UNITED STATES SECURITIES AND EXCHANGE
COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
Date of Report: February 27, 2001

Commission File Number 1-13159
ENRON CORP.
(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction of
incorporation or organization)

47-0255140
(I.R.S. Employer Identification
Number)

Enron Building
1400 Smith Street
Houston, Texas
(Address of principal executive
Offices)

77002
(Zip Code)

(713) 853-6161
(Registrant's telephone number, including area code)

1 of 63

ENRON CORP. AND SUBSIDIARIES

Item 5. Other Events.

(a) Management's Discussion and Analysis of Financial
Condition and Results of Operations

(b) Financial Risk Management

(c) Financial Statements of Enron Corp. and its

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

10/30/01

00200000000734
Consolidated Subsidiaries for the fiscal year ended December 31, 2000, including Report of Arthur Andersen LLP, Independent Public Accountants

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit 12 Computation of Ratio of Earnings to Fixed Charges
Exhibit 23 Consent of Arthur Andersen LLP

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ENRON CORP.

Date: February 27, 2001

By: RICHARD A. CAUSEY
Richard A. Causey
Executive Vice President and Chief Accounting Officer
(Principal Accounting Officer)

<PAGE>

ENRON CORP. AND SUBSIDIARIES

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management's Discussion and Analysis of Financial Condition and Results of Operations</td>
</tr>
<tr>
<td>Financial Risk Management</td>
</tr>
<tr>
<td>Information Regarding Forward-Looking Statements</td>
</tr>
<tr>
<td>Report of Independent Public Accountants</td>
</tr>
<tr>
<td>Consolidated Income Statement for the years ended December 31, 2000, 1999 and 1998</td>
</tr>
<tr>
<td>Consolidated Statement of Comprehensive Income for the years ended December 31, 2000, 1999 and 1998</td>
</tr>
<tr>
<td>Consolidated Balance Sheet as of December 31, 2000 and 1999</td>
</tr>
<tr>
<td>Consolidated Statement of Cash Flows for the years</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

10/30/01
ended December 31, 2000, 1999 and 1998

Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2000, 1999 and 1998

Notes to Consolidated Financial Statements

Exhibits
  Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges
  Exhibit 23 - Consent of Arthur Andersen LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following review of the results of operations and financial condition of Enron Corp. and its subsidiaries and affiliates (Enron) should be read in conjunction with the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Consolidated Net Income

Enron's net income for 2000 was $979 million compared to $893 million in 1999 and $703 million in 1998. Items impacting comparability are discussed in the respective segment results. Net income before items impacting comparability was $1,266 million, $957 million and $698 million, respectively, in 2000, 1999 and 1998. Enron's business is divided into five segments and Exploration and Production (Enron Oil & Gas Company) through August 16, 1999 (see Note 2 to the Consolidated Financial Statements). Enron's operating segments include:

Transportation and Distribution. Transportation and Distribution consists of Enron Transportation Services and Portland General. Transportation Services includes Enron's interstate natural gas pipelines, primarily Northern Natural Gas Company (Northern), Transwestern Pipeline Company (Transwestern), Enron's 50% interest in Florida Gas Transmission Company (Florida Gas) and Enron's interests in Northern Border Partners, L.P. and BOTT Energy Partners, L.P. (BOTT).

Wholesale Services. Wholesale Services includes Enron's wholesale businesses around the world. Wholesale Services operates in developed markets such as North America and Europe, as well as developing or newly deregulating markets including South America, India and Japan.

Retail Energy Services. Enron, through its subsidiary Enron Energy Services, LLC (Energy Services), is extending its energy expertise and capabilities to end-use retail customers in the industrial and commercial business sectors to manage their energy requirements and reduce their total energy costs.

Broadband Services. Enron's broadband services business (Broadband Services) provides customers with a single source for broadband services, including bandwidth intermediation and the

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/cnc8-k.txt

10/30/01
delivery of premium content.

Corporate and Other. Corporate and Other includes Enron's investment in Azurix Corp. (Azurix), which provides water and wastewater services, results of Enron Renewable Energy Corp. (EREC), which develops and constructs wind-generated power projects, and the operations of Enron's methanol and MTBE plants as well as overall corporate activities of Enron.

Net income includes the following:

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>After-tax results before items impacting comparability</td>
<td>$1,266</td>
<td>$957</td>
<td>$698</td>
</tr>
<tr>
<td>Items impacting comparability: (a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge to reflect impairment by Azurix</td>
<td>(326)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain on TNPC, Inc. (The New Power Company), net</td>
<td>39</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains on sales of subsidiary stock</td>
<td>-</td>
<td>345</td>
<td>45</td>
</tr>
<tr>
<td>MTBE-related charges</td>
<td>-</td>
<td>(270)</td>
<td>(40)</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>(131)</td>
<td>-</td>
</tr>
<tr>
<td>Net income</td>
<td>$979</td>
<td>$893</td>
<td>$703</td>
</tr>
</tbody>
</table>

(a) Tax affected at 35%, except where a specific tax rate applied.

Diluted earnings per share of common stock were as follows:

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted earnings per share(a):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After-tax results before items impacting comparability</td>
<td>$1.47</td>
<td>$1.18</td>
<td>$1.00</td>
</tr>
<tr>
<td>Items impacting comparability:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge to reflect impairment by Azurix</td>
<td>(0.40)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain on The New Power Company, net</td>
<td>0.05</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains on sales of subsidiary stock</td>
<td>-</td>
<td>0.45</td>
<td>0.07</td>
</tr>
<tr>
<td>MTBE-related charges</td>
<td>-</td>
<td>(0.36)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>(0.17)</td>
<td>-</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$1.12</td>
<td>$1.10</td>
<td>$1.01</td>
</tr>
</tbody>
</table>

(a) Restated to reflect the two-for-one stock split effective August 13, 1999.

Income Before Interest, Minority Interests and Income Taxes
The following table presents income before interest, minority interests and income taxes (IBIT) for each of Enron's operating segments (see Note 20 to the Consolidated Financial Statements):

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt 10/30/01
<TABLE>
<CAPTION>
(In millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transportation and Distribution:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation Services</td>
<td>$391</td>
<td>$380</td>
<td>$351</td>
</tr>
<tr>
<td>Portland General</td>
<td>341</td>
<td>305</td>
<td>286</td>
</tr>
<tr>
<td>Wholesale Services</td>
<td>2,260</td>
<td>1,317</td>
<td>968</td>
</tr>
<tr>
<td>Retail Energy Services</td>
<td>165</td>
<td>168</td>
<td>119</td>
</tr>
<tr>
<td>Broadband Services</td>
<td>(60)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>-</td>
<td>65</td>
<td>128</td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>(615)</td>
<td>(4)</td>
<td>(32)</td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$2,482</td>
<td>$1,995</td>
<td>$1,582</td>
</tr>
</tbody>
</table>
</TABLE>

Transportation and Distribution

Transportation Services. The following table summarizes total volumes transported by each of Enron's interstate natural gas pipelines.

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total volumes transported (BBtu/d) (a)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Natural Gas</td>
<td>3,529</td>
<td>3,820</td>
<td>4,098</td>
</tr>
<tr>
<td>Transwestern Pipeline</td>
<td>1,657</td>
<td>1,462</td>
<td>1,608</td>
</tr>
<tr>
<td>Florida Gas Transmission</td>
<td>1,501</td>
<td>1,495</td>
<td>1,324</td>
</tr>
<tr>
<td>Northern Border Pipeline</td>
<td>2,443</td>
<td>2,405</td>
<td>1,770</td>
</tr>
</tbody>
</table>
</TABLE>

(a) Billion British thermal units per day. Amounts reflect 100% of each entity's throughput volumes. Florida Gas and Northern Border Pipeline are unconsolidated equity affiliates.

Significant components of IBIT are as follows:

<TABLE>
<CAPTION>
(In millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net revenues</strong></td>
<td>$650</td>
<td>$626</td>
<td>$640</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>280</td>
<td>264</td>
<td>276</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>67</td>
<td>66</td>
<td>70</td>
</tr>
<tr>
<td>Equity earnings</td>
<td>63</td>
<td>38</td>
<td>32</td>
</tr>
<tr>
<td>Other, net</td>
<td>25</td>
<td>46</td>
<td>25</td>
</tr>
<tr>
<td>Income before interest and taxes</td>
<td>$391</td>
<td>$380</td>
<td>$351</td>
</tr>
</tbody>
</table>
</TABLE>

Net Revenues

Revenues, net of cost of sales, of Transportation Services increased $24 million (4%) during 2000 and declined $14 million (2%) during 1999 as compared to 1998. In 2000, Transportation Services' interstate pipelines produced strong financial results.
The volumes transported by Transwestern increased 13 percent in 2000 as compared to 1999. Northern's 2000 gross margin was comparable to 1999 despite an 8 percent decline in volumes transported. Net revenues in 2000 were favorably impacted by transportation revenues from Transwestern's Gallup, New Mexico expansion and by sales from Northern's gas storage inventory. The decrease in net revenue in 1999 compared to 1998 was primarily due to the expiration, in October 1998, of certain transition cost recovery surcharges, partially offset by a Northern sale of gas storage inventory in 1999.

Operating Expenses
Operating expenses, including depreciation and amortization, of Transportation Services increased $17 million (5%) during 2000 primarily as a result of higher overhead costs related to information technology and employee benefits. Operating expenses decreased $16 million (5%) during 1999 primarily as a result of the expiration of certain transition cost recovery surcharges which had been recovered through revenues.

Equity Earnings
Equity in earnings of unconsolidated equity affiliates increased $25 million and $6 million in 2000 and 1999, respectively. The increase in equity earnings in 2000 as compared to 1999 primarily relates to Enron's investment in Florida Gas. The increase in earnings in 1999 as compared to 1998 was primarily a result of higher earnings from Northern Border Pipeline and EOTT.

Other, Net
Other, net decreased $21 million in 2000 as compared to 1999 after increasing $21 million in 1999 as compared to 1998. Included in 2000 were gains related to an energy commodity contract and the sale of compressor-related equipment, while the 1999 amount included interest income earned in connection with the financing of an acquisition by EOTT. The 1998 amount included gains from the sale of an interest in an equity investment, substantially offset by charges related to litigation.

Portland General. Portland General realized IBIT as follows:

<TABLE>
<CAPTION>
(In millions)
</CAPTION>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$2,256</td>
<td>$1,379</td>
<td>$1,196</td>
</tr>
<tr>
<td>Purchased power and fuel</td>
<td>1,461</td>
<td>639</td>
<td>451</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>321</td>
<td>304</td>
<td>295</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>211</td>
<td>181</td>
<td>163</td>
</tr>
<tr>
<td>Other, net</td>
<td>78</td>
<td>50</td>
<td>19</td>
</tr>
<tr>
<td>Income before interest and taxes</td>
<td>$ 341</td>
<td>$ 305</td>
<td>$ 286</td>
</tr>
</tbody>
</table>
</TABLE>

Revenues, net of purchased power and fuel costs, increased $85 million in 2000 as compared to 1999. The increase is primarily the result of a significant increase in the price of power sold and an increase in wholesale sales, partially offset by higher purchased power and fuel costs. Operating expenses increased primarily due to increased plant maintenance costs related to
periodic overhauls. Depreciation and amortization increased in 2000 primarily as a result of increased regulatory amortization. Other, net in 2000 included the impact of an Oregon Public Utility Commission (OPUC) order allowing certain deregulation costs to be deferred and recovered through rate cases, the settlement of litigation related to the Trojan nuclear power generating facility and gains on the sale of certain generation-related assets.

Revenues, net of purchased power and fuel costs, decreased $5 million in 1999 as compared to 1998. Revenues increased primarily as a result of an increase in the number of customers served by Portland General. Higher purchased power and fuel costs, which increased 42 percent in 1999, offset the increase in revenues. Other income, net increased $31 million in 1999 as compared to 1998 primarily as a result of a gain recognized on the sale of certain assets.

In 1999, Enron entered into an agreement to sell Portland General Electric Company to Sierra Pacific Resources. See Note 2 to the Consolidated Financial Statements.

Statistics for Portland General are as follows:

<table>
<thead>
<tr>
<th>Electricity sales (thousand MWh)(a)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>7,433</td>
<td>7,404</td>
<td>7,101</td>
</tr>
<tr>
<td>Commercial</td>
<td>7,527</td>
<td>7,392</td>
<td>6,781</td>
</tr>
<tr>
<td>Industrial</td>
<td>4,912</td>
<td>4,463</td>
<td>3,562</td>
</tr>
<tr>
<td>Total retail</td>
<td>19,872</td>
<td>19,259</td>
<td>17,444</td>
</tr>
<tr>
<td>Wholesale</td>
<td>18,548</td>
<td>12,612</td>
<td>10,869</td>
</tr>
<tr>
<td>Total electricity sales</td>
<td>38,420</td>
<td>31,871</td>
<td>28,313</td>
</tr>
</tbody>
</table>

Resource mix

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>11%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Combustion turbine</td>
<td>12</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Hydro</td>
<td>6</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Total generation</td>
<td>29</td>
<td>32</td>
<td>37</td>
</tr>
<tr>
<td>Firm purchases</td>
<td>63</td>
<td>57</td>
<td>56</td>
</tr>
<tr>
<td>Secondary purchases</td>
<td>8</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>Total resources</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Average variable power cost (Mills/KWh)(b)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td>14.5</td>
<td>11.3</td>
<td>8.6</td>
</tr>
<tr>
<td>Firm purchases</td>
<td>34.9</td>
<td>23.2</td>
<td>17.3</td>
</tr>
<tr>
<td>Secondary purchases</td>
<td>123.6</td>
<td>19.7</td>
<td>23.6</td>
</tr>
<tr>
<td>Total average variable power cost</td>
<td>37.2</td>
<td>20.0</td>
<td>15.6</td>
</tr>
</tbody>
</table>

Retail customers (end of period, thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>725</td>
<td>719</td>
<td>704</td>
</tr>
</tbody>
</table>

(a) Thousand megawatt-hours.
(b) Mills (1/10 cent) per kilowatt-hour.

Outlook

Enron Transportation Services is expected to provide stable

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt 10/30/01
earnings and cash flows during 2001. The four major natural gas pipelines have strong competitive positions in their respective markets as a result of efficient operating practices, competitive rates and favorable market conditions. Enron Transportation Services expects to continue to pursue demand-driven expansion opportunities. Florida Gas expects to complete an expansion that will increase throughput by 198 million cubic feet per day (MMcf/d) by mid-2001. Florida Gas has received preliminary approval from the Federal Energy Regulatory Commission for an expansion of 42B MMcf/d, expected to be completed by early 2003, and is also pursuing an expansion of 150 MMcf/d that is expected to be completed in mid-2003. Transwestern completed an expansion of 140 MMcf/d in May 2000 and is pursuing an expansion of 50 MMcf/d that is expected to be completed in 2001 and an additional expansion of up to 150 MMcf/d that is expected to be completed in 2002. Northern Border Partners is evaluating the development of a 325 mile pipeline with a range of capacity from 375 MMcf/d to 500 MMcf/d to connect natural gas production in Wyoming to the Northern Border Pipeline in Montana.

In 2001, Portland General anticipates purchased power and fuel costs to remain at historically high levels. Portland General has submitted a request with the OPUC to recover the anticipated cost increase through a rate adjustment.

Wholesale Services

Enron builds its wholesale businesses through the creation of networks involving selective asset ownership, contractual access to third-party assets and market-making activities. Each market in which Wholesale Services operates utilizes these components in a slightly different manner and is at a different stage of development. This network strategy has enabled Wholesale Services to establish a leading position in its markets. Wholesale Services' activities are categorized into two business lines: (a) Commodity Sales and Services and (b) Assets and Investments. Activities may be integrated into a bundled product offering for Enron's customers.

Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities). Additionally, Wholesale Services manages its liquidity and exposure to third-party credit risk through monetization of its contract portfolio or third-party insurance contracts. Wholesale Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

The following table reflects IBIT for each business line:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity sales and services</td>
<td>$1,630</td>
<td>$628</td>
<td>$411</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

10/30/01
Assets and investments  889  850  709
Unallocated expenses  (259) (161) (152)
Income before interest,  
  minority interests and taxes $2,260 $1,317 $ 968
</TABLE>

The following discussion analyzes the contributions to IBIT for each business line.

Commodity Sales and Services. Wholesale Services provides reliable commodity delivery and predictable pricing to its customers through forwards and other contracts. This market-making activity includes the purchase, sale, marketing and delivery of natural gas, electricity, liquids and other commodities, as well as the management of Wholesale Services' own portfolio of contracts. Contracts associated with this activity are accounted for using the mark-to-market method of accounting. See Note 1 to the Consolidated Financial Statements. Wholesale Services' market-making activity is facilitated through a network of capabilities including selective asset ownership. Accordingly, certain assets involved in the delivery of these services are included in this business (such as intrastate natural gas pipelines, gas storage facilities and certain electric generation assets).

Wholesale Services markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>&lt;S&gt;</strong></td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Physical volumes (BBtude/d) (a) (b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>17,674</td>
<td>8,982</td>
<td>7,418</td>
</tr>
<tr>
<td>Canada</td>
<td>6,359</td>
<td>4,398</td>
<td>3,486</td>
</tr>
<tr>
<td>Europe and Other</td>
<td>3,637</td>
<td>1,572</td>
<td>1,251</td>
</tr>
<tr>
<td>Transport.</td>
<td>27,670</td>
<td>14,952</td>
<td>12,155</td>
</tr>
<tr>
<td>Total gas volumes</td>
<td>649</td>
<td>575</td>
<td>559</td>
</tr>
<tr>
<td>Crude oil and Liquids</td>
<td>28,319</td>
<td>15,527</td>
<td>12,714</td>
</tr>
<tr>
<td>Electricity(c)</td>
<td>6,088</td>
<td>6,160</td>
<td>3,570</td>
</tr>
<tr>
<td>Total physical volumes (BBtude/d)</td>
<td>17,308</td>
<td>10,742</td>
<td>11,024</td>
</tr>
<tr>
<td>Electricity volumes (thousand MWh)</td>
<td>17,308</td>
<td>10,742</td>
<td>11,024</td>
</tr>
<tr>
<td>United States</td>
<td>578,787</td>
<td>380,518</td>
<td>401,843</td>
</tr>
<tr>
<td>Europe and Other</td>
<td>54,670</td>
<td>11,576</td>
<td>529</td>
</tr>
<tr>
<td>Total</td>
<td>633,457</td>
<td>392,094</td>
<td>402,372</td>
</tr>
<tr>
<td>Financial settlements (notional, BBtude/d)</td>
<td>196,148</td>
<td>99,337</td>
<td>75,266</td>
</tr>
</tbody>
</table>

<FN>
(a) Billion British thermal units equivalent per day.
(b) Includes third-party transactions by Enron Energy Services.
(c) Represents electricity volumes, converted to BBtude/d.
</TABLE>

Earnings from commodity sales and services increased $1.0 billion (16%) in 2000 as compared to 1999. Increased profits from North American gas and power marketing operations, European
power marketing operations as well as the value of new
businesses, such as pulp and paper, contributed to the earnings
growth of Enron's commodity sales and services business.
Continued market leadership in terms of volumes transacted,
significant increases in natural gas prices and price volatility
in both the gas and power markets were the key contributors to
increased profits in the gas and power intermediation businesses.
In late 1999, Wholesale Services launched an Internet-based
Ecommerce system, EnronOnline, which allows wholesale customers
to view Enron's real time pricing and to complete commodity
transactions with Enron as principal, with no direct interaction.
In its first full year of operation, EnronOnline positively
impacted wholesale volumes, which increased 59 percent over 1999
levels.

