so doing, we can profitably provide gas to customers alongside the new mains — customers whose load would not have otherwise justified expanding the system.

These new initiatives and products are dependent upon an aggressive and diversified sales network. We have expanded our traditional sales network to include non-traditional dealers. The Trade Ally Programs combine the specific expertise of specialized dealers and contractors such as pool dealers or fire place dealers, as well as other contractors. Through the Trade Ally Program, these specialized dealers and contractors are combined under the KeySpan sales force “umbrella.” This program offers sales training and incentives to those dealers that participate. Moreover, KeySpan benefits from its close and long-standing relationship with the communities it serves. Our sales force’s knowledge of our customers, and our customers’ familiarity with KeySpan, give us tremendous leverage in the marketing of gas products and services.

### Future Outlook

KeySpan is well positioned to leverage the low gas commodity price environment and unstable oil market this upcoming heating season. A year ago, KeySpan was facing the challenge of entering a winter of rising gas prices. We overcame the challenge by achieving significant growth over prior year levels. We now enter an environment of low gas prices armed with new initiatives such as “MyQuotes.keyspanenergy.com” and our Trade Ally program to offer the customers choice, efficiency and timely information. We are on target to achieve or exceed our goal of \$60 million of new gross profit margin in 2001. Building upon this goal, we expect to experience growth in 2002 beyond this year’s level.

“KeySpan, through our use of new initiatives, traditional sales and cost savings is prepared to service the needs of all our existing and prospective customers,” notes KeySpan Energy Delivery President, Wally Parker. KeySpan will achieve its vision by continued growth through aggressive marketing, cost control and oil to gas conversions in our gas distribution business.

# KeySpan Electric

## Record Summer Performance Heralds Bright Future

KeySpan Electric Services is a profitable, low risk electric business poised for expansion. We own electric-generating plants in Long Island and New York City with an aggregate capacity of approximately 6,200 megawatts (MW). We have a 15-year contract with the Long Island Power Authority (LIPA) to deliver 4,000 MW of generating capacity and energy from the Long Island-based plants to 1.1 million customers in Nassau and Suffolk Counties and on the Rockaway Peninsula of Queens. Our 2,168 MW Ravenswood plant in New York City provides about 25% of the in-city capacity needs of New York City's electric customers.

Under a contract with LIPA, KeySpan also manages the electric transmission and distribution (T&D) system for the same 1.1 million electric customers in Nassau and Suffolk counties and the Rockaway Peninsula of Queens County. Our T&D system reliability performance is among the best in New York State.

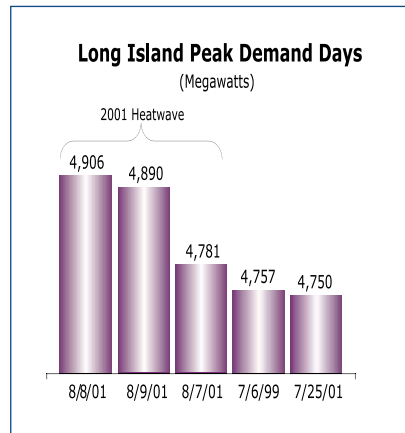
KeySpan also manages gas, oil and emission activities for LIPA and bids excess generation out to the New York State Independent System Operator (NYISO). Payment for these activities is made under The Energy Management Agreement (EMA) we have with LIPA.

KeySpan's Electric Services unit is growing on a number of fronts. We are moving forward with our generation expansion in New York City and on Long Island. Our generation expansion program includes 250MW of new generation in NYC and approximately 410MW on Long Island.

We set peak load records this summer on Long Island and supplied New York City during its new record peak. We also earned the maximum LIPA performance incentives for summer generating plant capacity and availability.

### Summer Performance — The Heat Wave of August 2001

During the week of August 6, we experienced maximum temperatures of 102.4 degrees on Long Island and 102 degrees in Central Park. As a result, LIPA experienced the all-time highest Long Island peak demand of 4,906 MW, topping the previous peak of 4,757 MW set in 1999. The weather was so extreme that the three highest LIPA peaks ever occurred that week.