Earnings from commodity sales and services increased $217
million (53%) in 1999 as compared to 1998, reflecting strong
results from the intermediation businesses in both North America
and Europe, which include delivery of energy commodities and
associated risk management products. Wholesale Services also
successfully managed its overall portfolio of contracts,
particularly in minimizing credit exposures utilizing third-party
contracts. New product offerings in coal and pulp and paper
markets also added favorably to the results.

Assets and Investments. Enron's Wholesale businesses make
investments in various energy and certain related assets as a
part of its network strategy. Wholesale Services either
purchases the asset from a third party or develops and constructs
the asset. In most cases, Wholesale Services operate and
manages such assets. Earnings from these investments principally
result from operations of the assets or sales of ownership
interests.

Additionally, Wholesale Services invests in debt and equity
securities of energy and technology-related businesses, which may
also utilize Wholesale Services' products and services. With
these merchant investments, Enron's influence is much more
limited relative to assets Enron develops or constructs.
Earnings from these activities, which are accounted for on a
fair value basis and are included in revenues, result from
changes in the market value of the securities. Wholesale Services
uses risk management disciplines, including hedging transactions,
to manage the impact of market price movements on its merchant
investments. See Note 4 to the Consolidated Financial Statements
for a summary of these investments.

Earnings from assets and investments increased $39 million
(5%) in 2000 as compared to 1999 as a result of an increase in
the value of Wholesale Services' merchant investments, partially
offset by lower gains from sales of energy assets. Earnings from
asset operations were comparable to 1999 levels. Earnings from
merchant investments were positively impacted by power-related
and energy investments, partially offset by the decline in value
of technology-related and certain energy-intensive industry
investments. Gains on sales of energy assets in 2000 included
the monetization of certain European energy operations.

Earnings from assets and investments increased $141 million
(20%) in 1999 as compared to 1998. During 1999, earnings from
Wholesale Services' energy-related assets increased, reflecting the operation of the Dabhol Power Plant in India, ownership in Elektro Eletricidade e Servicos S.A. (Elektro), a Brazilian electric utility, and assets in various other developing markets. Wholesale Services' merchant investments increased in value during the year due to the expansion into certain technology-related investments, partially offset by a decline in the value of certain energy investments. In addition, Wholesale Services' 1999 earnings increased due to development and construction activities, while gains on sales of energy assets declined.

Unallocated Expenses. Net unallocated expenses such as systems expenses and performance-related costs increased in 2000 due to growth of Wholesale Services' existing businesses and continued expansion into new markets.

Outlook
In 2000, Wholesale Services reinforced its leading positions in the natural gas and power markets in both North America and Europe. In the coming year, Wholesale Services plans to continue to expand and refine its existing energy networks and to extend its proven business model to new markets and industries.

In 2001, Wholesale Services plans to continue to fine-tune its already successful existing energy networks. In North America, Enron expects to complete the sale of five of its peaking power plants located in the Midwest and its intrastate natural gas pipeline. In each case, market conditions, such as increased liquidity, have diminished the need to own physical assets. For energy networks in other geographical areas where liquidity may be an issue, Enron will evaluate whether its existing network will benefit from additional physical assets. The existing networks in North America and Europe should continue to provide opportunities for sustained volume growth and increased profits.

The combination of knowledge gained in building networks in key energy markets and the application of new technology, such as EnronOnline, is expected to provide the basis to extend Wholesale Services' business model to new markets and industries. In key international markets, where deregulation is underway, Enron plans to build energy networks by using the optimum combination of acquiring or constructing physical assets and securing contractual access to third party assets. Enron also plans to replicate its business model to new industrial markets such as metals, pulp, paper and lumber, coal and steel. Enron expects to use its Ecommerce platform, EnronOnline, to accelerate the penetration into these industries.

Earnings from Wholesale Services are dependent on the origination and completion of transactions, some of which are individually significant and which are impacted by market conditions, the regulatory environment and customer relationships. Wholesale Services' transactions have historically been based on a diverse product portfolio, providing a solid base of earnings. Enron's strengths, including its ability to identify and respond to customer needs, access to extensive physical assets and its integrated product offerings, are important drivers of the expected continued earnings growth. In addition, significant earnings are expected from Wholesale Services' commodity portfolio and investments, which are subject

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/cnc8-k.txt 10/30/01

00200000000744
to market fluctuations. External factors, such as the amount of volatility in market prices, impact the earnings opportunity associated with Wholesale Services' business. Risk related to these activities is managed using naturally offsetting transactions and hedge transactions. The effectiveness of Enron's risk management activities can have a material impact on future earnings. See "Financial Risk Management" for a discussion of market risk related to Wholesale Services.

Retail Energy Services

Energy Services sells or manages the delivery of natural gas, electricity, liquids and other commodities to industrial and commercial customers located in North America and Europe. Energy Services also provides outsourcing solutions to customers for full energy management. This integrated product includes the management of commodity delivery, energy information and energy assets, and price risk management activities. The commodity portion of the contracts associated with this business are accounted for using the mark-to-market method of accounting. See Note 1 to the Consolidated Financial Statements.

<TABLE>
<CAPTION>(In millions)<CAPTION>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$4,615</td>
<td>$1,807</td>
<td>$1,072</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>4,028</td>
<td>1,551</td>
<td>955</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>449</td>
<td>308</td>
<td>210</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>38</td>
<td>29</td>
<td>31</td>
</tr>
<tr>
<td>Equity losses</td>
<td>(60)</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td>Other, net</td>
<td>63</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>IBIT before items impacting comparability</td>
<td>103</td>
<td>(68)</td>
<td>(119)</td>
</tr>
<tr>
<td>Items impacting comparability:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on The New Power Company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>stock issuance</td>
<td>121</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Retail Energy Services charges</td>
<td>(59)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income (loss) before interest, minority interests and taxes</td>
<td>165</td>
<td>(68)</td>
<td>(119)</td>
</tr>
</tbody>
</table>
</TABLE>

Operating Results

Revenues and gross margin increased $2,808 million and $331 million, respectively, in 2000 compared to 1999, primarily resulting from execution of commitments on its existing customer base, long-term energy contracts originated in 2000 and the increase in the value of Energy Services' contract portfolio. Operating expenses increased as a result of costs incurred in building the capabilities to deliver services on existing customer contracts and in building Energy Services' outsourcing business in Europe. Other, net in 2000 consisted primarily of gains associated with the securitization of non-merchant equity instruments. Equity losses reflect Energy Services' portion of losses of The New Power Company.

Items impacting comparability in 2000 included a pre-tax gain of $121 million related to the issuance of common stock by The New Power Company and a charge of $59 million related to the write-off of certain information technology and other costs.

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/enex8-k.txt
The New Power Company, which is approximately 45 percent owned by Enron, was formed to provide electricity and natural gas to residential and small commercial customers in deregulated energy markets in the United States.

Outlook
During 2001, Energy Services anticipates continued growth in the demand for retail energy outsourcing solutions. Energy Services will deliver these services to its existing customers, while continuing to expand its commercial and industrial customer base for total energy outsourcing. Energy Services also plans to continue integrating its service delivery capabilities, extend its business model to related markets and offer new products.

Broadband Services
In implementing Enron's network strategy, Broadband Services is constructing the Enron Intelligent Network, a nationwide fiber optic network that consists of both fiber deployed by Enron and acquired capacity on non-Enron networks and is managed by Enron's Broadband Operating System software. Enron is extending its market-making and risk management skills from its energy business to develop the bandwidth intermediation business to help customers manage unexpected fluctuation in the price, supply and demand of bandwidth. Enron's bandwidth-on-demand platform allows delivery of high-bandwidth media-rich content such as video streaming, high capacity data transport and video conferencing. Broadband Services also makes investments in companies with related technologies and with the potential for capital appreciation. Earnings from these merchant investments, which are accounted for on a fair value basis and are included in revenues, result from changes in the market value of the securities. Broadband Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments. Broadband Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

The components of Broadband Services' businesses include the development and construction of the Enron Intelligent Network, sales of excess fiber and software, bandwidth intermediation and the delivery of content. Significant components of Broadband Services' results are as follows:

\[ \text{T A B L E} \]
\[ \text{C A P T I O N} \]
\[ \text{(In millions)} \]
\[ \text{2000} \]
\[ \text{\$} \]
\[ \text{\$318} \]
\[ \text{305} \]
\[ 77 \]
\[ 4 \]
\[ \text{\$(-60)} \]

Broadband Services recognized a loss before interest, minority interests and taxes

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

0020000000746
interests and taxes of $60 million in 2000. Gross margin included earnings from sales of excess fiber capacity, a significant increase in the market value of Broadband Services' merchant investments and the monetization of a portion of Enron's broadband content delivery platform. Expenses incurred during the period include expenses related to building the business and depreciation and amortization.

Outlook

Broadband Services is extending Enron's proven business model to the communications industry. In 2001, Enron expects to further develop the Enron Intelligent Network, a global broadband network with broad connectivity potential to both buyers and sellers of bandwidth through Enron's pooling points. In addition, Enron expects to further deploy its proprietary Broadband Operating System across the Enron Intelligent Network, enabling Enron to manage bandwidth capacity independent of owning the underlying fiber. Broadband Services expects its intermediation transaction level to increase significantly in 2001 as more market participants connect to the pooling points and transact with Enron to manage their bandwidth needs. The availability of Enron's bandwidth intermediation products and prices on EnronOnsite are expected to favorably impact the volume of transactions. In 2001, Broadband Services expects to continue to expand the commercial roll-out of its content service offerings including video-on-demand. Enron expects the volume of content delivered over its network to increase as more content delivery contracts are signed and as more distribution partner locations are connected.

Corporate and Other

Significant components of Corporate and Other's IBIT are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IBIT before items impacting comparability</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Items impacting comparability:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge to reflect impairment by Azurix</td>
<td>(326)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains on exchange and sales of Enron Oil &amp; Gas Company (EOG) stock</td>
<td>-</td>
<td>454</td>
<td>22</td>
</tr>
<tr>
<td>Charge to reflect impairment of MTBE assets and losses on contracted MTBE production</td>
<td>-</td>
<td>(441)</td>
<td>(61)</td>
</tr>
<tr>
<td>Loss before interest, minority interests and taxes</td>
<td>(615)</td>
<td>$ (4)</td>
<td>$ (32)</td>
</tr>
</tbody>
</table>

Results for Corporate and Other in 2000 reflect operating losses from Enron's investment in Azurix (excluding the impairments discussed below) and increased information technology, employee compensation and corporate-wide expenses.

Results for Corporate and Other in 1999 were impacted by higher corporate expenses, partially offset by increased earnings from EREC resulting from increased sales volumes from its German manufacturing subsidiary and from the completion and sale of...
certain domestic wind projects. Enron also recognized higher earnings related to Azurix. Results in 1998 were favorably impacted by increases in the market value of certain corporate-managed financial instruments, partially offset by higher corporate expenses.

Items impacting comparability in 2000 included a $326 million charge reflecting Enron's portion of impairments recorded by Azurix related to assets in Argentina. Items impacting comparability in 1999 included a pre-tax gain of $454 million on the exchange and sale of Enron's interest in EOG (see Note 2 to the Consolidated Financial Statements) and a $441 million pre-tax charge for the impairment of its MTBE assets (see Note 17 to the Consolidated Financial Statements).

During 1998, Enron recognized a pre-tax gain of $22 million on the delivery of 10.5 million shares of EOG stock held by Enron as repayment of mandatorily exchangeable debt. Enron also recorded a $61 million charge to reflect losses on contracted MTBE production.

Interest and Related Charges, Net
Interest and related charges, net of interest capitalized which totaled $38 million, $54 million and $66 million for 2000, 1999 and 1998, respectively, increased to $838 million in 2000 from $656 million in 1999 and $550 million in 1998. The increase in 2000 as compared to 1999 was primarily a result of increased long-term debt levels, increased average short-term borrowings, short-term debt assumed as a result of the acquisition of MG plc and higher interest rates in the U.S. The increase was partially offset by the replacement of debt related to a Brazilian subsidiary with lower interest rate debt.

The increase in 1999 as compared to 1998 was primarily due to debt issuances and debt related to a Brazilian subsidiary, partially offset by a decrease in debt related to EOG following the sale and exchange of Enron's interests in August 1999. See Note 2 to the Consolidated Financial Statements.

Minority Interests
Minority interests include the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;S&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$&lt;C&gt;</td>
<td>$33</td>
<td>$39</td>
<td>$-</td>
</tr>
<tr>
<td>Majority-owned limited liability company and limited partnerships</td>
<td>105</td>
<td>71</td>
<td>-</td>
</tr>
<tr>
<td>Enron Oil &amp; Gas Company</td>
<td>-</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>23</td>
<td>53</td>
</tr>
<tr>
<td>Total</td>
<td>$154</td>
<td>$135</td>
<td>$77</td>
</tr>
</tbody>
</table>

<FN>
(a) Relates to the respective parents of Elektro, which had minority shareholders in 2000 and 1999. See Note 8 to the Consolidated Financial Statements.
</TABLE>

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt 10/30/01
Minority interests include Elektro beginning January 1, 1999, a majority-owned limited liability company and majority-owned limited partnerships since their formation during 1998 through 2000 and EOG until the exchange and sale of Enron's interests in August 1999 (see Note 2 to the Consolidated Financial Statements).

Income Tax Expense

Income tax expense increased in 2000 as compared to 1999 primarily as a result of increased earnings, decreased equity earnings and decreased tax benefits related to the foreign tax rate differential, partially offset by an increase in the differences between the book and tax basis of certain assets and stock sales.

Income tax expense decreased in 1999 compared to 1998 primarily as a result of increased equity earnings, tax benefits related to the foreign tax rate differential and the audit settlement related to Monthly Income Preferred Shares, partially offset by increased earnings.

Cumulative Effect of Accounting Changes

In 1999, Enron recorded an after-tax charge of $131 million to reflect the initial adoption (as of January 1, 1999) of two new accounting pronouncements, the AICPA Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities," and the Emerging Issues Task Force Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The 1999 charge was primarily related to the adoption of SOP 98-5.

NEW ACCOUNTING PRONOUNCEMENTS

In 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 must be applied to all derivative instruments and certain derivative instruments embedded in hybrid instruments and requires that such instruments be recorded in the balance sheet either as an asset or liability measured at its fair value through earnings, with special accounting allowed for certain qualifying hedges. Enron will adopt SFAS No. 133 as of January 1, 2001. Due to the adoption of SFAS No. 133, Enron will recognize an after-tax non-cash loss of approximately $5 million in earnings and an after-tax non-cash gain in "Other Comprehensive Income," a component of shareholders' equity, of approximately $22 million from the cumulative effect of a change in accounting principle. Enron will also reclassify $532 million from "Long-Term Debt" to "Other Liabilities" due to the adoption.

The total impact of Enron's adoption of SFAS No. 133 on earnings and on "Other Comprehensive Income" is dependent upon certain pending interpretations, which are currently under consideration, including those related to "normal purchases and normal sales" and inflation escalators included in certain contract payment provisions. The interpretations of these issues, and others, are currently under consideration by the FASB. While the ultimate conclusions reached on interpretations being considered by the FASB could
impact the effects of Enron's adoption of SFAS No. 133, Enron does not believe that such conclusions would have a material effect on its current estimate of the impact of adoption.

FINANCIAL CONDITION

Cash Flows

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by (used in):</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Operating activities</td>
<td>$ 4,779</td>
<td>$ 1,228</td>
<td>$ 1,640</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(4,264)</td>
<td>(3,507)</td>
<td>(3,965)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>571</td>
<td>2,456</td>
<td>2,266</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities increased $3,551 million in 2000, primarily reflecting decreases in working capital, positive operating results and a receipt of cash associated with the assumption of a contractual obligation. Net cash provided by operating activities decreased $412 million in 1999, primarily reflecting increases in working capital and net assets from price risk management activities, partially offset by increased earnings and higher proceeds from sales of merchant assets and investments. The 1998 amount reflects positive operating cash flow from Enron's major business segments, proceeds from sales of interests in energy-related merchant assets and cash from timing and other changes related to Enron's commodity portfolio, partially offset by new investments in merchant assets and investments.

Net cash used in investing activities primarily reflects capital expenditures and equity investments, which total $3,314 million in 2000, $3,085 million in 1999 and $3,564 million in 1998, and cash used for business acquisitions. See "Capital Expenditures and Equity Investments" below and see Note 2 to the Consolidated Financial Statements for cash used for business acquisitions. Partially offsetting these uses of cash were proceeds from sales of non-merchant assets, including certain equity instruments by Energy Services and an international power project, which totaled $494 million in 2000. Proceeds from non-merchant asset sales were $294 million in 1999 and $239 million in 1998.

Cash provided by financing activities in 2000 included proceeds from the issuance of subsidiary equity and the issuance of common stock related to employee benefit plans, partially offset by payments of dividends. Cash provided by financing activities in 1999 included proceeds from the net issuance of short- and long-term debt, the issuance of common stock and the issuance of subsidiary equity, partially offset by payments of dividends. Cash provided by financing activities in 1998 included proceeds from the net issuance of short- and long-term debt, the issuance of common stock and the sale of a minority interest in a subsidiary, partially offset by payments of dividends.

Capital Expenditures and Equity Investments
Capital expenditures by operating segment are as follows:
Capital expenditures increased $18 million in 2000 and $458 million in 1999 as compared to the previous year. Capital expenditures in 2000 primarily relate to construction of power plants to extend Wholesale Services' network and fiber optic network infrastructure for Broadband Services. During 1999, Wholesale Services expenditures increased due primarily to construction of domestic and international power plants. The 1999 increase in Corporate and Other reflects the purchase of certain previously leased MTBB-related assets.

Cash used for investments in equity affiliates by the operating segments is as follows:

Equity investments in 2000 relate primarily to capital invested for the ongoing construction, by a joint venture, of a power plant in India as well as other international investments. Equity investments in 1999 relate primarily to an investment in a joint venture that holds gas distribution and related businesses in South Korea and the power plant project in India.

The level of spending for capital expenditures and equity investments will vary depending upon conditions in the energy and broadband markets, related economic conditions and identified opportunities. Management expects that the capital spending program will be funded by a combination of internally generated funds, proceeds from dispositions of selected assets and short- and long-term borrowings.

Working Capital

At December 31, 2000, Enron had working capital of $2.0 billion. If a working capital deficit should occur, Enron has credit facilities in place to fund working capital requirements. At December 31, 2000, those credit lines provided for up to $4.2
billion of committed and uncommitted credit, of which $290 million was outstanding. Certain of the credit agreements contain pre-funding covenants. However, such covenants are not expected to restrict Enron's access to funds under these agreements. In addition, Enron sells commercial paper and has agreements to sell trade accounts receivable, thus providing financing to meet seasonal working capital needs. Management believes that the sources of funding described above are sufficient to meet short- and long-term liquidity needs not met by cash flows from operations.

CAPITALIZATION

Total capitalization at December 31, 2000 was $25.0 billion. Debt as a percentage of total capitalization increased to 40.9% at December 31, 2000 as compared to 38.5% at December 31, 1999. The increase in the ratio primarily reflects increased debt levels and the impact on total equity of the decline in the value of the British pound sterling. This was partially offset by the issuances, in 2000, of Enron common stock and the contribution of common shares (see Note 16 to the Consolidated Financial Statements). The issuances of Enron common stock primarily related to the acquisition of a minority shareholder's interest in Enron Energy Services, LLC and the exercise of employee stock options.

Enron is a party to certain financial contracts which contain provisions for early settlement in the event of a significant market price decline in which Enron's common stock falls below certain levels (prices ranging from $28.20 to $55.00 per share) or if the credit ratings for Enron's unsecured, senior long-term debt obligations fall below investment grade. The impact of this early settlement could include the issuance of additional shares of Enron common stock.

Enron's senior unsecured long-term debt is currently rated BBB+ by Standard & Poor's Corporation and Fitch IBCA and Baal by Moody's Investor Service. Enron's continued investment grade status is critical to the success of its wholesale businesses as well as its ability to maintain adequate liquidity. Enron's management believes it will be able to maintain its credit rating.

FINANCIAL RISK MANAGEMENT

Wholesale Services offers price risk management services primarily related to commodities associated with the energy sector (natural gas, electricity, crude oil and natural gas liquids). Energy Services and Broadband Services also offer price risk management services to their customers. These services are provided through a variety of financial instruments including forward contracts, which may involve physical delivery, swap agreements, which may require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for the commodity, options and other contractual arrangements. Interest rate risks and foreign currency risks associated with the fair value of Wholesale Services' commodities portfolio are managed using a variety of financial instruments, including financial futures, swaps and options.

On a much more limited basis, Enron's other businesses also
enter into financial instruments such as forwards, swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production or other contractual commitments. Changes in the market value of these hedge transactions are deferred until the gain or loss is recognized on the hedged item.

Enron manages market risk on a portfolio basis, subject to parameters established by its Board of Directors. Market risks are monitored by an independent risk control group operating separately from the units that create or actively manage these risk exposures to ensure compliance with Enron’s stated risk management policies.

Market Risk

The use of financial instruments by Enron’s businesses may expose Enron to market and credit risks resulting from adverse changes in commodity and equity prices, interest rates and foreign exchange rates. For Enron’s businesses, the major market risks are discussed below:

Commodity Price Risk. Commodity price risk is a consequence of providing price risk management services to customers. As discussed above, Enron actively manages this risk on a portfolio basis to ensure compliance with Enron’s stated risk management policies.

Interest Rate Risk. Interest rate risk is also a consequence of providing price risk management services to customers and having variable rate debt obligations, as changing interest rates impact the discounted value of future cash flows. Enron utilizes forwards, futures, swaps and options to manage its interest rate risk.

Foreign Currency Exchange Rate Risk. Foreign currency exchange rate risk is the result of Enron’s international operations and price risk management services provided to its worldwide customer base. The primary purpose of Enron’s foreign currency hedging activities is to protect against the volatility associated with foreign currency purchase and sale transactions. Enron primarily utilizes forward exchange contracts, futures and purchased options to manage Enron’s risk profile.

Equity Risk. Equity risk arises from Enron’s participation in investments. Enron generally manages this risk by hedging specific investments using futures, forwards, swaps and options.

Enron evaluates, measures and manages the market risk in its investments on a daily basis utilizing value at risk and other methodologies. The quantification of market risk using value at risk provides a consistent measure of risk across diverse markets and products. The use of these methodologies requires a number of key assumptions including the selection of a confidence level for expected losses, the holding period for liquidation and the treatment of risks outside the value at risk methodologies, including liquidity risk and event risk. Value at risk represents an estimate of reasonably possible net losses in earnings that would be recognized on its investments assuming hypothetical movements in future market rates and no change in positions. Value at risk is not necessarily indicative of actual
results which may occur.

Value at Risk

Enron has performed an entity-wide value at risk analysis of virtually all of Enron's financial instruments, including price risk management activities and merchant investments. Value at risk incorporates numerous variables that could impact the fair value of Enron's investments, including commodity prices, interest rates, foreign exchange rates, equity prices and associated volatilities, as well as correlation within and across these variables. Enron estimates value at risk for commodity, interest rate and foreign exchange exposures using a model based on Monte Carlo simulation of delta/gamma positions which captures a significant portion of the exposure related to option positions. The value at risk for equity exposure discussed above is based on J.P. Morgan's RiskMetrics(TM) approach. Both value at risk methods utilize a one-day holding period and a 95% confidence level. Cross-commodity correlations are used as appropriate.

The use of value at risk models allows management to aggregate risks across the company, compare risk on a consistent basis and identify the drivers of risk. Because of the inherent limitations to value at risk, including the use of delta/gamma approximations to value options, subjectivity in the choice of liquidation period and reliance on historical data to calibrate the models, Enron relies on value at risk as only one component in its risk control process. In addition to using value at risk measures, Enron performs regular stress and scenario analyses to estimate the economic impact of sudden market moves on the value of its portfolios. The results of the stress testing, along with the professional judgment of experienced business and risk managers, are used to supplement the value at risk methodology and capture additional market-related risks, including volatility, liquidity and event, concentration and correlation risks.

The following table illustrates the value at risk for each component of market risk:

<table>
<thead>
<tr>
<th>Table</th>
<th>December 31, 2000</th>
<th>December 31, 1999</th>
<th>Year ended December 31, 2000</th>
<th>High</th>
<th>Average(a)</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In millions)</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td></td>
</tr>
<tr>
<td>Trading Market Risk:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity price(b)</td>
<td>$66</td>
<td>$21</td>
<td></td>
<td>$50</td>
<td>$81</td>
<td>$23</td>
</tr>
<tr>
<td>Interest rate</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign currency exchange rate</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity(c)</td>
<td>59</td>
<td>26</td>
<td>45</td>
<td>59</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Non-Trading Market Risk(d):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity price</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Foreign currency exchange rate</td>
<td>8</td>
<td>4</td>
<td>8</td>
<td>10</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>7</td>
<td>3</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/00009928101500005/ene8-k.txt

10/30/01

002000000000754
(a) The average value presents a twelve month average of the month-end values. The high and low valuations for each market risk component represent the highest and lowest month-end value during 2000.

(b) In 2000, increased natural gas prices combined with increased price volatility in power and gas markets caused Enron's value at risk to increase significantly.

(c) Enron's equity trading market risk primarily relates to merchant investments (see Note 4 to the Consolidated Financial Statements). In 2000, the value at risk model utilized for equity trading market risk was refined to more closely correlate with the valuation methodologies used for merchant activities.

(d) Includes only the risk related to the financial instruments that serve as hedges and does not include the related underlying hedged item.

ACCOUNTING POLICIES

Accounting policies for price risk management and hedging activities are described in Note 1 to the Consolidated Financial Statements.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts contained in this document are forward-looking statements. Forward-looking statements include, but are not limited to, statements relating to expansion opportunities for the Transportation Services, extension of Enron's business model to new markets and industries, demand in the market for broadband services and high bandwidth applications, transaction volumes in the U.S. power market, commencement of commercial operations of new power plants and pipeline projects, completion of the sale of certain assets and growth in the demand for retail energy outsourcing solutions. When used in this document, the words "anticipate," "believe," "estimate," "expects," "intend," "may," "project," "plan," "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Although Enron believes that its expectations reflected in these forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include success in marketing natural gas and power to wholesale customers; the ability of Enron to penetrate new retail natural gas and electricity markets (including energy outsourcing markets) in the United States and foreign jurisdictions; development of Enron's broadband network and customer demand for intermediation and content services; the timing, extent and market effects of deregulation of energy markets in the United States, including the current energy market conditions in

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

10/30/01

00200000000755
California, and in foreign jurisdictions; other regulatory developments in the United States and in foreign countries, including tax legislation and regulations; political developments in foreign countries; the extent of efforts by governments to privatize natural gas and electric utilities and other industries; the timing and extent of changes in commodity prices for crude oil, natural gas, electricity, foreign currency and interest rates; the extent of success in acquiring oil and gas properties and in discovering, developing, producing and marketing reserves; the timing and success of Enron's efforts to develop international power, pipeline and other infrastructure projects; the effectiveness of Enron's risk management activities; the ability of counterparties to financial risk management instruments and other contracts with Enron to meet their financial commitments to Enron; and Enron's ability to access the capital markets and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and Enron's ability to maintain the credit ratings for its unsecured senior long-term debt obligations.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Enron Corp.:

We have audited the accompanying consolidated balance sheet of Enron Corp. (an Oregon corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of Enron Corp.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enron Corp. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 18 to the consolidated financial statements, Enron Corp. and subsidiaries changed its method of accounting for costs of start-up activities and its method of accounting for certain contracts involved in energy trading and risk management activities in the first quarter of 1999.
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

(In millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Natural gas and other products</td>
<td>$ 50,500</td>
</tr>
<tr>
<td>Electricity</td>
<td>33,823</td>
</tr>
<tr>
<td>Metals</td>
<td>9,234</td>
</tr>
<tr>
<td>Other</td>
<td>7,232</td>
</tr>
<tr>
<td>Total revenues</td>
<td>100,789</td>
</tr>
<tr>
<td>Costs and Expenses</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Cost of gas, electricity, metals and other products</td>
<td>94,517</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>3,184</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>855</td>
</tr>
<tr>
<td>Taxes, other than income taxes</td>
<td>280</td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>-</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>98,836</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1,953</td>
</tr>
<tr>
<td>Other Income and Deductions</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated equity affiliates</td>
<td>87</td>
</tr>
<tr>
<td>Gains on sales of non-merchant assets</td>
<td>146</td>
</tr>
<tr>
<td>Gain on the issuance of stock by TNPC, Inc.</td>
<td>121</td>
</tr>
<tr>
<td>Interest income</td>
<td>212</td>
</tr>
<tr>
<td>Other income, net</td>
<td>(37)</td>
</tr>
<tr>
<td>Income Before Interest, Minority Interests and Income Taxes</td>
<td>2,482</td>
</tr>
<tr>
<td>Interest and related charges, net</td>
<td>838</td>
</tr>
<tr>
<td>Dividends on company-obligated preferred securities of subsidiaries</td>
<td>77</td>
</tr>
<tr>
<td>Minority interests</td>
<td>154</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>434</td>
</tr>
<tr>
<td>Net income before cumulative effect of accounting changes</td>
<td>979</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes, net of tax</td>
<td>-</td>
</tr>
<tr>
<td>Net Income</td>
<td>979</td>
</tr>
<tr>
<td>Preferred stock dividends</td>
<td>83</td>
</tr>
<tr>
<td>Earnings on Common Stock</td>
<td>$ 896</td>
</tr>
<tr>
<td>Earnings Per Share of Common Stock Basic</td>
<td></td>
</tr>
</tbody>
</table>
### ENRON CORP. AND SUBSIDIARIES

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>$ 979</td>
<td>$ 893</td>
<td>$ 703</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment and other</td>
<td>(307)</td>
<td>(579)</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>$ 672</td>
<td>$ 314</td>
<td>$ 689</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.

### ENRON CORP. AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEET

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 1,374</td>
</tr>
<tr>
<td>Trade receivables (net of allowance for doubtful accounts of $133 and $40, respectively)</td>
<td>10,396</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,874</td>
</tr>
<tr>
<td>Assets from price risk management activities</td>
<td>12,018</td>
</tr>
<tr>
<td>Inventories</td>
<td>953</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/en8-k.txt

10/30/01
Deposits 2,433 81
Other 1,333 535
Total current assets 30,381 7,255

Investments and Other Assets
Investments in and advances to unconsolidated equity affiliates 5,294 5,036
Assets from price risk management activities 8,988 2,929
Goodwill 3,638 2,799
Other 5,459 4,601
Total investments and other assets 23,379 15,445

Property, Plant and Equipment, at cost
Natural gas transmission 6,916 6,948
Electric generation and distribution 4,766 3,552
Fiber optic network and equipment 839 379
Construction in progress 682 1,120
Other 2,256 1,913
15,459 13,912

Less accumulated depreciation, depletion and amortization 3,716 3,231
Property, plant and equipment, net 11,743 10,681

Total Assets $65,503 $33,381

<FN>
The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

<PAGE>
<TABLE>

ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

<CAPTION>

(In millions, except shares) December 31, 2000 1999

<S>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities
Accounts payable $ 9,777 $ 2,154
Liabilities from price risk management activities 10,495 1,836
Short-term debt 1,679 1,001
Customers' deposits 4,277 44
Other 2,178 1,724
Total current liabilities 28,406 6,759

Long-Term Debt 8,550 7,151

Deferred Credits and Other Liabilities
Deferred income taxes 1,644 1,894
Liabilities from price risk management activities 9,423 2,990
Other 2,692 1,587
Total deferred credits and

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt 10/30/01

002000000000759
other liabilities 13,759 6,471
Commitments and Contingencies (Notes 13, 14 and 15)
Minority Interests 2,414 2,430
Company-Obligated Preferred Securities of Subsidiaries 904 1,000
Shareholders' Equity
Second preferred stock, cumulative, no par value, 1,370,000 shares authorized, 1,240,933 shares and 1,296,184 shares issued, respectively 124 130
Mandatorily Convertible Junior Preferred Stock, Series B, no par value, 250,000 shares issued 1,000 1,000
Common stock, no par value, 1,200,000,000 shares authorized, 752,250,112 shares and 716,865,081 shares issued, respectively 8,348 6,637
Retained earnings 3,226 2,698
Accumulated other comprehensive income (1,048) (741)
Common stock held in treasury, 577,066 shares and 1,337,714 shares, respectively (32) (49)
Restricted stock and other (148) (105)
Total shareholders' equity 11,470 9,570
Total Liabilities and Shareholders' Equity $65,503 $33,381

<FN>
The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

<CAPTION>
(In millions)

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------</td>
</tr>
</tbody>
</table>

<C>
Cash Flows From Operating Activities
Reconciliation of net income to net cash provided by operating activities

Net income $ 979 $ 893 $ 703
Cumulative effect of accounting changes - 131 -
Depreciation, depletion and amortization 855 870 827
Impairment of long-lived assets (including equity investments) 326 441 -
Deferred income taxes 207 21 87
Gains on sales of non-merchant assets (146) (541) (82)
Changes in components of working capital 1,769 (1,000) (233)
Net assets from price risk management activities (763) (395) 350

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

10/30/01

002000000000760
Merchant assets and investments:

Realized gains on sales
Proceeds from sales 1,838 2,217 1,434
Additions and unrealized gains (1,295) (827) (721)
Other operating activities 1,113 174 (97)
Net Cash Provided by Operating Activities 4,779 1,228 1,640

Cash Flows From Investing Activities

Capital expenditures (2,381) (2,363) (1,905)
Equity investments (933) (722) (1,659)
Proceeds from sales of non-merchant assets 494 294 239
Acquisition of subsidiary stock (485) - (180)
Business acquisitions, net of cash acquired (see Note 2) (777) (311) (104)
Other investing activities (182) (405) (356)
Net Cash Used in Investing Activities (4,264) (3,507) (3,965)

Cash Flows From Financing Activities

Issuance of long-term debt 3,994 1,776 1,903
Repayment of long-term debt (2,337) (1,837) (870)
Net increase (decrease) in short-term borrowings (1,595) 1,565 (158)
Net issuance (redemption) of company-obligated preferred securities of subsidiaries (96) - 8
Issuance of common stock 307 852 867
Issuance of subsidiary equity 500 568 828
Dividends paid (523) (467) (414)
Net disposition of treasury stock 327 139 13
Other financing activities (6) (140) 89
Net Cash Provided by Financing Activities 571 2,456 2,266
Increase (Decrease) in Cash and Cash Equivalents 1,086 177 (59)
Cash and Cash Equivalents, Beginning of Year 288 111 170
Cash and Cash Equivalents, End of Year $ 1,374 $ 288 $ 111

Changes in Components of Working Capital

Receivables $(8,203) $(662) $(1,055)
Inventories 1,336 133 (372)
Payables 7,167 (246) 433
Other 1,469 41 761
Total $ 1,769 $(1,009) $(233)

The accompanying notes are an integral part of these consolidated financial statements.

ENRON CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[In millions, except per share amounts; shares in thousands]

<table>
<thead>
<tr>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
</tbody>
</table>

Cumulative Second Preferred
Convertible Stock
Balance, beginning of year 1,296 $ 130 1,320 $ 132
Exchange of convertible preferred stock for common stock (55) (61) (24) (2)
Balance, end of year 1,241 $ 124 1,296 $ 130

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/enr8-k.txt 10/30/01

002000000000761
Mandatory Convertible Junior Preferred
Stock, Series B

<table>
<thead>
<tr>
<th></th>
<th>250</th>
<th>$   1,000</th>
<th>-</th>
<th>$   -</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuances</td>
<td>-</td>
<td>-</td>
<td>250</td>
<td>1,000</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>250</td>
<td>$   1,000</td>
<td>250</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

Common Stock

<table>
<thead>
<tr>
<th></th>
<th>716,865</th>
<th>$ 6,637</th>
<th>671,094</th>
<th>$ 5,117</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange of convertible preferred stock for common stock</td>
<td>1,509</td>
<td>6</td>
<td>465</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>Issuances related to benefit and dividend reinvestment plans</td>
<td>28,100</td>
<td>966</td>
<td>10,054</td>
<td>258</td>
<td></td>
</tr>
<tr>
<td>Sales of common stock</td>
<td>-</td>
<td>-</td>
<td>27,600</td>
<td>839</td>
<td></td>
</tr>
<tr>
<td>Issuances of common stock in business acquisitions (see Note 2)</td>
<td>5,731</td>
<td>409</td>
<td>7,652</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>330</td>
<td>-</td>
<td>174</td>
<td></td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>752,205</td>
<td>$ 8,348</td>
<td>716,865</td>
<td>$ 6,637</td>
<td>6</td>
</tr>
</tbody>
</table>

Retained Earnings

<table>
<thead>
<tr>
<th></th>
<th>2,698</th>
<th>2,226</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>979</td>
<td>893</td>
</tr>
</tbody>
</table>

Cash dividends

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock ($0.5000, $0.5000 and $0.4812 per share in 2000, 1999 and 1998, respectively)</td>
<td>(368)</td>
<td>(355)</td>
</tr>
<tr>
<td>Series A and B Preferred Stock</td>
<td>(66)</td>
<td>(49)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>3,226</td>
<td>2,698</td>
</tr>
</tbody>
</table>

Accumulated Other Comprehensive Income

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>(741)</td>
<td>(162)</td>
</tr>
<tr>
<td>Translation adjustments and other</td>
<td>(307)</td>
<td>(579)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>(1,048)</td>
<td>(741)</td>
</tr>
</tbody>
</table>

Treasury Stock

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>(1,338)</td>
<td>$ (49)</td>
<td>(9,334)</td>
<td>$ (195)</td>
</tr>
<tr>
<td>Shares acquired</td>
<td>(3,114)</td>
<td>(234)</td>
<td>(1,845)</td>
<td>(71)</td>
</tr>
<tr>
<td>Exchange of convertible preferred stock for common stock</td>
<td>-</td>
<td>-</td>
<td>181</td>
<td>4</td>
</tr>
<tr>
<td>Issuances related to benefit and dividend reinvestment plans</td>
<td>3,875</td>
<td>251</td>
<td>9,660</td>
<td>213</td>
</tr>
<tr>
<td>Issuances of treasury stock in business acquisitions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>(577)</td>
<td>$ (32)</td>
<td>(1,338)</td>
<td>$ (49)</td>
</tr>
</tbody>
</table>

Restricted Stock and Other

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>(105)</td>
<td>(70)</td>
</tr>
<tr>
<td>Issuances related to benefit and dividend reinvestment plans</td>
<td>(43)</td>
<td>(35)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>(148)</td>
<td>(105)</td>
</tr>
</tbody>
</table>

Total Shareholders' Equity

<table>
<thead>
<tr>
<th></th>
<th>$11,470</th>
<th>$9,570</th>
</tr>
</thead>
</table>

<PN>
The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

<PAGE>

ENRON CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt 10/30/01

002000000000762
1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Policy and Use of Estimates. The accounting and financial reporting policies of Enron Corp. and its subsidiaries conform to generally accepted accounting principles and prevailing industry practices. The consolidated financial statements include the accounts of all subsidiaries controlled by Enron Corp. after the elimination of significant intercompany accounts and transactions.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

"Enron" is used from time to time herein as a collective reference to Enron Corp. and its subsidiaries and affiliates. The businesses of Enron are conducted by its subsidiaries and affiliates whose operations are managed by their respective officers.