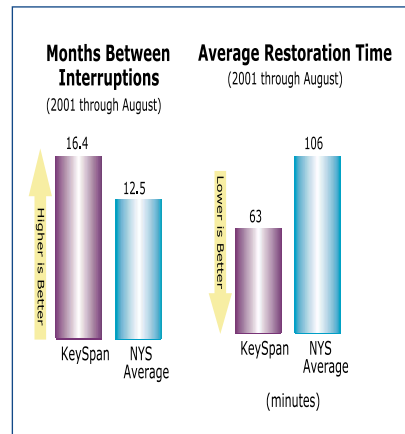


Despite the trying conditions, KeySpan's Long Island generating units came through the week with flying colors, maintaining a plant availability rate of better than 99%.

Our T&D system also withstood the extreme conditions, due in large part to our pre-Summer preparations. To meet

anticipated load growth on Long Island, KeySpan built two new substations and upgraded several other substations before the Summer. A number of improvements have also been made to increase import capacity over tie lines to Connecticut and New York. This performance was due to the summer readiness program we instituted to identify and address summer reliability issues. As a result, KeySpan earned the maximum incentives under our Power Supply Agreement with LIPA, which provides financial incentives for summer plant availability and for summer Dependable Maximum Net Capability (DMNC).

### Transmission & Distribution on Long Island



KeySpan manages the T&D system for LIPA, and according to New York State, we are the best overhead investor-owned electric utility. Based on the latest available data from the NYS Public Service Commission, we have the lowest rate of interruptions with an average of one

interruption every 16.4 months, versus the state average of 12.5 months. We also continue to rank first in restoration time, with an average of just 63 minutes, versus the state average of 106 minutes. Since 1998, we have ranked either first or second in both categories mainly as a result of our extremely effective reliability programs.

(continued on page 5)



## KeySpan Electric

### Record Summer Performance Heralds Bright Future (continued)

#### Exemplary Performance in New York City

The performance of KeySpan's Ravenswood plant was just as impressive. It provided a significant portion of New York City's electricity during the heat wave and the units were available an outstanding 99% of the time.

KeySpan's expertise in managing generation facilities, which was demonstrated again during the heat wave, has helped us to gain government and community support to expand our generation portfolio.



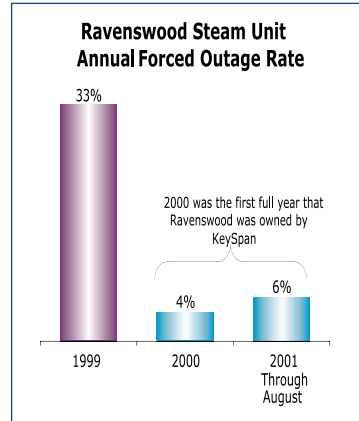
*State-of-the-art 250 MW generating plant proposed for Melville, Long Island*

#### New Generation

To add to the 6,200 MW that we currently own, KeySpan plans to build a total of 660MW of new generation to serve New York City and Long Island. KeySpan Energy Development Corporation will develop the new generation. All of the new state-of-the-art facilities will be constructed on land already owned by KeySpan and will serve areas with ever expanding energy supply needs. The electric load on Long Island and in New York City will continue to grow despite the dampening effects of the economic slowdown and the World Trade Center tragedy. The new units will help meet future system peaks and provide KeySpan with a solid earnings contribution.

#### New York City — Ravenswood Expansion

On September 5, 2001, the New York State Siting Board approved the 250 MW expansion of our Ravenswood generating facility in NYC. The new plant will increase the current 2,168 MW facility capacity by 11%. The expansion project has received the support of the Natural Resources Defense Council and is a fitting addition to our existing plant, which received the New York State



Governor's Award for Energy Excellence. We will begin construction on the new addition in December of 2001 and hope to be in operation by the Summer of 2003.

Ravenswood was acquired by KeySpan in June 1999. Since that time, KeySpan has committed \$9 million in air quality improvement projects to make the

facility one of the lowest emitting generators in the City. We have also dramatically improved the plant's availability, decreasing the forced outage rate from its pre-acquisition rate of 33% to less than 10% each of the past two years.

#### Long Island — Glenwood & Port Jefferson

KeySpan is planning to build two, state-of-the-art, simple cycle generating facilities using combustion turbines, which will be fueled primarily by natural gas. The facilities, approximately 79 MW each, will be located at KeySpan's Glenwood and Port Jefferson power plant sites. These units will be 30% more efficient than conventional combustion turbine peaking units. In addition, these facilities will have state-of-the-art air emission control technologies. These controls, combined with the use of natural gas, will make the facilities among the cleanest in the country.