Cash Equivalents. Enron records as cash equivalents all highly liquid short-term investments with original maturities of three months or less.

Inventories. Inventories consist primarily of commodities, priced at market as such inventories are used in trading activities.

Depreciation, Depletion and Amortization. The provision for depreciation and amortization with respect to operations other than oil and gas producing activities is computed using the straight-line or regulatorily mandated method, based on estimated economic lives. Composite depreciation rates are applied to functional groups of property having similar economic characteristics. The cost of utility property units retired, other than land, is charged to accumulated depreciation.

Provisions for depreciation, depletion and amortization of proved oil and gas properties are calculated using the units-of-production method.

Income Taxes. Enron accounts for income taxes using an asset and liability approach under which deferred assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases (see Note 5).

Earnings Per Share. Basic earnings per share is computed based upon the weighted-average number of common shares outstanding during the periods. Diluted earnings per share is computed based upon the weighted-average number of common shares outstanding plus the assumed issuance of common shares for all potentially dilutive securities. All share and per share amounts have been adjusted to reflect the August 13, 1999 two-for-one stock split. See Note 11 for a reconciliation of the basic and
diluted earnings per share computations.

Accounting for Price Risk Management. Enron engages in price risk management activities for both trading and non-trading purposes. Instruments utilized in connection with trading activities are accounted for using the mark-to-market method. Under the mark-to-market method of accounting, forwards, swaps, options, energy transportation contracts utilized for trading activities and other instruments with third parties are reflected at fair value and are shown as "Assets and Liabilities from Price Risk Management Activities" in the Consolidated Balance Sheet. These activities also include the commodity risk management component embedded in energy outsourcing contracts. Unrealized gains and losses from newly originated contracts, contract restructurings and the impact of price movements are recognized as "Other Revenues." Changes in the assets and liabilities from price risk management activities result primarily from changes in the valuation of the portfolio of contracts, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments.

Financial instruments are also utilized for non-trading purposes to hedge the impact of market fluctuations on assets, liabilities, production and other contractual commitments. Hedge accounting is utilized in non-trading activities when there is a high degree of correlation between price movements in the derivative and the item designated as being hedged. In instances where the anticipated correlation of price movements does not occur, hedge accounting is terminated and future changes in the value of the financial instruments are recognized as gains or losses. If the hedged item is sold, the value of the financial instrument is recognized in income. Gains and losses on financial instruments used for hedging purposes are recognized in the Consolidated Income Statement in the same manner as the hedged item.

The cash flow impact of financial instruments is reflected as cash flows from operating activities in the Consolidated Statement of Cash Flows. See Note 3 for further discussion of Enron's price risk management activities.

Accounting for Development Activity. Development costs related to projects, including costs of feasibility studies, bid preparation, permitting, licensing and contract negotiation, are expensed as incurred until the project is estimated to be probable. At that time, such costs are capitalized or expensed as incurred, based on the nature of the costs incurred. Capitalized development costs may be recovered through reimbursements from joint venture partners or other third parties, or classified as part of the investment and recovered through the cash flows from that project. Accumulated capitalized project development costs are otherwise expensed in the period that management determines it is probable that the costs will not be recovered.

Environmental Expenditures. Expenditures that relate to an
existing condition caused by past operations, and do not contribute to current or future revenue generation, are expensed. Environmental expenditures relating to current or future revenues are expensed or capitalized as appropriate based on the nature of the costs incurred. Liabilities are recorded when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated.

Computer Software. Direct costs of materials and services consumed in developing or obtaining software, including payroll and payroll-related costs for employees who are directly associated with and who devote time to the software project are capitalized. Costs may begin to be capitalized once the application development stage has begun. All other costs are expensed as incurred. Enron amortizes the costs on a straight-line basis over the useful life of the software. Impairment is evaluated based on changes in the expected usefulness of the software. At December 31, 2000 and 1999, Enron has capitalized, net of amortization, $381 million and $240 million, respectively, of software costs covering numerous systems, including trading and settlement, accounting, billing, and upgrades.

Investments in Unconsolidated Affiliates. Investments in unconsolidated affiliates are accounted for by the equity method, except for certain investments resulting from Enron's merchant investment activities which are included at market value in "Other Investments" in the Consolidated Balance Sheet. See Notes 4 and 9. Where acquired assets are accounted for under the equity method based on temporary control, earnings or losses are recognized only for the portion of the investment to be retained.

Sale of Subsidiary Stock. Enron accounts for the issuance of stock by its subsidiaries in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) 51. SAB 51 allows for Enron to recognize a gain in the amount that the offering price per share of a subsidiary's stock exceeds Enron's carrying amount per share.

Foreign Currency Translation. For international subsidiaries, asset and liability accounts are translated at year-end rates of exchange and revenue and expenses are translated at average exchange rates prevailing during the year. For subsidiaries whose functional currency is deemed to be other than the U.S. dollar, translation adjustments are included as a separate component of other comprehensive income and shareholders' equity. Currency transaction gains and losses are recorded in income.

During 1999, the exchange rate for the Brazilian real to the U.S. dollar declined, resulting in a non-cash foreign currency translation adjustment reducing the value of Enron's assets and shareholders' equity by approximately $600 million.

Reclassifications. Certain reclassifications have been made to the consolidated financial statements for prior years to conform with the current presentation.

2 BUSINESS ACQUISITIONS AND DISPOSITIONS

In 2000, Enron, through a wholly-owned subsidiary, acquired all of the outstanding common shares of MO plc, a leading
independent international metals market-making business that provides financial and marketing services to the global metals industry, for $413 million in cash and assumed debt of approximately $1.6 billion.

In addition, Enron made other acquisitions including a technology-related company, a facility maintenance company and all minority shareholders' interests in Enron Energy Services, LLC and Enron Renewable Energy Corp. Enron issued 5.7 million shares of Enron common stock, contributed common stock and warrants of an unconsolidated equity affiliate and paid cash in these transactions.

On August 16, 1999, Enron exchanged approximately 62.3 million shares (approximately 75%) of the Enron Oil & Gas Company (EOG) common stock it held for all of the stock of EOGI-India, Inc., a subsidiary of EOG. Also in August 1999, Enron received net proceeds of approximately $190 million for the sale of 8.5 million shares of EOG common stock in a public offering and issued approximately $255 million of public debt that is exchangeable in July 2002 into approximately 11.5 million shares of EOG common stock. As a result of the share exchange and share sale, Enron recorded a pre-tax gain of $454 million ($345 million after tax, or $0.45 per diluted share) in 1999. As of August 16, 1999, EOG is no longer included in Enron's consolidated financial statements. EOGI-India, Inc. is included in the consolidated financial statements within the Wholesale Services segment following the exchange and sale. Enron accounts for its oil and gas exploration and production activities under the successful efforts method of accounting.

In August 1998, Enron, through a wholly-owned subsidiary, completed the acquisition of a controlling interest in Elektro Eletricidade e Servicos S.A. (Elektro) for approximately $1.3 billion. Elektro was initially accounted for using the equity method based on temporary control. In 1999, after the acquisition of additional interests, Elektro was consolidated by Enron.

Additionally, during 1999 and 1998, Enron acquired generation, natural gas distribution, renewable energy, telecommunications and energy management businesses for cash, Enron and subsidiary stock and notes.

Enron has accounted for these acquisitions using the purchase method of accounting as of the effective date of each transaction. Accordingly, the purchase price of each transaction has been allocated based upon the estimated fair value of the assets and liabilities acquired as of the acquisition date, with the excess reflected as goodwill in the Consolidated Balance Sheet. This and all other goodwill is being amortized on a straight-line basis over 5 to 40 years.

Assets acquired, liabilities assumed and consideration paid as a result of businesses acquired were as follows:

<TABLE>
<CAPTION>
(In millions) 2000 1999 1998 (a)
</CAPTION>
</TABLE>

http://www.sec.gov/Archives/edgar/data/1024401/00009092920101500005/ene8-k.txt 10/30/01
Fair value of assets acquired, 
other than cash $ 2,641 $ 376 $ 269
Goodwill 963 (71) 94
Fair value of liabilities assumed (2,418) 6 (259)
Common stock of Enron issued 
and equity of an unconsolidated 
et equity affiliate contributed (409) - -
Net cash paid $ 777 $ 311 $ 104

(a) Excludes amounts related to the 1998 acquisition of Elektro.
</TABLE>

On November 8, 1999, Enron announced that it had entered into 
an agreement to sell Enron's wholly-owned electric utility 
subsidiary, Portland General Electric Company (PGE), to Sierra 
Pacific Resources for $2.1 billion. Sierra Pacific Resources will 
also assume approximately $1 billion in PGE debt and preferred 
stock. The transaction has been delayed by the effect of recent 
events in California and Nevada on the buyer. Enron's 
carrying amount of PGE as of December 31, 2000 was approximately 
$1.6 billion. Income before interest, minority interest and 
income taxes for PGE was $338 million, $298 million and $284 
million for 2000, 1999 and 1998, respectively.

3 PRICE RISK MANAGEMENT ACTIVITIES AND FINANCIAL INSTRUMENTS

Trading Activities. Enron offers price risk management 
services to wholesale, commercial and industrial customers 
through a variety of financial and other instruments including 
forward contracts involving physical delivery, swap agreements, 
which require payments to (or receipt of payments from) 
counterparties based on the differential between a fixed and 
variable price for the commodity, options and other contractual 
arrangements. Interest rate risks and foreign currency risks 
associated with the fair value of the commodity portfolio are 
managed using a variety of financial instruments, including 
financial futures.

Notional Amounts and Terms. The notional amounts and terms of 
these instruments at December 31, 2000 are shown below (dollars 
in millions):

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th></th>
<th>Fixed Price Payor</th>
<th>Fixed Price Receiver</th>
<th>Maximum Terms in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodities(a)</td>
<td>&lt;C&gt; &lt;C&gt; &lt;C&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural gas</td>
<td>7,331</td>
<td>6,910</td>
<td>23</td>
</tr>
<tr>
<td>Crude oil and liquids</td>
<td>3,513</td>
<td>1,990</td>
<td>6</td>
</tr>
<tr>
<td>Electricity</td>
<td>2,424</td>
<td>2,388</td>
<td>24</td>
</tr>
<tr>
<td>Metals, coal and pulp</td>
<td>368</td>
<td>413</td>
<td>9</td>
</tr>
<tr>
<td>and paper</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bandwidth</td>
<td>167</td>
<td>325</td>
<td>11</td>
</tr>
<tr>
<td>Financial products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate(b)</td>
<td>$4,732</td>
<td>$3,977</td>
<td>29</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>$ 79</td>
<td>$ 465</td>
<td>22</td>
</tr>
<tr>
<td>Equity investments(c)</td>
<td>$2,998</td>
<td>$3,768</td>
<td>13</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/crm8-k.txt
10/30/01

002000000000767
(a) Natural gas, crude oil and liquids and electricity volumes are in TBTue; metals, coal and pulp and paper volumes are in millions of metric tonnes; and bandwidth volumes are in thousands of terabytes.

(b) The interest rate fixed price receiver includes the net notional dollar value of the interest rate sensitive component of the combined commodity portfolio. The remaining interest rate fixed price receiver and the entire interest rate fixed price payor represent the notional contract amount of a portfolio of various financial instruments used to hedge the net present value of the commodity portfolio. For a given unit of price protection, different financial instruments require different notional amounts.

(c) Excludes derivatives on Enron common stock. See Notes 10 and 11.

Enron also has sales and purchase commitments associated with commodity contracts based on market prices totaling 8,169 TBtue, with terms extending up to 16 years, and 7.2 million metric tonnes, with terms extending up to 5 years.

Notional amounts reflect the volume of transactions but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure Enron's exposure to market or credit risks. The maximum terms in years detailed above are not indicative of likely future cash flows as these positions may be offset in the markets at any time in response to the company's price risk management needs to the extent available in the market.

The volumetric weighted average maturity of Enron's fixed price portfolio as of December 31, 2000 was approximately 1.5 years.

Fair Value. The fair value as of December 31, 2000 and the average fair value of instruments related to price risk management activities held during the year are set forth below:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value as of 12/31/00</th>
<th>Average Fair Value for the Year Ended 12/31/00(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td><strong>Natural gas</strong></td>
<td>$10,270</td>
<td>$9,342</td>
</tr>
<tr>
<td><strong>Crude oil and liquids</strong></td>
<td>1,549</td>
<td>3,574</td>
</tr>
<tr>
<td><strong>Electricity</strong></td>
<td>7,338</td>
<td>5,396</td>
</tr>
<tr>
<td><strong>Other commodities</strong></td>
<td>1,509</td>
<td>1,311</td>
</tr>
<tr>
<td><strong>Equity investments</strong></td>
<td>795</td>
<td>295</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$21,458</td>
<td>$19,918</td>
</tr>
</tbody>
</table>

(a) Computed using the ending balance at each month-end.

The income before interest, taxes and certain unallocated

http://www.scc.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

002000000000768

10/30/01
expenses arising from price risk management activities for 2000 was $1,899 million.

Securitizations. From time to time, Enron sells interests in certain of its financial assets. Some of these sales are completed in securitizations, in which Enron concurrently enters into swaps associated with the underlying assets which limits the risks assumed by the purchaser. Such swaps are adjusted to fair value using quoted market prices, if available, or estimated fair value based on management's best estimate of the present value of future cash flow. These swaps are included in Price Risk Management activities above as equity investments. During 2000, gains from sales representing securitizations were $381 million and proceeds were $2,379 million ($545 million of the proceeds related to sales to Whitewing Associates, L.P. (Whitewing)). See Notes 4 and 9. Purchases of securitized merchant financial assets totaled $1,184 million during 2000. Amounts primarily related to equity interests.

Credit Risk. In conjunction with the valuation of its financial instruments, Enron provides reserves for credit risks associated with such activity. Credit risk relates to the risk of loss that Enron would incur as a result of nonperformance by counterparties pursuant to the terms of their contractual obligations. Enron maintains credit policies with regard to its counterparties that management believes significantly minimize overall credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit rating), collateral requirements under certain circumstances and the use of standardized agreements which allow for the netting of positive and negative exposures associated with a single counterparty. Enron also minimizes this credit exposure using monetization of its contract portfolio or third-party insurance contracts. The counterparties associated with assets from price risk management activities as of December 31, 2000 and 1999 are summarized as follows:

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Grade(a)</td>
<td>Total</td>
</tr>
<tr>
<td>&lt;S&gt; Gas and electric utilities</td>
<td>$5,050</td>
<td>$5,327</td>
</tr>
<tr>
<td>Energy marketers</td>
<td>4,677</td>
<td>6,124</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>4,145</td>
<td>4,917</td>
</tr>
<tr>
<td>Independent power producers</td>
<td>672</td>
<td>791</td>
</tr>
<tr>
<td>Oil and gas producers</td>
<td>1,308</td>
<td>2,804</td>
</tr>
<tr>
<td>Industrials</td>
<td>607</td>
<td>1,138</td>
</tr>
<tr>
<td>Other</td>
<td>256</td>
<td>357</td>
</tr>
<tr>
<td>Total</td>
<td>$16,715</td>
<td>$21,458</td>
</tr>
<tr>
<td>Credit and other reserves</td>
<td>(452)</td>
<td>(337)</td>
</tr>
<tr>
<td>Assets from price risk management activities(b)</td>
<td>$21,006</td>
<td>$5,134</td>
</tr>
</tbody>
</table>

<FN>
(a) "Investment Grade" is primarily determined using publicly available credit ratings along with consideration of cash, standby letters of credit, parent company guarantees and

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

002000000000769
property interests, including oil and gas reserves. Included in "Investment Grade" are counterparties with a minimum Standard & Poor's or Moody's rating of BBB- or Baa3, respectively.

(b) One and two customers' exposures, respectively, at December 31, 2000 and 1999 comprise greater than 5% of Assets From Price Risk Management Activities and are included above as Investment Grade.

(c) At December 31, 2000, Enron held collateral of approximately $5.5 billion, which consists substantially of cash deposits shown as "Customers' Deposits" on the balance sheet.

This concentration of counterparties may impact Enron's overall exposure to credit risk, either positively or negatively, in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. Based on Enron's policies, its exposures and its credit reserves, Enron does not anticipate a materially adverse effect on financial position or results of operations as a result of counterparty nonperformance.

During 2000, the California power market was significantly impacted by the increase in wholesale power prices. California customer rates are currently frozen, requiring the utilities to finance the majority of their power purchases. If wholesale prices remain at the current levels and no regulatory relief or legislative assistance is obtained, certain California utilities may need to seek bankruptcy protection. During 2000, Enron entered into wholesale power transactions with California utilities, including their nonregulated power marketing affiliates. Enron has provided credit reserves related to such activities based on Enron's net position with each California utility. Due to the uncertainties surrounding the California power situation, management cannot predict the ultimate outcome but believes these matters will not have a material adverse impact on Enron's financial condition.

Non-Trading Activities. Enron also enters into financial instruments such as swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production or other contractual commitments.

Energy Commodity Price Swaps. At December 31, 2000, Enron was a party to energy commodity price swaps covering 18.6 TBTu, 29.9 TBTu and 0.5 TBTu of natural gas for the years 2001, 2002 and 2003, respectively, and 0.3 million barrels of crude oil for the year 2001.

Interest Rate Swaps. At December 31, 2000, Enron had entered into interest rate swap agreements with an aggregate notional principal amount of $1.0 billion to manage interest rate exposure. These swap agreements are scheduled to terminate $0.4 billion in 2001 and $0.6 billion in the period 2002 through 2010.

Foreign Currency Contracts. At December 31, 2000, foreign currency contracts with a notional principal amount of $1.4 billion were outstanding. These contracts will expire $1.0 billion in 2001 and $0.4 billion in the period 2002 through 2006.

Equity Contracts. At December 31, 2000, Enron had entered
into Enron common stock swaps, with an aggregate notional amount
of $121 million, to hedge certain incentive-based compensation
plans. Such contracts will expire in 2001.

Credit Risk. While notional amounts are used to express the
volume of various financial instruments, the amounts potentially
subject to credit risk, in the event of nonperformance by the
third parties, are substantially smaller. Forwards, futures and
other contracts are entered into with counterparties who are equivalent
to investment grade. Accordingly, Enron does not anticipate any
material impact to its financial position or results of
operations as a result of nonperformance by the third parties on
financial instruments related to non-trading activities.