KeySpan Energy Development Corporation will oversee the installation of these facilities. Construction is anticipated to begin in January 2002 and the turbines are projected to be on line next summer. LIPA has entered into an agreement to purchase 100% of the power from these facilities for its customers.

#### Long Island — Melville

In addition, KeySpan is proceeding with pre-application phase for the licensing and construction of a 250 MW combined cycle unit at Spagnoli Road in Melville, Long Island. This is a natural gas fueled unit with state-of-the-art emission control technologies. Half of its capacity and energy output will be contracted to LIPA and the balance will be sold into New York State's electric energy market. We hope to file the Article Ten application by year-end, and expect to have the unit online by 2004.

We hope to continue to expand our generation portfolio to meet the growing power needs of the Northeast.

# Company Updates

## KeySpan Wins the Edison Electric Institute (EEI) Award for 5-Year Total Return

On October 29, KeySpan Corporation won the coveted EEI award for the highest five-year total return in the electric industry. KeySpan's 265% total return as of December 31, 2000 was the highest among 71 other EEI utilities, and more than triple the average return of 77%.

## Forbes Names Houston Exploration One of Best Small Companies in the Country

In their October issue, Forbes Magazine named The Houston Exploration Company one of the best small companies in the country. Forbes' list of the 200 best small companies is selected from a group of over 20,000 companies. Houston Exploration was ranked an impressive 14th of the 200 best small companies in the country.

## KeySpan Makes Executive Changes

To strengthen the organization of the Energy Services segment, Robert J. Fani, president of KeySpan Energy Services and Supply, will assume the role of President and Chief Executive Officer of KeySpan Services. KeySpan Corporation's General Auditor, Larry Dryer, has been appointed Senior Vice President and Chief Financial Officer of KeySpan Services. KeySpan also announced the appointment of John A. Caroselli as Executive Vice President of Strategic Services. Mr. Caroselli, who formerly held senior positions with AXA Financial and Chase Manhattan, Chemical Bank and Manufacturers Hanover Trust, will be responsible for Strategic Marketing, Strategic Planning and Strategic Performance. Mr. Caroselli's appointment will enable Mr. Fani to focus his efforts solely on KeySpan's unregulated activities.

## Finance Update

On September 19, KeySpan Corporation successfully re-negotiated its 364-day revolving credit facility, which is used as back-up to its \$1.4 billion commercial paper program. This credit facility replaced two previous facilities, \$700 million each, which matured on September 20, 2001. Nineteen banks participated in the facility. To capitalize on low interest rates, KeySpan also completed fixed to floating rate debt swaps on \$1.3 billion in medium- and long-term bonds.

## In the Aftermath of September 11, 2001



Robert B. Catell

All of us at KeySpan extend our deepest sympathies to those who lost friends and family in the tragedy of September 11th. While still in shock, we at KeySpan have found some comfort in being able to reach out to our neighbors in this time of loss and despair. Through corporate and individual efforts, we are finding ways to cope with our nation's losses and grief.

Since September 11th, KeySpan's response has been multi-faceted. At the time of the event, KeySpan immediately implemented additional security measures at our gas and electric generating facilities and office buildings. In light of the nature of the attack and continued threats against our nation, we are continually reviewing and upgrading our security procedures and disaster recovery plans.

KeySpan provided the rescue and recovery effort with equipment, personnel and materials within hours of the attack. At Mayor Giuliani's request, KeySpan established a Call Center in our Brooklyn headquarters to provide support for businesses displaced by the disaster and have offered temporary accommodations for these displaced businesses. The cost of all of these efforts will not be material to KeySpan's bottom line.

Given the trauma endured in the region, and in particular the personal losses suffered by customers, our personnel have worked to ensure that all customer contacts are handled with sensitivity and understanding.

KeySpan's leading role in the New York City Partnership — of which I am Chairman — presents us with opportunity to contribute to the redevelopment effort, and our active participation of the New York State Business Council will give KeySpan a voice in the redevelopment of Lower Manhattan.

We can all be gratified by the selflessness of KeySpan and our employees. Our charitable donations, blood drives, and in-kind contributions and monetary donations of approximately \$1 million have been an inspiration to everyone involved in the disaster relief effort.

Our world has changed in many fundamental ways since September 11th, and we will never again take our freedom and security for granted. But I believe in America, and I know that we will triumph over this challenge to our way of life.



Robert B. Catell  
Chairman and Chief Executive Officer

# Third Quarter Highlights

## —Core Gas Distribution & Electric Generation Businesses Continue Growth— —Subsidiary Exits General Contracting Business—

Earnings for the three-month period ended September 30, 2001, excluding special items, were essentially breakeven as compared to last year's third quarter earnings of \$13.2 million, or \$0.10 per share. This year's third quarter results include the expected seasonal losses incurred by the former Eastern Enterprises gas-distribution companies, which were acquired in November 2000. Operating results for this year's third quarter exceeded expectations, and reflect continued strong performances by KeySpan's core gas distribution and electric generation businesses.

For the nine-months ended September 30, 2001, earnings were \$250.8 million or \$1.82 per share, excluding special items, compared to \$223.8 million or \$1.67 per share for the comparable period last year, an increase of 12%. The primary drivers of this increase were significant revenue growth and cost reductions in all territories of our gas-distribution business, as well as increased production and higher realized prices from our gas exploration and production activities.

### Special Items

This quarter, the Company reversed a prior loss provision and recorded a benefit of \$20.1 million after tax as a result of a favorable appellate court decision, related to a 1989 class action settlement agreement. In addition, in its Energy Services segment, it has been determined that the general contracting business conducted by the KSI Contracting companies (previously named the Roy Kay companies) will be discontinued since these activities are no longer consistent with our core competencies, strategic focus and risk profile. Consequently, the Company has recorded a third quarter after tax charge of \$56.6 million, reflecting costs to complete all current projects, as well as

the discontinuance of the general contracting activities of those companies. Year to date special charges also include an additional Roy Kay first quarter operating loss of \$5.5 million after tax.

Results including all special items reflected a loss of \$36.6 million, or \$0.26 per share for the quarter and earnings of \$178.7 million, or \$1.30 per share year-to-date. Diluted earnings per share for the nine months ended September 30, 2001 were \$1.28.

### Earnings Outlook

KeySpan maintains its previous earnings per share forecast for 2001 of \$2.50 and \$2.60 per share, excluding special items. The Company is currently completing its 2002 resource allocation process and will announce its 2002 earnings outlook in early December. In addition, beginning in 2002, the Company's earnings will be enhanced by approximately \$0.30 per share as a result of implementing Financial Accounting Standards Board Statement No. 142, which discontinues the systematic amortization of goodwill against earnings.

Looking to the future, KeySpan's Chairman and Chief Executive Officer, Mr. Catell, said, "We are confident that we have developed innovative and customer-focused strategies to grow our energy businesses. We are well positioned to grow our gas-distribution business, which will be enhanced by leveraging low gas commodity prices to promote conversions from oil heat. Our focused generation strategy includes the construction of electric-generation plants, both in New York City and on Long Island. Our platform for growth is solid, and we are confident that we will continue to provide significant shareholder value by maintaining our dividend of \$1.78 per share and delivering earnings growth."

<b>Consolidated Highlights (\$ thousands)</b>				
	<b>Three Months Ended Sept. 30</b>		<b>Nine Months Ended Sept. 30</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Revenue (\$ millions)	\$ 1,176,780	\$ 947,137	\$ 5,226,533	\$ 3,211,338
EBIT (\$ millions)	\$ 56,724	\$ 90,272	\$ 618,030	\$ 534,934
Earnings for Common (\$ millions)	\$ (36,647)	\$ 13,154	\$ 178,650	\$ 223,787
Basic Earnings Per Share	\$ (0.26)	\$ 0.10	\$ 1.30	\$ 1.67
Diluted Earnings Per Share	\$ (0.26)	\$ 0.10	\$ 1.28	\$ 1.66

<b>Earnings Before Interest &amp; Taxes by Segment (\$ millions)</b>				
	<b>Three Months Ended Sept. 30</b>		<b>Nine Months Ended Sept. 30</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
Gas Distribution	\$ (31.0)	\$ (20.4)	\$ 318.6	\$ 221.7
Electric Services	\$ 78.7	\$ 78.9	\$ 192.0	\$ 211.0
Exploration & Production	\$ 26.7	\$ 26.1	\$ 136.3	\$ 60.7
Other Investments	\$ 8.9	\$ 3.4	\$ 37.4	\$ 14.5
Energy Services	\$ 20.8	\$ 20.5	\$ 38.5	\$ 51.7
Total Operating Segments*	\$ 104.1	\$ 108.5	\$ 722.7	\$ 559.5
Reconciliations*	\$ (47.4)	\$ (18.2)	\$ (104.7)	\$ (24.6)
Total	\$ 56.7	\$ 90.3	\$ 618.0	\$ 535.0