Financial Instruments. The carrying amounts and estimated
fair values of Enron's financial instruments, excluding trading
activities, at December 31, 2000 and 1999 were as follows:

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying Amount</td>
<td>Estimated Fair Value</td>
</tr>
<tr>
<td>Short- and long-term</td>
<td>$10,229</td>
<td>$10,217</td>
</tr>
<tr>
<td>debt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company-obligated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>preferred securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Note 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy commodity</td>
<td>904</td>
<td>920</td>
</tr>
<tr>
<td>price swaps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>-</td>
<td>68</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>-</td>
<td>94</td>
</tr>
<tr>
<td>contracts</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Equity contracts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Enron uses the following methods and assumptions in estimating
fair values: (a) short- and long-term debt - the carrying amount
of variable-rate debt approximates fair value, the fair value of
marketable debt is based on quoted market prices and the fair
value of other debt is based on the discounted present value of
cash flows using Enron's current borrowing rates; (b) company-
obligated preferred securities of subsidiaries - the fair value
is based on quoted market prices, where available, or based on
the discounted present value of cash flows using Enron's current
borrowing rates if not publicly traded; and (c) energy commodity
price swaps, interest rate swaps, foreign currency contracts and
equity contracts - estimated fair values have been determined
using available market data and valuation methodologies. Judgment
is necessarily required in interpreting market data and the use of
different market assumptions or estimation methodologies may affect
the estimated fair value amounts.

The fair market value of cash and cash equivalents, trade and
other receivables, accounts payable and investments accounted for
at fair value are not materially different from their carrying
amounts.

Guarantees of liabilities of unconsolidated entities and
residual value guarantees have no carrying value and fair values

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

10/30/01
which are not readily determinable (see Note 15).

4 MERCHANT ACTIVITIES

An analysis of the composition of Enron's merchant investments and energy assets at December 31, 2000 and 1999 is as follows:

<TABLE>
<caption>
(In millions)

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Merchant investments(a)</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>137</td>
</tr>
<tr>
<td>Energy-intensive industries</td>
<td>63</td>
</tr>
<tr>
<td>Technology-related</td>
<td>99</td>
</tr>
<tr>
<td>Other</td>
<td>302</td>
</tr>
<tr>
<td></td>
<td>601</td>
</tr>
<tr>
<td>Merchant assets(b)</td>
<td></td>
</tr>
<tr>
<td>Independent power plants</td>
<td>53</td>
</tr>
<tr>
<td>Natural gas transportation</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>89</td>
</tr>
<tr>
<td>Total</td>
<td>690</td>
</tr>
</tbody>
</table>
</caption>
</TABLE>

<a>FN</a>

(a) Investments are recorded at fair value in "Other Assets" with changes in fair value reflected in "Other Revenues."
(b) Amounts represent Enron's investment in unconsolidated equity affiliates with operating earnings reflected in "Equity in Earnings of Unconsolidated Equity Affiliates."

Enron provides capital primarily to energy and technology-related businesses seeking debt or equity financing. The merchant investments made by Enron and certain of its unconsolidated affiliates (see Note 9) are carried at fair value and include public and private equity, government securities with maturities of more than 90 days, debt and interests in limited partnerships. The valuation methodologies utilize market values of publicly-traded securities, independent appraisals and cash flow analyses.

Also included in Enron's wholesale business are investments in merchant assets such as power plants and natural gas pipelines, primarily held through equity method investments. Some of these assets were developed, constructed and operated by Enron. The merchant assets are not expected to be long-term, integrated components of Enron's energy networks.

For the years ended December 31, 2000, 1999 and 1998, respectively, pre-tax gains from sales of merchant assets and investments totaling $104 million, $756 million and $628 million are included in "Other Revenues," and proceeds were $1,838 million, $2,217 million and $1,434 million.

5 INCOME TAXES

The components of income before income taxes are as follows:

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt

10/30/01
Total income tax expense is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$640</td>
<td>$357</td>
<td>$197</td>
</tr>
<tr>
<td>Foreign</td>
<td>773</td>
<td>771</td>
<td>681</td>
</tr>
<tr>
<td></td>
<td>$1,413</td>
<td>$1,128</td>
<td>$878</td>
</tr>
</tbody>
</table>

Payable currently

|                      |  |  |  |
|----------------------| | | |
| Federal              | $112 | $29 | $30 |
| State                | 22  | 6   | 8   |
| Foreign              | 93  | 48  | 50  |
|                      | 227 | 83  | 88  |

Payment deferred

|                      |  |  |  |
|----------------------| | | |
| Federal              | 13  | (159) | (14) |
| State                | 14  | 23   | 11   |
| Foreign              | 180 | 157  | 90   |
|                      | 207 | 21   | 87   |

Total income tax expense(a) $434 $104 $175

(a) See Note 11 for tax benefits related to stock options exercised by employees reflected in shareholders' equity.

The differences between taxes computed at the U.S. federal statutory tax rate and Enron's effective income tax rate are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory federal income tax provision</td>
<td>35.0%</td>
<td>35.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Net state income taxes</td>
<td>2.5</td>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Foreign tax rate differential</td>
<td>(2.4)</td>
<td>(7.0)</td>
<td>0.8</td>
</tr>
<tr>
<td>Equity earnings</td>
<td>5.3</td>
<td>(10.1)</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Basis and stock sale differences</td>
<td>(11.9)</td>
<td>(10.8)</td>
<td>(14.2)</td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td>1.6</td>
<td>1.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Audit settlement related to Monthly Income Preferred Shares</td>
<td>-</td>
<td>(1.8)</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>0.6</td>
<td>0.5</td>
<td>(1.0)</td>
</tr>
<tr>
<td></td>
<td>30.7%</td>
<td>9.2%</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

The principal components of Enron's net deferred income tax liability are as follows:
Deferred income tax assets

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative minimum tax credit carryforward</td>
<td>$254</td>
<td>$220</td>
</tr>
<tr>
<td>Net operating loss carryforward</td>
<td>369</td>
<td>1,302</td>
</tr>
<tr>
<td>Other</td>
<td>189</td>
<td>188</td>
</tr>
<tr>
<td>Total</td>
<td>812</td>
<td>1,710</td>
</tr>
</tbody>
</table>

Deferred income tax liabilities

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>1,813</td>
<td>1,807</td>
</tr>
<tr>
<td>Price risk management activities</td>
<td>(182)</td>
<td>1,133</td>
</tr>
<tr>
<td>Other</td>
<td>963</td>
<td>782</td>
</tr>
<tr>
<td>Total</td>
<td>2,594</td>
<td>3,722</td>
</tr>
</tbody>
</table>

Net deferred income tax liabilities(a) | $1,782| $2,012|

---

(a) Includes $138 million and $118 million in other current liabilities for 2000 and 1999, respectively.

Enron has an alternative minimum tax (AMT) credit carryforward of approximately $254 million which can be used to offset regular income taxes payable in future years. The AMT credit has an indefinite carryforward period.

Enron has a net operating loss carryforward applicable to U.S. subsidiaries of approximately $65 million, which will begin to expire in 2011. Enron has a net operating loss carryforward applicable to non-U.S. subsidiaries of approximately $1.2 billion, of which $1.0 billion can be carried forward indefinitely. The remaining $200 million expires between the years 2001 and 2010. Deferred tax assets have been recognized on the $65 million domestic loss and $1.0 billion of the foreign losses.

U.S. and foreign income taxes have been provided for earnings of foreign subsidiary companies that are expected to be remitted to the U.S. Foreign subsidiaries' cumulative undistributed earnings of approximately $1.8 billion are considered to be permanently reinvested outside the U.S. and, accordingly, no U.S. income taxes have been provided thereon. In the event of a distribution of those earnings in the form of dividends, Enron may be subject to both foreign withholding taxes and U.S. income taxes net of allowable foreign tax credits.

6 SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes and interest expense, including fees incurred on sales of accounts receivable, is as follows:

|----------------|------|------|------|

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt
<table>
<thead>
<tr>
<th></th>
<th>&lt;S&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes (net of refunds)</td>
<td>$ 62</td>
<td>$ 51</td>
<td>$ 73</td>
<td></td>
</tr>
<tr>
<td>Interest (net of amounts capitalized)</td>
<td>834</td>
<td>678</td>
<td>585</td>
<td></td>
</tr>
</tbody>
</table>

Non-Cash Activity. In 2000, Enron acquired all minority shareholders' interests in Enron Energy Services, LLC and other businesses with Enron common stock. See Note 2.

In 2000 and 1999, Enron entered into various transactions with related parties, which resulted in an exchange of assets and an increase in common stock of $171 million in 2000. See Note 16.

In 2000, a partnership in which Enron was a limited partner made a liquidating distribution to Enron resulting in a non-cash increase in current assets of $220 million, a decrease of $20 million in non-current assets and an increase in current liabilities of $160 million.

During 2000 and 1999, Enron received the rights to specific third-party fiber optic cable in exchange for the rights on specific fiber optic cable held for sale by Enron. These exchanges resulted in non-cash increases in assets of $69 million and $111 million, respectively.

During 1999, Enron issued approximately 7.6 million shares of common stock in connection with the acquisition, by an unconsolidated equity affiliate, of interests in three power plants in New Jersey.

In December 1998, Enron extinguished its 6.25% Exchangeable Notes with 10.5 million shares of EOG common stock.

7 CREDIT FACILITIES AND DEBT

Enron has credit facilities with domestic and foreign banks which provide for an aggregate of $1.4 billion in long-term committed credit, of which $150 million relates to Portland General, and $2.4 billion in short-term committed credit. Expiration dates of the committed facilities range from February 2001 to May 2005. Interest rates on borrowings are based upon the London Interbank Offered Rate, certificate of deposit rates or other short-term interest rates. Certain credit facilities contain covenants which must be met to borrow funds. Such debt covenants are not anticipated to materially restrict Enron's ability to borrow funds under such facilities. Compensating balances are not required, but Enron is required to pay a commitment or facility fee. At December 31, 2000, $290 million was outstanding under these facilities.

Enron has also entered into agreements which provide for uncommitted lines of credit totaling $420 million at December 31, 2000. The uncommitted lines have no stated expiration dates. Neither compensating balances nor commitment fees are required, as borrowings under the uncommitted credit lines are available subject to agreement by the participating banks. At December 31, 2000, no amounts were outstanding under the uncommitted lines.

In addition to borrowing from banks on a short-term basis, Enron and certain of its subsidiaries sell commercial paper to provide financing for various corporate purposes. As of December
31, 2000 and 1999, short-term borrowings of $15 million and $330 million, respectively, and long-term debt due within one year of $3,303 million and $670 million, respectively, have been reclassified as long-term debt based upon the availability of committed credit facilities with expiration dates exceeding one year and management’s intent to maintain such amounts in excess of one year. Weighted average interest rates on short-term debt outstanding at December 31, 2000 and 1999 were 6.9% and 6.4%, respectively.

Detailed information on long-term debt is as follows:

<TABLE>
<CAPTION>
(In millions)

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td></td>
<td>1999</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;C&gt;</td>
</tr>
</tbody>
</table>

Enron Corp.
- Senior debentures
  - 6.75% to 8.25% due 2005 to 2012: $262
  - Notes payable(a)
    - 7.00% exchangeable notes due 2002: 532
    - 6.40% to 9.88% due 2001 to 2028: 4,416
  - Floating rate notes due 2000 to 2005: 92
  - Other: 242

Northern Natural Gas Company
- Notes payable
  - 6.75% to 7.00% due 2005 to 2011: 500

Transwestern Pipeline Company
- Notes payable
  - 9.20% due 2004: 11

Portland General
- First mortgage bonds
  - 6.47% to 9.46% due 2000 to 2023: 328
  - Pollution control bonds
    - Various rates due 2010 to 2033: 200
  - Other: 282
  - Other: 414
- Amount reclassified from short-term debt: 1,318
- Unamortized debt discount and premium
  - (47)
  - (54)
- Total long-term debt: $8,550

<PN>
(a) Includes debt denominated in foreign currencies of approximately $955 million and $525 million, respectively, at December 31, 2000 and 1999. Enron has entered into derivative transactions to hedge interest rates and foreign currency exchange fluctuations associated with such debt. See Note 3.
</TABLE>

The indenture securing Portland General’s First Mortgage Bonds constitutes a direct first mortgage lien on substantially all electric utility property and franchises, other than expressly excepted property.

The aggregate annual maturities of long-term debt outstanding at December 31, 2000 were $2,112 million, $750 million, $852 million, $646 million and $1,592 million for 2001 through 2005, respectively.
In February 2001, Enron issued $1.25 billion zero coupon convertible senior notes that mature in 2021. The notes carry a 2.125 percent yield to maturity with an aggregate face value of $1.9 billion and may be converted, upon certain contingencies being met, into Enron common stock at an initial conversion premium of 45 percent.

8 MINORITY INTERESTS

Enron's minority interests at December 31, 2000 and 1999 include the following:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority-owned</td>
<td>$1,759</td>
<td>$1,773</td>
</tr>
<tr>
<td>limited liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>company and limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>partnerships</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elektro(a)</td>
<td>462</td>
<td>475</td>
</tr>
<tr>
<td>Other</td>
<td>193</td>
<td>182</td>
</tr>
<tr>
<td>$2,414</td>
<td>$2,430</td>
<td></td>
</tr>
</tbody>
</table>

(a) Relates to the respective parents of Elektro, which had minority shareholders in 2000 and 1999.

Enron has formed separate limited partnerships and a limited liability company with third-party investors for various purposes. These entities are included in Enron's consolidated financial statements, with the third-party investors' interests reflected in "Minority Interests" in the Consolidated Balance Sheet.

In October 2000, Enron contributed approximately $1.0 billion of net assets to a wholly-owned limited liability company. A third party contributed $500 million for a preferred membership interest in the limited liability company. The contribution by the third party was invested in highly liquid investment grade securities (including Enron notes) and short-term receivables. At December 31, 2000, the majority-owned limited liability company held net assets of $1.0 billion.

During 1999, third-party investors contributed cash and merchant investments totaling $1.0 billion to Enron-sponsored entities to invest in highly liquid investment grade securities (including Enron notes) and short-term receivables. The merchant investments, totaling $500 million, were sold prior to December 31, 1999. During 2000, Enron acquired a portion of the minority shareholder's interest for $485 million.

In 1998, Enron formed a wholly-owned limited partnership for the purpose of holding $1.6 billion of assets contributed by Enron. That partnership contributed $850 million of assets and a third party contributed $750 million to a second newly-formed limited partnership. The assets held by the wholly-owned limited partnership represent collateral for a $750 million note receivable held by the second limited partnership. In 2000 and 1999, the wholly-owned and second limited partnerships sold...
assets valued at approximately $152 million and $460 million, respectively, and invested the proceeds in Enron notes.

Absent certain defaults or other specified events, Enron has the option to acquire the minority holders' interests in these partnerships. Enron has the option to acquire the minority holders' interest in the limited liability company after November 2002. If Enron does not acquire the minority holders' interests before December 2004 through May 2009, or earlier upon certain specified events, the minority interest holders may cause the entities to liquidate their assets and dissolve.

In 2000, as part of a restructuring, Jacare Electrical Distribution Trust (Jacare) sold a 47 percent interest in Enron Brazil Power Holdings V Ltd, a subsidiary that holds its investment in Elektro, to Whitewing for approximately $460 million. See Note 9. The proceeds were used to acquire the original minority shareholder's interest in Jacare.

In 2000, Enron acquired all minority shareholders' interests in Enron Energy Services, LLC and Enron Renewable Energy Corp. See Note 2.

9 UNCONSOLIDATED EQUITY AFFILIATES

Enron's investment in and advances to unconsolidated affiliates which are accounted for by the equity method is as follows:

<TABLE>
<CAPTION>

(In millions)

<table>
<thead>
<tr>
<th></th>
<th>Voting Interest (a)</th>
<th>December 31, 2000</th>
<th>December 31, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Azurix Corp.</td>
<td>34%</td>
<td>$325</td>
<td>$762</td>
</tr>
<tr>
<td>Bridgeline Holdings</td>
<td>40%</td>
<td>229</td>
<td>-</td>
</tr>
<tr>
<td>Citrus Corp.</td>
<td>50%</td>
<td>530</td>
<td>480</td>
</tr>
<tr>
<td>Dahhol Power Company</td>
<td>50%</td>
<td>693</td>
<td>466</td>
</tr>
<tr>
<td>Joint Energy Development Investments L.P. (JEDI) (b)</td>
<td>50%</td>
<td>399</td>
<td>211</td>
</tr>
<tr>
<td>Joint Energy Development Investments II L.P. (JEDI II) (b)</td>
<td>50%</td>
<td>220</td>
<td>162</td>
</tr>
<tr>
<td>SK - Enron Co. Ltd.</td>
<td>50%</td>
<td>258</td>
<td>269</td>
</tr>
<tr>
<td>Transportadora de Gas del Sur S.A. Whitewing Associates, L.P. (b)</td>
<td>35%</td>
<td>479</td>
<td>452</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>1,603</td>
<td>1,572</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$5,294 (c)</td>
<td>$5,036 (c)</td>
</tr>
</tbody>
</table>

<FN>
(a) Certain investments have income sharing ratios which differ from Enron's voting interests.
(b) JEDI and JEDI II account for their investments at fair value. Whitewing accounts for certain of its investments at fair value. These affiliates held fair value investments totaling $1,823 million and $1,128 million, respectively, at December 31, 2000 and 1999.
(c) At December 31, 2000 and 1999, the unamortized excess of Enron's investment in unconsolidated affiliates was $182
million and $179 million, respectively, which is being amortized over the expected lives of the investments.

Enron's equity in earnings (losses) of unconsolidated equity affiliates is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Azurix Corp. (a)</td>
<td>$428</td>
<td>$23</td>
<td>$6</td>
</tr>
<tr>
<td>Citrus Corp.</td>
<td>50</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Dabhol Power Company</td>
<td>51</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>Joint Energy Development Investments L.P.</td>
<td>197</td>
<td>11</td>
<td>(45)</td>
</tr>
<tr>
<td>Joint Energy Development Investments II, L.P.</td>
<td>58</td>
<td>92</td>
<td>(4)</td>
</tr>
<tr>
<td>TNPC, Inc. (The New Power Company)</td>
<td>(60)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transportadora de Gas del Sur S.A.</td>
<td>38</td>
<td>32</td>
<td>36</td>
</tr>
<tr>
<td>Whitewing Associates, L.P.</td>
<td>58</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>123</td>
<td>87</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td>$ 87</td>
<td>$309</td>
<td>$97</td>
</tr>
</tbody>
</table>

(a) During the fourth quarter of 2000, Azurix Corp. (Azurix) impaired the carrying value of its Argentine assets, resulting in a charge of approximately $470 million. Enron's portion of the charge was $326 million.