\*Discrepancies are due to rounding



# Segmented Highlights

## Three Months Ended September 30 (In Thousands of Dollars)

	Gas Distribution		Electric Services		Energy Investments				Energy Services		Total Operating Segments		Reconciliations (1)		Total Consolidated	
	2001	2000	2001	2000	Gas Exploration & Production		Other Investments		2001	2000	2001	2000	2001	2000	2001	2000
					2001	2000	2001	2000								
<b>Revenues</b>																
Unaffiliated Revenues	346,703	292,352	387,881	374,517	82,362	62,748	89,778	1,649	246,728	215,745	1,153,452	947,011	23,328	126	1,176,780	947,137
Intersegment Revenue	-	-	-	-	-	-	-	-	23,318	15,903	23,318	15,903	(23,318)	(15,903)	-	-
<b>Total Revenues</b>	<b>346,703</b>	<b>292,352</b>	<b>387,881</b>	<b>374,517</b>	<b>82,362</b>	<b>62,748</b>	<b>89,778</b>	<b>1,649</b>	<b>270,046</b>	<b>231,648</b>	<b>1,176,770</b>	<b>962,914</b>	<b>10</b>	<b>(15,777)</b>	<b>1,176,780</b>	<b>947,137</b>
<b>Operation Expenses</b>																
Purchased Gas	144,279	132,618	-	-	-	-	-	-	4,614	7,797	148,893	140,415	-	-	148,893	140,415
Purchased Fuel	-	-	87,401	94,482	-	-	-	-	77,154	66,604	164,555	161,086	-	-	164,555	161,086
Operations and Maintenance	125,276	103,361	171,607	152,570	10,459	9,531	71,043	3,434	164,981	133,556	543,366	402,452	22,762	(13,336)	566,128	389,116
Depreciation, Depletion and Amortizations	60,341	29,330	13,197	12,253	35,697	22,008	9,885	491	2,893	2,667	122,013	66,749	19,992	6,224	142,005	72,973
Operating Taxes	50,530	48,071	38,931	40,418	2,012	224	4,316	189	5	-	95,794	88,902	2,761	2,567	98,555	91,469
<b>Total Operating Expenses</b>	<b>380,426</b>	<b>313,380</b>	<b>311,136</b>	<b>299,723</b>	<b>48,168</b>	<b>31,763</b>	<b>85,244</b>	<b>4,114</b>	<b>249,647</b>	<b>210,624</b>	<b>1,074,621</b>	<b>859,604</b>	<b>45,515</b>	<b>(4,545)</b>	<b>1,120,136</b>	<b>855,059</b>
<b>Operating Income</b>	<b>(33,723)</b>	<b>(21,028)</b>	<b>76,745</b>	<b>74,794</b>	<b>34,194</b>	<b>30,985</b>	<b>4,534</b>	<b>(2,465)</b>	<b>20,399</b>	<b>21,024</b>	<b>102,149</b>	<b>103,310</b>	<b>(45,505)</b>	<b>(11,232)</b>	<b>56,644</b>	<b>92,078</b>
Other Income & (Deductions)	2,714	633	1,909	4,136	(7,407)	(4,934)	4,340	5,907	418	(577)	1,974	5,165	(1,894)	(6,971)	80	(1,806)
<b>Income Before Interest Charges &amp; Income Taxes</b>	<b>(31,009)</b>	<b>(20,395)</b>	<b>78,654</b>	<b>78,930</b>	<b>26,787</b>	<b>26,051</b>	<b>8,874</b>	<b>3,442</b>	<b>20,817</b>	<b>20,447</b>	<b>104,123</b>	<b>108,475</b>	<b>(47,399)</b>	<b>(18,203)</b>	<b>56,724</b>	<b>90,272</b>