Summarized combined financial information of Enron's unconsolidated affiliates is presented below:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance sheet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets (a)</td>
<td>$ 5,884</td>
<td>$ 3,168</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>14,786</td>
<td>14,356</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>13,485</td>
<td>9,459</td>
</tr>
<tr>
<td>Current liabilities (a)</td>
<td>4,739</td>
<td>4,401</td>
</tr>
<tr>
<td>Long-term debt (a)</td>
<td>9,717</td>
<td>8,486</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>6,148</td>
<td>2,402</td>
</tr>
<tr>
<td>Owners' equity</td>
<td>13,551</td>
<td>11,694</td>
</tr>
</tbody>
</table>

(a) Includes $410 million and $327 million receivable from Enron and $302 million and $84 million payable to Enron at December 31, 2000 and 1999, respectively.
Operating revenues $15,903  $11,568  $8,508  
Operating expenses  14,710  9,449  7,244  
Net income  586  1,157  142  
Distributions paid to Enron  137  462  87  


In 2000 and 1999, Enron sold approximately $632 million and $192 million, respectively, of merchant investments and other assets to Whitewing. Enron recognized no gains or losses in connection with these transactions. Additionally, in 2000, ECT Merchant Investments Corp., a wholly-owned Enron subsidiary, contributed two pools of merchant investments to a limited partnership that is a subsidiary of Enron. Subsequent to the contributions, the partnership issued partnership interests representing 100% of the beneficial, economic interests in the two asset pools, and such interests were sold for a total of $545 million to a limited liability company that is a subsidiary of Whitewing. See Note 3. These entities are separate legal entities from Enron and have separate assets and liabilities. In 2000 and 1999, the Related Party, as described in Note 16, contributed $33 million and $15 million, respectively, of equity to Whitewing. In 2000, Whitewing contributed $7.1 million to a partnership formed by Enron, Whitewing and a third party. Subsequently, Enron sold a portion of its interest in the partnership through a securitization. See Note 3.


From time to time, Enron has entered into various administrative service, management, construction, supply and operating agreements with its unconsolidated equity affiliates. Enron's management believes that its existing agreements and transactions are reasonable compared to those which could have been obtained from third parties.

10 PREFERRED STOCK

Preferred Stock. Enron has authorized 16,500,000 shares of preferred stock, no par value. At December 31, 2000, Enron had outstanding 1,240,933 shares of Cumulative Second Preferred Convertible Stock (the Convertible Preferred Stock), no par value. The Convertible Preferred Stock pays dividends at an amount equal to the higher of $10.50 per share or the equivalent dividend that would be paid if shares of the Convertible Preferred Stock were converted to common stock. Each share of the Convertible Preferred Stock is convertible at any time at the option of the holder thereof into 27.304 shares of Enron's common stock, subject to certain adjustments. The Convertible Preferred Stock is currently subject to redemption at Enron's option at a price of $100 per share plus accrued dividends. During 2000, 1999 and 1998, 55,251 shares, 23,664 shares and 17,797 shares, respectively, of the Convertible Preferred Stock were converted into common stock.
In 1999, all outstanding shares of Series A Preferred Stock held by Whitewing were exchanged for 250,000 shares of Enron Mandatorily Convertible Junior Preferred Stock, Series B (Series B Preferred Stock). Also in 1999, Enron entered into a Share Settlement Agreement under which Enron could be obligated, under certain circumstances, to deliver additional shares of common stock or Series B Preferred Stock to Whitewing for the amount that the market price of the converted Enron common shares is less than $28 per share. In 2000, Enron increased the strike price in the Share Settlement Agreement to $48.55 per share in exchange for an additional capital contribution in Whitewing by third-party investors. The number of shares of Series B Preferred Stock authorized equals the number of shares necessary to satisfy Enron’s obligation under the Share Settlement Agreement. Absent certain defaults or other specified events, Enron has the option to acquire the third-party investors' interests. If Enron does not acquire the third-party investors' interests before January 2003, or earlier upon certain specified events, Whitewing may liquidate its assets and dissolve. At December 31, 2000, Enron had outstanding 250,000 shares of Series B Preferred Stock with a liquidation value of $1.0 billion. The Series B Preferred Stock pays semi-annual cash dividends at an annual rate of 6.50%. Each share of Series B Preferred Stock is mandatorily convertible into 200 shares of Enron common stock on January 15, 2003 or earlier upon the occurrence of certain events.

In connection with the 1998 financial restructuring (yielding proceeds of approximately $1.2 billion) of Enron’s investment in Azurix, Enron committed to cause the sale of Enron convertible preferred stock, if certain debt obligations of the related entity which acquired an interest in Azurix, are defaulted upon, or in certain events, including, among other things, Enron’s credit ratings fall below specified levels. If the sale of the convertible preferred stock is not sufficient to retire such obligations, Enron would be liable for the shortfall. Such obligations will mature in December 2001. The number of common shares issuable upon conversion is based on future common stock prices.

Company-Obligated Preferred Securities of Subsidiaries.
Summarized information for Enron's company-obligated preferred securities of subsidiaries is as follows:

<table>
<thead>
<tr>
<th>(In millions, except per share amounts and shares)</th>
<th>December 31, 2000</th>
<th>Liquidation Value Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enron Capital LLC</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>8% Cumulative Guaranteed Monthly Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred Shares (8,550,000 shares)(a)</td>
<td>$ 214</td>
<td>$ 214</td>
</tr>
<tr>
<td>Enron Capital Trust I 8.3% Trust Originated</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Preferred Securities (8,000,000 preferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>securities)(a)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt 10/30/01

002000000000781
8 1/8% Trust Originated Preferred Securities  
(6,000,000 preferred securities)(a)  
150 150 25

Enron Capital Trust III  
Adjustable-Rate Capital Trust Securities  
(200,000 preferred securities)  
- 200 1,000

LNG Power II L.L.C.  
6.74% Preference Units (105,000 shares)(b)  
105 - 1,000

Enron Equity Corp.  
8.57% Preferred Stock (880 shares)(a)  
88 88 100,000
7.39% Preferred Stock (150 shares)(a)(c)  
15 15 100,000

Enron Capital Resources, L.P.  
9% Cumulative Preferred Securities, Series A  
(3,000,000 preferred securities)(a)  
75 75 25

Other  
57 58

$ 904 $1,000

<FN>
(a) Redeemable under certain circumstances after specified dates.  
(b) Initial rate is 6.74% increasing to 7.79%.  
(c) mandatorily redeemable in 2006.  
</TABLE>

11 COMMON STOCK

Earnings Per Share. The computation of basic and diluted earnings per share is as follows:

<TABLE>
<CAPTION>
(In millions, except per share amounts)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Numerator:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
</tr>
<tr>
<td>Income before cumulative effect of accounting changes</td>
</tr>
<tr>
<td>Preferred stock dividends:</td>
</tr>
<tr>
<td>Second Preferred Stock</td>
</tr>
<tr>
<td>Series A Preferred Stock</td>
</tr>
<tr>
<td>Series B Preferred Stock</td>
</tr>
<tr>
<td>Income available to common shareholders before cumulative effect of accounting changes</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
</tr>
<tr>
<td>Income available to common shareholders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income available to common shareholders before cumulative effect of accounting changes</td>
</tr>
<tr>
<td>Effect of assumed conversion of dilutive securities(a):</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt  
10/30/01
Second Preferred Stock 17 17 17
Income before cumulative effect 913 975 703
of accounting changes
Cumulative effect of accounting - (131) -
changes
Income available to common share- $913 $844 $703
holders after assumed conversions

Denominator:
Denominator for basic earnings per 736 705 642
share - weighted-average shares
Effect of dilutive securities:
Preferred stock 35 36 36
Stock options 43 28 17
Dilutive potential common shares 78 64 53
Denominator for diluted earnings per 814 769 695
share - adjusted weighted-average
shares and assumed conversions

Basic earnings per share:
Before cumulative effect of accounting $1.22 $1.36 $1.07
changes
Cumulative effect of accounting changes - (0.19) -
Basic earnings per share $1.22 $1.17 $1.07

Diluted earnings per share
Before cumulative effect of accounting $1.12 $1.27 $1.01
changes
Cumulative effect of accounting changes - (0.17) -
Diluted earnings per share $1.12 $1.10 $1.01

<FN>
(a) The Series A Preferred Stock and the Series B Preferred
Stock were not included in the calculation of diluted earnings
per share because conversion of these shares would be
antidilutive.
</TABLE>

Derivative Instruments. At December 31, 2000, Enron had
derivative instruments (excluding amounts disclosed in Note 10)
on 54.8 million shares of Enron common stock, of which
approximately 12 million shares are with JEDI and 22.5 million
shares are with related parties (see Note 16), at an average
price of $67.92 per share on which Enron was a fixed price
payor. Shares potentially deliverable to counterparties under the
contracts are assumed to be outstanding in calculating diluted
earnings per share unless they are antidilutive. At December 31,
2000, there were outstanding non-employee options to purchase 6.4 million
shares of Enron common stock at an exercise price of $19.59 per
share.

Stock Option Plans. Enron applies Accounting Principles Board
(APB) Opinion 25 and related interpretations in accounting for
its stock option plans. In accordance with APB Opinion 25, no
compensation expense has been recognized for the fixed stock
option plans. Compensation expense charged against income for
the restricted stock plan for 2000, 1999 and 1998 was $220
million, $131 million and $58 million, respectively. Had
compensation cost for Enron's stock option compensation plans
been determined based on the fair value at the grant dates for
awards under those plans, Enron's net income and earnings per
share would have been $886 million ($1.09 per share basic, $1.01
per share diluted) in 2000, $827 million ($1.08 per share basic,
$1.01 per share diluted) in 1999 and $674 million ($1.02 per share basic, $0.97 per share diluted) in 1998.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with weighted-average assumptions for grants in 2000, 1999 and 1998, respectively: (i) dividend yield of 2.4%, 2.4% and 2.5%; (ii) expected volatility of 22.3%, 20.0% and 18.3%; (iii) risk-free interest rates of 5.8%, 5.6% and 5.0%; and (iv) expected lives of 3.2 years, 3.7 years and 3.8 years.

Enron has four fixed option plans (the Plans) under which options for shares of Enron's common stock have been or may be granted to officers, employees and non-employee members of the Board of Directors. Options granted may be either incentive stock options or non-qualified stock options and are granted at not less than the fair market value of the stock at the time of grant. Under the Plans, Enron may grant options with a maximum term of 10 years. Options vest under varying schedules.

Summarized information for Enron's Plans is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Shares in thousands)</td>
<td>Shares</td>
<td>Weighted Average</td>
<td>Exercise Price</td>
</tr>
<tr>
<td><strong>Outstanding, beginning of year</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding</td>
<td>93,531</td>
<td>$26.74</td>
<td>79,604</td>
</tr>
<tr>
<td>Granted</td>
<td>39,167</td>
<td>70.02</td>
<td>35,118</td>
</tr>
<tr>
<td>Exercised (a)</td>
<td>(32,235)</td>
<td>24.43</td>
<td>(19,705)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(4,358)</td>
<td>35.68</td>
<td>(1,465)</td>
</tr>
<tr>
<td>Expired</td>
<td>(42)</td>
<td>23.75</td>
<td>(21)</td>
</tr>
<tr>
<td><strong>Outstanding, end of year</strong></td>
<td>96,063</td>
<td>$44.24</td>
<td>93,531</td>
</tr>
<tr>
<td>Exercisable, end of year</td>
<td>46,755</td>
<td>$29.85</td>
<td>52,803</td>
</tr>
<tr>
<td>Available for grant, end of year (b)</td>
<td>22,066</td>
<td>24.864</td>
<td>10,498</td>
</tr>
<tr>
<td>Weighted average fair value of options granted</td>
<td>$13.35</td>
<td>$ 7.24</td>
<td>4.20</td>
</tr>
</tbody>
</table>

(a) In 2000, Enron recorded tax benefits related to stock options exercised by employees of approximately $390 million reflected in shareholders' equity.
(b) Includes up to 20,707,959 shares, 22,140,962 shares and 10,457,670 shares as of December 31, 2000, 1999 and 1998, respectively, which may be issued either as restricted stock or pursuant to stock options.

The following table summarizes information about stock options outstanding at December 31, 2000 (shares in thousands):

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/cnc8-k.txt 10/30/01
Restricted Stock Plan. Under Enron's Restricted Stock Plan, participants may be granted stock without cost to the participant. The shares granted under this plan vest to the participants at various times ranging from immediate vesting to vesting at the end of a five-year period. Upon vesting, the shares are released to the participants. The following summarizes shares of restricted stock under this plan:

<table>
<thead>
<tr>
<th>Range of Exercise Prices</th>
<th>Number Outstanding at 12/31/00</th>
<th>Weighted Average Remaining Contractual Life</th>
<th>Weighted Average Exercise Price</th>
<th>Number Exercisable at 12/31/00</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 6.88 to $20.00</td>
<td>15,368</td>
<td>4.7</td>
<td>$16.72</td>
<td>14,001</td>
<td>$16.54</td>
</tr>
<tr>
<td>20.06 to 34.81</td>
<td>24,091</td>
<td>6.8</td>
<td>24.79</td>
<td>18,304</td>
<td>24.13</td>
</tr>
<tr>
<td>35.03 to 47.31</td>
<td>21,520</td>
<td>6.8</td>
<td>40.52</td>
<td>8,731</td>
<td>40.27</td>
</tr>
<tr>
<td>50.48 to 69.00</td>
<td>13,965</td>
<td>6.5</td>
<td>60.18</td>
<td>4,072</td>
<td>61.81</td>
</tr>
<tr>
<td>71.06 to 86.63</td>
<td>21,119</td>
<td>5.6</td>
<td>79.69</td>
<td>1,647</td>
<td>72.36</td>
</tr>
<tr>
<td></td>
<td>96,063</td>
<td>6.2</td>
<td>$44.24</td>
<td>46,755</td>
<td>$29.85</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shares in thousands</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, beginning of year</td>
<td>6,781</td>
<td>6,034</td>
<td>5,074</td>
</tr>
<tr>
<td>Granted</td>
<td>2,243</td>
<td>2,672</td>
<td>2,122</td>
</tr>
<tr>
<td>Released to participants</td>
<td>(2,201)</td>
<td>(1,702)</td>
<td>(1,064)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(1,444)</td>
<td>(223)</td>
<td>(98)</td>
</tr>
<tr>
<td>Outstanding, end of year</td>
<td>5,379</td>
<td>6,781</td>
<td>6,034</td>
</tr>
<tr>
<td>Available for grant, end of year</td>
<td>20,708</td>
<td>22,141</td>
<td>10,498</td>
</tr>
<tr>
<td>Weighted average fair value of restricted stock granted</td>
<td>$57.69</td>
<td>$37.38</td>
<td>$23.70</td>
</tr>
</tbody>
</table>

12 PENSION AND OTHER BENEFITS

Enron maintains a retirement plan (the Enron Plan) which is a noncontributory defined benefit plan covering substantially all employees in the United States and certain employees in foreign countries. The benefit accrual is in the form of a cash balance of 5% of annual base pay.

Portland General has a noncontributory defined benefit pension plan (the Portland General Plan) covering substantially all of its employees. Benefits under the Portland General Plan are based on years of service, final average pay and covered compensation.

Enron Facility Services has a noncontributory defined benefit pension plan (the EPS Plan) covering substantially all of its employees. Benefits under the EPS Plan are based on years of service, final average pay and covered compensation.
Enron also maintains a noncontributory employee stock ownership plan (ESOP) which covers all eligible employees. Allocations to individual employees' retirement accounts within the ESOP offset a portion of benefits earned under the Enron Plan. All shares included in the ESOP have been allocated to the employee accounts. At December 31, 2000 and 1999, 12,600,271 shares and 17,241,731 shares, respectively, of Enron common stock were held by the ESOP, a portion of which may be used to offset benefits under the Enron Plan.

Assets of the Enron Plan, the Portland General Plan and the BFS Plan are comprised primarily of equity securities, fixed income securities and temporary cash investments. It is Enron's policy to fund all pension costs accrued to the extent required by federal tax regulations.

Enron provides certain postretirement medical, life insurance and dental benefits to eligible employees and their eligible dependents. Benefits are provided under the provisions of contributory defined dollar benefit plans. Enron is currently funding that portion of its obligations under these postretirement benefit plans which are expected to be recoverable through rates by its regulated pipelines and electric utility operations.

Enron accredits these postretirement benefit costs over the service lives of the employees expected to be eligible to receive such benefits. Enron is amortizing the transition obligation which existed at January 1, 1993 over a period of approximately 19 years.

The following table sets forth information related to changes in the benefit obligations, changes in plan assets, a reconciliation of the funded status of the plans and components of the expense recognized related to Enron's pension and other postretirement plans:

<table>
<thead>
<tr>
<th>TABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPTION</td>
</tr>
<tr>
<td>(In millions)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Change in benefit obligation</td>
</tr>
<tr>
<td>Benefit obligation, beginning of year</td>
</tr>
<tr>
<td>Service cost</td>
</tr>
<tr>
<td>Interest cost</td>
</tr>
<tr>
<td>Plan participants' contributions</td>
</tr>
<tr>
<td>Plan amendments</td>
</tr>
<tr>
<td>Actuarial loss (gain)</td>
</tr>
<tr>
<td>Acquisitions and disinvestitures</td>
</tr>
<tr>
<td>Effect of curtailment and settlements(a)</td>
</tr>
<tr>
<td>Benefits paid</td>
</tr>
<tr>
<td>Benefit obligation, end of year</td>
</tr>
<tr>
<td>Change in plan assets</td>
</tr>
<tr>
<td>Fair value of plan assets, beginning of year(b)</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
</tr>
<tr>
<td>Acquisitions and disinvestitures</td>
</tr>
<tr>
<td>Employer contribution</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/0000990928101500005/cenc8-k.txt 10/30/01

00200000000786
| Plan participants' contributions | -    | -   | 4    | 3    |
| Benefits paid                    | (55) | (43) | (11)  | (8)  |
| Fair value of plan assets, end of year | $858 | $853 | $64   | $68  |
| Reconciliation of funded status, end of year | $112 | $145 | $(60)  | $(52) |
| Funded status, end of year       | (6)  | (13) | 44    | 48   |
| Unrecognized transition obligation (asset) | 25   | 32   | 12    | 14   |
| Unrecognized prior service cost   | 55   | 11   | (17)  | (29) |
| Unrecognized net actuarial loss (gain) | $186 | $175 | $(21) | $(19) |
| Prepaid (accrued) benefit cost   | 7.75% | 7.75% | 7.75% | 7.75% |
| Weighted-average assumptions at December 31 | (c)  | (d)  | (e)   | (f)  |
| Expected return on plan assets (pre-tax) | 33   | 32   | 2     | 2    |
| Rate of compensation increase     | 53   | 49   | 10    | 9    |
| Components of net periodic benefit cost | (75) | (70) | (4)   | (4)  |
| Service cost                      | 5    | 6    | 4     | 4    |
| Interest cost                     | 5    | 5    | 1     | 1    |
| Amortization of transition obligation (asset) | -    | 3    | (1)   | -    |
| Amortization of prior service cost | -    | (6)  | -     | -    |
| Recognized net actuarial loss (gain) | -    | -    | -     | -    |
| Effect of curtailment and settlements(a) | 10   | 7    | 12    | 10   |

**<FN>**

(a) Represents one-time nonrecurring events including the exchange and sale of EOG (see Note 2) and certain employees ceasing participation in the Portland General Plan as a result of union negotiations.

(b) Includes plan assets of the ESOP of $116 million and $121 million at December 31, 2000 and 1999, respectively.

(c) Long-term rate of return on assets is assumed to be 10.5% for the Enron Plan, 9.0% for the Portland General Plan and 9.5% for the EFS Plan.

(d) Long-term rate of return on assets is assumed to be 7.5% for the Enron assets and 9.5% for the Portland General assets.

(e) Rate of compensation increase is assumed to be 4.0% for the Enron Plan, 4.0% to 9.5% for the Portland General Plan and 5.0% for the EFS Plan.

**</TABLE>**

Included in the above amounts are the unfunded obligations for the supplemental executive retirement plans. At both December 31, 2000 and 1999, the projected benefit obligation for these unfunded plans was $56 million and the fair value of assets was $1 million.

The measurement date of the Enron Plan and the ESOP is September 30, and the measurement date of the Portland General Plan, the EFS Plan and the postretirement benefit plans is December 31. The funded status as of the valuation date of the Enron Plan, the Portland General Plan, the ESOP and the postretirement benefit plans reconciles with the amount detailed above which is included in "Other Assets" on the Consolidated Balance Sheet.

For measurement purposes, 6% and 10% annual rates of increase in the per capita cost of covered health care benefits were assumed for the period 2000 to 2001 for the Enron and Portland General postretirement plans, respectively. The rates were assumed to decrease to 5% by 2002 and 2010 for the Enron and Portland

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt 10/30/01

00200000000787
General postretirement plans, respectively. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

<table>
<thead>
<tr>
<th></th>
<th>1-Percentage Point Increase</th>
<th>1-Percentage Point Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on total of service and interest cost components</td>
<td>$0.4</td>
<td>$(0.3)</td>
</tr>
<tr>
<td>Effect on postretirement benefit obligation</td>
<td>$4.4</td>
<td>$(3.8)</td>
</tr>
</tbody>
</table>

Additionally, certain Enron subsidiaries maintain various incentive based compensation plans for which participants may receive a combination of cash or stock options, based upon the achievement of certain performance goals.

13 RATES AND REGULATORY ISSUES

Rates and regulatory issues related to certain of Enron's natural gas pipelines and its electric utility operations are subject to final determination by various regulatory agencies. The domestic interstate pipeline operations are regulated by the Federal Energy Regulatory Commission (FERC) and the electric utility operations are regulated by the FERC and the Oregon Public Utility Commission (OPUC). As a result, these operations are subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," which recognizes the economic effects of regulation and, accordingly, Enron has recorded regulatory assets and liabilities related to such operations.

The regulated pipelines operations' net regulatory assets were $290 million and $250 million at December 31, 2000 and 1999, respectively, and are expected to be recovered over varying time periods.

The electric utility operations' net regulatory assets were $450 million and $494 million at December 31, 2000 and 1999, respectively. Based on rates in place at December 31, 2000, Enron estimates that it will collect substantially all of its regulatory assets within the next 11 years.

Pipeline Operations. On April 16, 1999, Northern Natural Gas Company (Northern) filed an uncontested Stipulation and Agreement of Settlement (Settlement) with the FERC and an order approving the Settlement was issued by the FERC on June 18, 1999. The rates effectuated by Northern on November 1, 1999 remain in effect. On May 1, 2000, Northern filed to implement an optional volumetric firm throughput service. An order approving such service was issued November 8, 2000 with effectiveness November 1, 2000; a rehearing request is pending. On November 1, 2000, Northern filed to increase its rates for the recovery of return and taxes on its System Levelized Account. On November 22, 2000, the FERC issued an order approving the rates, subject to refund.
On November 1, 2000, Transwestern Pipeline Company implemented a rate escalation of settled transportation rates in accordance with its May 1995 global settlement, as amended in May 1996. On August 23, 1999, Transwestern filed for a new service, Enhanced Firm Backhaul. An order by the FERC was issued February 23, 2000, approving the service.

Electric Utility Operations. On October 2, 2000 PGE filed a restructuring plan with the OPUC that implements the provisions of the State Senate Bill SB1149, signed into law in July 1999. The new law provides industrial and commercial customers of investor-owned utilities in the state direct access to competing energy suppliers by October 1, 2001. As filed, PGE's plan also proposes an increase in base rates, with new tariffs effective on October 1, 2001. PGE is a 67.5% owner of the Trojan Nuclear Plant (Trojan). In September 2000, PGE entered into an agreement with the OPUC related to Trojan. See Note 14. At December 31, 2000, PGE's regulatory asset related to recovery of Trojan decommissioning costs from customers was $190 million.

Enron believes, based upon its experience to date and after considering appropriate reserves that have been established, that the ultimate resolution of pending regulatory matters will not have a material impact on Enron's financial position or results of operations.

14 LITIGATION AND OTHER CONTINGENCIES

Enron is a party to various claims and litigation, the significant items of which are discussed below. Although no assurances can be given, Enron believes, based on its experience to date and after considering appropriate reserves that have been established, that the ultimate resolution of such items, individually or in the aggregate, will not have a material adverse impact on Enron's financial position or results of operations.

Litigation. In 1995, several parties (the Plaintiffs) filed suit in Harris County District Court in Houston, Texas, against Intratex Gas Company (Intratex), Houston Pipe Line Company and Panhandle Gas Company (collectively, the Enron Defendants), each of which is a wholly-owned subsidiary of Enron. The Plaintiffs were either sellers or royalty owners under numerous gas purchase contracts with Intratex, many of which have terminated. Early in 1996, the case was severed by the Court into two matters to be tried (or otherwise resolved) separately. In the first matter, the Plaintiffs alleged that the Enron Defendants committed fraud and negligent misrepresentation in connection with the "Panhandle program," a special marketing program established in the early 1980s. This case was tried in October 1996 and resulted in a verdict for the Enron Defendants. In the second matter, the Plaintiffs allege that the Enron Defendants violated state regulatory requirements and certain gas purchase contracts by failing to take the Plaintiffs' gas ratably with other producers' gas at certain times between 1978 and 1988. The trial court certified a class action with respect to ratability claims. On March 9, 2000, the Texas Supreme Court ruled that the trial court's class certification was improper and remanded the case to the trial court. The Enron Defendants deny the Plaintiffs'
claims and have asserted various affirmative defenses, including the statute of limitations. The Enron Defendants believe that they have strong legal and factual defenses, and intend to vigorously contest the claims. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

On November 21, 1996, an explosion occurred in or around the Humberto Vidal Building in San Juan, Puerto Rico. The explosion resulted in fatalities, bodily injuries and damage to the building and surrounding property. San Juan Gas Company, Inc. (San Juan Gas), an Enron affiliate, operated a propane/air distribution system in the vicinity, but did not provide service to the building. Enron, San Juan Gas, four affiliates and their insurance carriers were named as defendants, along with several third parties, including The Puerto Rico Aqueduct and Sewer Authority, Puerto Rico Telephone Company, Heath Consultants Incorporated, Humberto Vidal, Inc. and their insurance carriers, in numerous lawsuits filed in U.S. District Court for the District of Puerto Rico and the Superior Court of Puerto Rico. These suits seek damages for wrongful death, personal injury, business interruption and property damage allegedly caused by the explosion. After nearly four years without determining the cause of the explosion, all parties have agreed not to litigate further that issue, but to move these suits toward settlements or trials to determine whether each plaintiff was injured as a result of the explosion and, if so, the lawful damages attributable to such injury. The defendants have agreed on a fund for settlements or final awards. Numerous claims have been settled. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Trojan Investment Recovery. In early 1993, PGE ceased commercial operation of the Trojan nuclear power generating facility. The OPUC granted PGE, through a general rate order, recovery of, and a return on, 87 percent of its remaining investment in Trojan.

The OPUC's general rate order related to Trojan has been subject to litigation in various state courts, including rulings by the Oregon Court of Appeals and petitions to the Oregon Supreme Court filed by parties opposed to the OPUC's order, including the Utility Reform Project (URP) and the Citizens Utility Board (CUB).

In August 2000, PGE entered into agreements with CUB and the staff of the OPUC to settle the litigation related to PGE's recovery of its investment in the Trojan plant. Under the agreements, CUB agreed to withdraw from the litigation and to support the settlement as the means to resolve the Trojan litigation. The OPUC approved the accounting and ratemaking elements of the settlement on September 29, 2000. As a result of these approvals, PGE's investment in Trojan is no longer included in rates charged to customers, either through a return on or a return of that investment. Collection of ongoing decommissioning costs at Trojan is not affected by the settlement agreements or the September 29, 2000 OPUC order. With CUB's withdrawal, URP is the one remaining significant adverse party in the litigation. URP has indicated that it plans to continue to challenge the OPUC
order allowing PGE recovery of its investment in Trojan.

Enron cannot predict the outcome of these actions. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Environmental Matters. Enron is subject to extensive federal, state and local environmental laws and regulations. These laws and regulations require expenditures in connection with the construction of new facilities, the operation of existing facilities and for remediation at various operating sites. The implementation of the Clean Air Act Amendments is expected to result in increased operating expenses. These increased operating expenses are not expected to have a material impact on Enron's financial position or results of operations.

Enron's natural gas pipeline companies conduct soil and groundwater remediation on a number of their facilities. Enron does not expect to incur material expenditures in connection with soil and groundwater remediation.

15 COMMITMENTS

Firm Transportation Obligations. Enron has firm transportation agreements with various joint venture and other pipelines. Under these agreements, Enron must make specified minimum payments each month. At December 31, 2000, the estimated aggregate amounts of such required future payments were $91 million, $88 million, $89 million, $85 million and $77 million for 2001 through 2005, respectively, and $447 million for later years.

The costs recognized under firm transportation agreements, including commodity charges on actual quantities shipped, totaled $68 million, $55 million and $30 million in 2000, 1999 and 1998, respectively.

Other Commitments. Enron leases property, operating facilities and equipment under various operating leases, certain of which contain renewal and purchase options and residual value guarantees. Future commitments related to these items at December 31, 2000 were $123 million, $98 million, $69 million, $66 million and $49 million for 2001 through 2005, respectively, and $359 million for later years. Guarantees under the leases total $556 million at December 31, 2000.

Total rent expense incurred during 2000, 1999 and 1998 was $143 million, $143 million and $147 million, respectively.

Enron has entered into two development agreements whereby Enron is required to manage construction of a certain number of power projects on behalf of third party owners. Under one development agreement, where construction is expected to be completed on or before March 31, 2004, Enron has agreed to enter into power offtake agreements for varying portions of the offtake from each facility. Under both development agreements, Enron maintains purchase options, which may be assigned to a third party. In addition to the purchase option under the development agreement, Enron maintains lease options on the power projects.
If upon completion, which is expected to occur on or before August 31, 2002, Enron has failed to exercise one of its options, Enron may participate in the remarketing of the power projects which Enron has guaranteed the recovery of 89.9 percent of certain project costs, of which approximately $140 million has been incurred through December 31, 2000.

Enron guarantees the performance of certain of its unconsolidated equity affiliates in connection with letters of credit issued on behalf of those entities. At December 31, 2000, a total of $264 million of such guarantees were outstanding, including $103 million on behalf of EOTT Energy Partners, L.P. (EOTT). In addition, Enron is a guarantor on certain liabilities of unconsolidated equity affiliates and other companies totaling approximately $1,863 million at December 31, 2000, including $538 million related to EOTT trade obligations. The EOTT letters of credit and guarantees of trade obligations are secured by the assets of EOTT. Enron has also guaranteed $386 million in lease obligations for which it has been indemnified by an "Investment Grade" company. Management does not consider it likely that Enron would be required to perform or otherwise incur any losses associated with the above guarantees. In addition, certain commitments have been made related to capital expenditures and equity investments planned in 2001.

On December 15, 2000, Enron announced that it had entered into an agreement with Azurix under which the holders of Azurix's approximately 39 million publicly traded shares would receive cash of $8.375 in exchange for each share. The agreement, which is subject to the approval of Azurix shareholders, is expected to close in early 2001.

16 RELATED PARTY TRANSACTIONS

In 2000 and 1999, Enron entered into transactions with limited partnerships (the Related Party) whose general partner's managing member is a senior officer of Enron. The limited partners of the Related Party are unrelated to Enron. Management believes that the terms of the transactions with the Related Party were reasonable compared to those which could have been negotiated with unrelated third parties.

In 2000, Enron entered into transactions with the Related Party to hedge certain merchant investments and other assets. As part of the transactions, Enron (i) contributed to newly-formed entities (the Entities) assets valued at approximately $1.2 billion, including $150 million in Enron notes payable, 3.7 million restricted shares of outstanding Enron common stock and the right to receive up to 18.0 million shares of outstanding Enron common stock in March 2003 (subject to certain conditions) and (ii) transferred to the Entities assets valued at approximately $309 million, including a $50 million note payable and an investment in an entity that indirectly holds warrants convertible into common stock of an Enron equity method investee. In return, Enron received economic interests in the Entities, $309 million in notes receivable, of which $259 million is recorded at Enron's carryover basis of zero, and a special distribution from the Entities in the form of $1.2 billion in notes receivable, subject to changes in the principal for amounts payable by Enron in connection with the execution of additional
derivative instruments. Cash in these Entities of $172.6 million is invested in Enron demand notes. In addition, Enron paid $123 million to purchase share-settled options from the Entities on 21.7 million shares of Enron common stock. The Entities paid Enron $10.7 million to terminate the share-settled options on 14.6 million shares of Enron common stock outstanding. In late 2000, Enron entered into share-settled collar arrangements with the Entities on 15.4 million shares of Enron common stock. Such arrangements will be accounted for as equity transactions when settled.

In 2000, Enron entered into derivative transactions with the Entities with a combined notional amount of approximately $2.1 billion to hedge certain merchant investments and other assets. Enron's notes receivable balance was reduced by $26 million as a result of premiums owed on derivative transactions. Enron recognized revenues of approximately $500 million related to the subsequent change in the market value of these derivatives, which offset market value changes of certain merchant investments and price risk management activities. In addition, Enron recognized $44.5 million and $24.1 million of interest income and interest expense, respectively, on the notes receivable from and payable to the Entities.

In 1999, Enron entered into a series of transactions involving a third party and the Related Party. The effect of the transactions was (i) Enron and the third party amended certain forward contracts to purchase shares of Enron common stock, resulting in Enron having forward contracts to purchase Enron common shares at the market price on that day, (ii) the Related Party received 6.8 million shares of Enron common stock subject to certain restrictions and (iii) Enron received a note receivable, which was repaid in December 1999, and certain financial instruments hedging an investment held by Enron. Enron recorded the assets received and equity issued at estimated fair value. In connection with the transactions, the Related Party agreed that the senior officer of Enron would have no pecuniary interest in such Enron common shares and would be restricted from voting on matters related to such shares. In 2000, Enron and the Related Party entered into an agreement to terminate certain financial instruments that had been entered into during 1999. In connection with this agreement, Enron received approximately 3.1 million shares of Enron common stock held by the Related Party. A put option, which was originally entered into in the first quarter of 2000 and gave the Related Party the right to sell shares of Enron common stock to Enron at a strike price of $71.31 per share, was terminated under this agreement. In return, Enron paid approximately $26.8 million to the Related Party.

In 2000, Enron sold a portion of its dark fiber inventory to the Related Party in exchange for $30 million cash and a $70 million note receivable that was subsequently repaid. Enron recognized gross margin of $67 million on the sale.

In 2000, the Related Party acquired, through securitizations, approximately $35 million of merchant investments from Enron. In addition, Enron and the Related Party formed partnerships in which Enron contributed cash and assets and the Related Party contributed $17.5 million in cash. Subsequently, Enron sold a
portion of its interests in the partnerships through securitizations. See Note 3. Also, Enron contributed a put option to a trust in which the Related Party and Whitewing hold equity and debt interests. At December 31, 2000, the fair value of the put option was a $36 million loss to Enron.

In 1999, the Related Party acquired approximately $371 million, merchant assets and investments and other assets from Enron. Enron recognized pre-tax gains of approximately $16 million related to these transactions. The Related Party also entered into an agreement to acquire Enron's interests in an unconsolidated equity affiliate for approximately $34 million.

17 ASSET IMPAIRMENT

In 1999, continued significant changes in state and federal rules regarding the use of MTBE as a gasoline additive have significantly impacted Enron's view of the future prospects for this business. As a result, Enron completed a reevaluation of its position and strategy with respect to its operated MTBE assets which resulted in (i) the purchase of certain previously-leased MTBE related assets, under provisions within the lease, in order to facilitate future actions, including the potential disposal of such assets and (ii) a review of all MTBE-related assets for impairment considering the recent adverse changes and their impact on recoverability. Based on this review and disposal discussions with market participants, in 1999, Enron recorded a $441 million pre-tax charge for the impairment of its MTBE-related assets.

18 ACCOUNTING PRONOUNCEMENTS

Cumulative Effect of Accounting Changes. In 1999, Enron recorded an after-tax charge of $131 million to reflect the initial adoption (as of January 1, 1999) of two new accounting pronouncements, the AICPA Statement of Position 96-5 (SOP 96-5), "Reporting on the Costs of Start-Up Activities" and the Emerging Issues Task Force Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The 1999 charge was primarily related to the adoption of SOP 96-5.

Recently Issued Accounting Pronouncements. In 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 must be applied to all derivative instruments and certain derivative instruments embedded in hybrid instruments and requires that such instruments be recorded in the balance sheet either as an asset or liability measured at its fair value through earnings, with special accounting allowed for certain qualifying hedges. Enron will adopt SFAS No. 133 as of January 1, 2001. Due to the adoption of SFAS No. 133, Enron will recognize an after-tax non-cash loss of approximately $5 million in earnings and an after-tax non-cash gain in "Other Comprehensive Income," a component of shareholders' equity, of approximately $22 million from the cumulative effect of a change in accounting principle. Enron will also reclassify $532 million from "Long-Term Debt" to "Other Liabilities" due to the adoption.
The total impact of Enron's adoption of SFAS No. 133 on earnings and on "Other Comprehensive Income" is dependent upon certain pending interpretations, which are currently under consideration, including those related to "normal purchases and normal sales" and inflation escalators included in certain contract payment provisions. The interpretations of these issues, and others, are currently under consideration by the FASB. While the ultimate conclusions reached on interpretations being considered by the FASB could impact the effects of Enron's adoption of SFAS No. 133, Enron does not believe that such conclusions would have a material effect on its current estimate of the impact of adoption.

19 QUARTERLY FINANCIAL DATA (Unaudited)

Summarized quarterly financial data is as follows:

<TABLE>
<CAPTION>
(In millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
<th>Year Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$13,145</td>
<td>$16,886</td>
<td>$30,007</td>
<td>$40,751</td>
<td>$100,789</td>
</tr>
<tr>
<td>Income before interest, minority interests and income taxes</td>
<td>624</td>
<td>609</td>
<td>666</td>
<td>583</td>
<td>2,482</td>
</tr>
<tr>
<td>Net income</td>
<td>338</td>
<td>289</td>
<td>292</td>
<td>60</td>
<td>979</td>
</tr>
<tr>
<td>Earnings per share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$0.44</td>
<td>$0.37</td>
<td>$0.37</td>
<td>$0.05</td>
<td>$1.22</td>
</tr>
<tr>
<td>Diluted</td>
<td>0.40</td>
<td>0.34</td>
<td>0.34</td>
<td>0.05</td>
<td>1.12</td>
</tr>
</tbody>
</table>

1999

Revenues   | $ 7,632       | $ 9,672        | $11,835       | $10,973        | $40,112   |
| Income before interest, minority interests and income taxes | 533         | 469            | 520           | 473           | 1,995      |
| Net income | 122           | 222            | 290           | 259           | 893        |
| Earnings per share: | | | | | |
| Basic      | $0.17         | $0.29          | $0.38         | $0.33         | $1.17      |
| Diluted    | 0.16          | 0.27           | 0.35          | 0.31          | 1.10       |

</TABLE>

(a) The sum of earnings per share for the four quarters may not equal earnings per share for the total year due to changes in the average number of common shares outstanding.
</TABLE>

20 GEOGRAPHIC AND BUSINESS SEGMENT INFORMATION

Enron's business is divided into operating segments, defined as components of an enterprise about which financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment. Enron's chief operating decision-making group is the Office of the Chairman.