## Nine Months Ended September 30 (In Thousands of Dollars)

	Gas Distribution		Electric Services		Energy Investments				Energy Services		Total Operating Segments		Reconciliations		Total Consolidated	
	2001	2000	2001	2000	Gas Exploration & Production		Other Investments		2001	2000	2001	2000	2001	2000	2001	2000
					2001	2000	2001	2000								
<b>Revenues</b>																
Unaffiliated Revenues	2,721,032	1,438,395	1,089,156	1,097,616	318,093	169,966	276,332	4,650	807,726	480,120	5,212,339	3,210,947	14,194	391	5,226,533	3,211,338
Intersegment Revenue	-	-	-	-	-	-	-	-	44,706	48,061	44,706	48,061	(44,706)	(48,061)	-	-
<b>Total Revenues</b>	<b>2,721,032</b>	<b>1,438,395</b>	<b>1,089,156</b>	<b>1,097,616</b>	<b>318,093</b>	<b>169,966</b>	<b>276,332</b>	<b>4,650</b>	<b>852,432</b>	<b>528,181</b>	<b>5,257,045</b>	<b>3,259,008</b>	<b>(30,512)</b>	<b>(47,670)</b>	<b>5,226,533</b>	<b>3,211,338</b>
<b>Operation Expenses</b>																
Purchased Gas	1,578,074	663,247	-	-	-	-	2,731	-	113,786	53,951	1,694,591	717,198	-	-	1,694,591	717,198
Purchased Fuel	-	-	241,055	235,131	-	-	-	-	213,157	98,946	454,212	334,077	-	-	454,212	334,077
Operations and Maintenance	442,504	321,853	503,143	497,861	40,341	31,179	207,137	8,288	473,490	314,968	1,666,615	1,174,149	41,027	(50,568)	1,707,642	1,123,581
Depreciation, Depletion and Amortizations	191,677	86,698	38,480	36,814	102,749	65,257	29,976	1,499	14,327	7,252	377,209	197,520	30,108	18,844	407,317	216,364
Operating Taxes	202,310	172,561	120,600	117,603	4,574	1,016	12,160	381	563	-	340,207	291,561	8,756	6,449	348,963	298,010
<b>Total Operating Expenses</b>	<b>2,414,565</b>	<b>1,244,359</b>	<b>903,278</b>	<b>887,409</b>	<b>147,664</b>	<b>97,452</b>	<b>252,004</b>	<b>10,168</b>	<b>815,323</b>	<b>475,117</b>	<b>4,532,834</b>	<b>2,714,505</b>	<b>79,891</b>	<b>(25,275)</b>	<b>4,612,725</b>	<b>2,689,230</b>
<b>Operating Income</b>	<b>306,467</b>	<b>214,236</b>	<b>185,878</b>	<b>210,207</b>	<b>170,429</b>	<b>72,514</b>	<b>24,328</b>	<b>(5,518)</b>	<b>37,109</b>	<b>53,064</b>	<b>724,211</b>	<b>544,503</b>	<b>(110,403)</b>	<b>(22,395)</b>	<b>613,808</b>	<b>522,108</b>
Other Income & (Deductions)	12,129	7,465	6,118	763	(34,169)	(11,823)	13,064	19,993	1,380	(1,393)	(1,478)	15,005	5,700	(2,179)	4,222	12,826
<b>Income Before Interest Charges &amp; Income Taxes</b>	<b>318,596</b>	<b>221,701</b>	<b>191,996</b>	<b>210,970</b>	<b>136,260</b>	<b>60,691</b>	<b>37,392</b>	<b>14,475</b>	<b>38,489</b>	<b>51,671</b>	<b>722,733</b>	<b>559,508</b>	<b>(104,703)</b>	<b>(24,574)</b>	<b>618,030</b>	<b>534,934</b>

(1) Reflects miscellaneous unallocated costs and the elimination of intercompany balances. For the quarter ended September 30, 2001, reconciliations reflect: (i) A special charge of \$72.6 million to discontinue the general contracting business of a Company subsidiary; and (ii) the reversal of \$33.5 million legal reserve regarding certain pending issues relating to a 1989 action settlement. For the nine months ended September 30, 2001, reconciliations reflect: (i) A special charge of \$133.7 million to discontinue the general contracting business of a Company subsidiary; and (ii) the reversal of \$33.5 million legal reserve regarding certain pending issues relating to a 1989 class action settlement