Enron's chief operating decision-making group evaluates
performance and allocates resources based on income before interest, minority interests and income taxes (IBIT) as well as on net income. Certain costs related to company-wide functions are allocated to each segment. However, interest on corporate debt is primarily maintained at Corporate and is not allocated to the segments. Therefore, management believes that IBIT is the dominant measurement of segment profits consistent with Enron's consolidated financial statements. The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 1.

Beginning in 2000, Enron's communications business is being managed as a separate operating segment named Broadband Services and therefore, based on criteria set by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," is reported separately.

Enron has divided its operations into the following reportable segments, based on similarities in economic characteristics, products and services, types of customers, methods of distributions and regulatory environment.


Wholesale Services - Energy commodity sales and services, risk management products and financial services to wholesale customers. Development, acquisition and operation of power plants, natural gas pipelines and other energy-related assets.

Retail Energy Services - Sales of natural gas and electricity directly to end-use customers, particularly in the commercial and industrial sectors, including the outsourcing of energy-related activities.

Broadband Services - Construction and management of a nationwide fiber optic network, the marketing and management of bandwidth and the delivery of high-bandwidth content.

Exploration and Production - Natural gas and crude oil exploration and production primarily in the United States, Canada, Trinidad and India until August 16, 1999. See Note 2.

Corporate and Other - Includes operation of water and renewable energy businesses as well as clean fuels plants.

Financial information by geographic and business segment follows for each of the three years in the period ended December 31, 2000.

Geographic Segments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(In millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating revenues from</th>
</tr>
</thead>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000099028101500005/enec8-k.txt

10/30/01
unaffiliated customers

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Foreign</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$77,891</td>
<td>$30,176</td>
<td>$25,247</td>
</tr>
<tr>
<td>Foreign</td>
<td>22,898</td>
<td>9,936</td>
<td>6,013</td>
</tr>
<tr>
<td>$100,789</td>
<td>$40,112</td>
<td>$31,260</td>
<td></td>
</tr>
</tbody>
</table>

Income before interest, minority interests and income taxes

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Foreign</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$2,131</td>
<td>$1,273</td>
<td>$1,008</td>
</tr>
<tr>
<td>Foreign</td>
<td>351</td>
<td>722</td>
<td>574</td>
</tr>
<tr>
<td>$2,482</td>
<td>$1,995</td>
<td>$1,582</td>
<td></td>
</tr>
</tbody>
</table>

Long-lived assets

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Foreign</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$10,899</td>
<td>$8,286</td>
<td>$9,382</td>
</tr>
<tr>
<td>Foreign</td>
<td>844</td>
<td>2,395</td>
<td>1,275</td>
</tr>
<tr>
<td>$11,743</td>
<td>$10,681</td>
<td>$10,657</td>
<td></td>
</tr>
</tbody>
</table>

Business Segments

<table>
<thead>
<tr>
<th></th>
<th>Transportation and Distribution</th>
<th>Wholesale Services</th>
<th>Retail Energy Services</th>
<th>Broadband Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Distribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>$2,742</td>
<td>$93,278</td>
<td>$3,824</td>
<td>$4</td>
</tr>
<tr>
<td>Intersegment revenues(b)</td>
<td>213</td>
<td>1,628</td>
<td>791</td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,955</td>
<td>94,906</td>
<td>4,615</td>
<td>4</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>278</td>
<td>343</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>565</td>
<td>1,668</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated equity affiliates</td>
<td>65</td>
<td>486</td>
<td>(60)</td>
<td></td>
</tr>
<tr>
<td>Gains on sales of assets and investments</td>
<td>25</td>
<td>9</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>Gain on the issuance of stock by TNPC, Inc.</td>
<td>-</td>
<td>-</td>
<td>121</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>6</td>
<td>171</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Other income, net</td>
<td>71</td>
<td>(74)</td>
<td>(33)</td>
<td></td>
</tr>
<tr>
<td>Income (loss) before interest, minority interests and income taxes</td>
<td>732</td>
<td>2,260</td>
<td>165</td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>270</td>
<td>1,280</td>
<td>70</td>
<td>4</td>
</tr>
<tr>
<td>Identifiable assets</td>
<td>7,509</td>
<td>43,920</td>
<td>4,266</td>
<td>1,3</td>
</tr>
<tr>
<td>Investments in and advances to unconsolidated equity affiliates</td>
<td>774</td>
<td>4,014</td>
<td>104</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$8,283</td>
<td>$47,934</td>
<td>$4,370</td>
<td>$1,3</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000090928101500005/ene8-k.txt 10/30/01
Depreciation, depletion and amortization 247 294 29
Operating income (loss) 551 889 (81)
Equity in earnings of unconsolidated equity affiliates 50 237 -
Gains on sales of assets and investments 19 11 -
Interest income 20 126 5
Other income, net 45 54 8
Income (loss) before interest, minority interests and income taxes 685 1,317 (68)
Capital expenditures 316 1,216 64
Identifiable assets 7,148 18,501 956
Investments in and advances to unconsolidated equity affiliates 811 2,684 -
Total assets $7,959 $21,185 $ 956 $

1998
Unaffiliated revenues(a) $1,833 $27,220 $1,072 $
Intersegment revenues(b) 16 505 -
Total revenues 1,849 27,725 1,072
Depreciation, depletion and amortization 253 195 31
Operating income (loss) 562 880 (124)
Equity in earnings of unconsolidated equity affiliates 33 42 (2)
Gains on sales of assets and investments 31 4 -
Interest income 9 67 -
Other income, net 2 (25) 7
Income (loss) before interest, minority interests and income taxes 637 968 (119)
Capital expenditures 310 706 75
Identifiable assets 6,955 12,205 747 3
Investments in and advances to unconsolidated equity affiliates 661 2,632 -
Total assets $7,616 $14,837 $ 747 $3

<FN>
(a) Unaffiliated revenues include sales to unconsolidated equity affiliates.
(b) Intersegment sales are made at prices comparable to those received from unaffiliated customers and in some instances are affected by regulatory considerations.
(c) Reflects results through August 16, 1999. See Note 2.
(d) Includes consolidating eliminations.
</TABLE>

</TEXT>
</DOCUMENT>
ENRON CORP/OR/ filed this 10-Q on 08/14/2001.

UNIVERSAL STATES SECURITIES AND EXCHANGE
COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2001

Commission File Number 1-13159
ENRON CORP.
(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction of 47-0255140
incorporation or organization) (I.R.S. Employer Identification
Number)

Enron Building
1400 Smith Street
Houston, Texas
(Address of principal executive
offices)

77002
(Zip Code)

(713) 853-6161
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has
filed all reports required to be filed by Section 13 or
15(d) of the Securities Exchange Act of 1934 during the
preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90
days.
Yes [X] No [ ]

Indicate the number of shares outstanding of each of the
issuer’s classes of common stock, as of the latest
practicable date.

Class Outstanding at July 31, 2001

Common Stock, No Par Value 749,857,388 shares

1 of 37

11/2/01

002000000000799
ENRON CORP. AND SUBSIDIARIES

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Consolidated Balance Sheet - June 30, 2001 and December 31, 2000
Notes to Consolidated Financial Statements

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

ITEM 4. Submission of Matters to a Vote of Security Holders

ITEM 6. Exhibits and Reports on Form 8-K

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENRON CORP. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
(In Millions, Except Per Share Amounts)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$50,060</td>
<td>$16,886</td>
<td>$100,189</td>
<td>$30,03</td>
</tr>
<tr>
<td>Costs and Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of gas, electricity, metals and other products</td>
<td>48,173</td>
<td>15,324</td>
<td>96,332</td>
<td>27,21</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1,027</td>
<td>892</td>
<td>2,020</td>
<td>1,63</td>
</tr>
</tbody>
</table>

Depreciation, depletion and amortization 240 192 453 36
Taxes, other than income taxes 78 59 166 12
49,518 16,467 98,971 29,34

Operating Income 542 419 1,218 69
Other Income and Deductions
   Equity in earnings of unconsolidated equity affiliates 100 55 174 31
   Gains on sales of non-merchant assets 18 72 50 9
   Other income, net 133 63 146 13
Income Before Interest, Minority Interests and Income Taxes 793 609 1,588 1,23
Interest and Related Charges, net 215 196 416 35
Dividends on Company-Obligated Preferred Securities of Subsidiaries 18 21 36 3
Minority Interests 30 39 70 7
Income Tax Expense 126 64 256 13
Net Income Before Cumulative Effect of Accounting Changes 404 289 810 62
Cumulative Effect of Accounting Changes, net of tax - - 19
Net Income 404 289 829 62
Preferred Stock Dividends 21 21 41 4
Earnings on Common Stock $ 383 $ 268 $ 788 $ 58

Earnings Per Share of Common Stock
Basic
Before Cumulative Effect of Accounting Changes $ 0.51 $ 0.37 $ 1.02 $ 0.8
Cumulative Effect of Accounting Changes - - 0.02
Basic Earnings per Share $ 0.51 $ 0.37 $ 1.04 $ 0.8
Diluted
Before Cumulative Effect of Accounting Changes $ 0.45 $ 0.34 $ 0.92 $ 0.7
Cumulative Effect of Accounting Changes - - 0.02
Diluted Earnings per Share $ 0.45 $ 0.34 $ 0.94 $ 0.7

Average Number of Common Shares Used in Computation
Basic 757 733 755 72
Diluted 891 862 882 85

<FN>
The accompanying notes are an integral part of these consolidated financial statements.

PART I. FINANCIAL INFORMATION - (Continued)
ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In Millions)
(Unaudited)
June 30, December 31,
2001 2000


00200000000801
### ASSETS

<table>
<thead>
<tr>
<th>Assets</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 847</td>
<td>$ 1,374</td>
</tr>
<tr>
<td>Trade receivables (net of allowance for doubtful accounts of $453 and $133, respectively)</td>
<td>11,234</td>
<td>10,396</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,347</td>
<td>1,874</td>
</tr>
<tr>
<td>Assets from price risk management activities</td>
<td>8,815</td>
<td>12,018</td>
</tr>
<tr>
<td>Inventories</td>
<td>913</td>
<td>953</td>
</tr>
<tr>
<td>Deposits</td>
<td>2,412</td>
<td>2,433</td>
</tr>
<tr>
<td>Other</td>
<td>756</td>
<td>1,333</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>26,324</td>
<td>30,381</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments and Other Assets</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in and advances to unconsolidated equity affiliates</td>
<td>5,934</td>
<td>5,294</td>
</tr>
<tr>
<td>Assets from price risk management activities</td>
<td>9,023</td>
<td>8,988</td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,527</td>
<td>3,638</td>
</tr>
<tr>
<td>Other</td>
<td>7,843</td>
<td>5,459</td>
</tr>
<tr>
<td><strong>Total Investments and Other Assets</strong></td>
<td>26,327</td>
<td>23,379</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property, Plant and Equipment, at cost</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas transmission</td>
<td>6,287</td>
<td>6,916</td>
</tr>
<tr>
<td>Electric generation and distribution</td>
<td>3,784</td>
<td>4,766</td>
</tr>
<tr>
<td>Fiber-optic network and equipment</td>
<td>926</td>
<td>839</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>809</td>
<td>682</td>
</tr>
<tr>
<td>Other</td>
<td>2,481</td>
<td>2,256</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation, depletion and amortization</strong></td>
<td>14,287</td>
<td>15,459</td>
</tr>
<tr>
<td>Property, Plant and Equipment, net</td>
<td>3,546</td>
<td>3,716</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$63,392</td>
<td>$65,503</td>
</tr>
</tbody>
</table>

### Footnote
The accompanying notes are an integral part of these consolidated financial statements.

---

**PART I. FINANCIAL INFORMATION - (Continued)**

**ITEM 1. FINANCIAL STATEMENTS - (Continued)**

**ENRON CORP. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**

(In Millions)

(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001</th>
<th>December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS' EQUITY</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 9,646</td>
<td>$ 9,777</td>
</tr>
<tr>
<td>Liabilities from price risk management activities</td>
<td>7,470</td>
<td>10,495</td>
</tr>
</tbody>
</table>

Short-term debt
Customers' deposits
Other
  Total Current Liabilities
Long-Term Debt

Deferred Credits and Other Liabilities
  Deferred income taxes
  Liabilities from price risk management activities
  Other
  Total Deferred Credits and Other Liabilities
Minority Interests

Company-Obligated Preferred Securities of Subsidiaries

Shareholders' Equity
  Second preferred stock, cumulative, no par value
  Mandatorily Convertible Junior Preferred
    Stock, Series B, no par value
    Common stock, no par value
    Retained earnings
    Accumulated other comprehensive income
    Common stock held in treasury
    Restricted stock and other
  Total Shareholders' Equity

Total Liabilities and Shareholders' Equity

<FN>
The accompanying notes are an integral part of these consolidated financial statements.

PART I. FINANCIAL INFORMATION - (Continued)
ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Millions)
(Unaudited)

Six Months Ended
June 30, 2001  2000

Cash Flows From Operating Activities
Reconciliation of net income to net cash provided by (used in) operating activities
  Net income
  Cumulative effect of accounting changes, net of tax
  Depreciation, depletion and amortization
  Deferred income taxes
  Gains on sales of non-merchant assets

Changes in components of working capital:

Net margin deposit activity (2,342) (350)
Other working capital (800) (174)
Net assets from price risk management activities 782 (799)
Merchant assets and investments:
Realized (gains) losses on sales (64) 29
Proceeds from sales 479 553
Additions (175) (1,206)
Unrealized losses 21 111
Other, net (639) 357

Net Cash Used in Operating Activities (1,337) (547)

Cash Flows From Investing Activities
Capital expenditures (1,200) (1,009)
Equity investments (1,088) (390)
Proceeds from sales of non-merchant assets 1,423 105
Acquisitions of subsidiary stock - (485)
Business acquisitions, net of cash acquired (34) (358)
Other investing activities (262) (117)

Net Cash Used in Investing Activities (1,161) (2,254)

Cash Flows From Financing Activities
Issuance of long-term debt 2,864 2,479
Repayment of long-term debt (1,782) (431)
Net increase in short-term borrowings 1,169 1,301
Issuance of common stock 185 264
Issuance (redemption) of preferred securities
of subsidiaries - (95)
Dividends paid (256) (265)
Acquisition of treasury stock (209) (129)
Other financing activities - 107

Net Cash Provided by Financing Activities 1,971 3,231
Increase (Decrease) in Cash and Cash Equivalents (527) 430
Cash and Cash Equivalents, Beginning of Period 1,374 288
Cash and Cash Equivalents, End of Period $ 847 $ 718

Changes in Components of Other Working Capital
Receivables $ (937) $(2,615)
Inventories (114) 36
Payables (139) 2,319
Other 390 86
Total $ (800) $ (174)

<FN>
The accompanying notes are an integral part of these consolidated financial statements.

PART I. FINANCIAL INFORMATION - (Continued)

ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION
The consolidated financial statements included herein have been prepared by Enron Corp. (Enron) without audit


00200000000804
pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Enron believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in Enron's Annual Report on Form 10-K for the year ended December 31, 2000 (Form 10-K).

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made in the 2000 amounts to conform with the 2001 presentation.

"Enron" is used from time to time herein as a collective reference to Enron Corp. and its subsidiaries and affiliates. The businesses of Enron are conducted by Enron Corp.'s subsidiaries and affiliates whose operations are managed by their respective officers.

2. SUPPLEMENTAL CASH FLOW INFORMATION

Net cash paid for income taxes for the first half of 2001 and 2000 was $167 million and $33 million, respectively. Cash paid for interest for the same periods, net of amounts capitalized, was $426 million and $376 million, respectively.

In 2000, Enron entered into an agreement with Azurix under which the holders of Azurix's approximately 39 million publicly traded shares would receive cash of $8.375 in exchange for each share. On March 16, 2001, Azurix shareholders approved the agreement whereby Enron paid approximately $330 million for an equivalent number of shares held by the public and all publicly traded shares of Azurix Corp were redeemed.

Non-Cash Activity. In March 2001, Enron acquired the limited partner's interests in an unconsolidated equity affiliate, Joint Energy Development Investments Limited Partnership (JEDIL), for $35 million. As a result of the acquisition, JEDIL has been consolidated. JEDIL's balance sheet as of the date of acquisition consisted of net assets of approximately $500 million, including an investment of 12 million shares of Enron common stock valued at approximately $785 million, merchant investments and other assets of approximately


00200000000805
$670 million and third-party debt and debt owed to Enron of approximately $950 million. Enron repaid the third-party debt of approximately $620 million prior to March 31, 2001. Also see Note 8.

3. LITIGATION AND OTHER CONTINGENCIES

Litigation

Enron is a party to various claims and litigation, the significant items of which are discussed below. Although no assurances can be given, Enron believes, based on its experience to date and after considering appropriate reserves that have been established, that the ultimate resolution of such items, individually or in the aggregate, will not have a material adverse impact on Enron's financial position or results of operations.

In 1995, several parties (the Plaintiffs) filed suit in Harris County District Court in Houston, Texas, against Intratex Gas Company (Intratex), Houston Pipe Line Company and Panhandle Gas Company (collectively, the Enron Defendants), each of which is a wholly-owned subsidiary of Enron. The Plaintiffs were either sellers or royalty owners under numerous gas purchase contracts with Intratex, many of which have terminated. Early in 1996, the case was severed by the Court into two matters to be tried (or otherwise resolved) separately. In the first matter, the Plaintiffs alleged that the Enron Defendants committed fraud and negligent misrepresentation in connection with the “Panhandle program,” a special marketing program established in the early 1980s. This case was tried in October 1996 and resulted in a verdict for the Enron Defendants. In the second matter, the Plaintiffs allege that the Enron Defendants violated state regulatory requirements and certain gas purchase contracts by failing to take the Plaintiffs’ gas ratably with other producers’ gas at certain times between 1978 and 1988. The trial court certified a class action with respect to ratability claims. On March 9, 2000, the Texas Supreme Court ruled that the trial court’s class certification was improper and remanded the case to the trial court. The Enron Defendants deny the Plaintiffs’ claims and have asserted various affirmative defenses, including the statute of limitations. The Enron Defendants believe that they have strong legal and factual defenses, and intend to vigorously contest the claims. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

On November 21, 1996, an explosion occurred in the Humberto Vidal Building in San Juan, Puerto Rico. The explosion resulted in fatalities, bodily injuries and damage to the building and surrounding property. San Juan Gas Company, Inc. (San Juan Gas), an Enron affiliate, operated a propane/air distribution system in the vicinity, but did not provide service to the building. Enron, San Juan Gas, four affiliates and their insurance carriers were named as defendants, along with several third parties, including The Puerto Rico Aqueduct and Sewer Authority, Puerto Rico Telephone Company, Heath Consultants Incorporated, Humberto Vidal, Inc. and their insurance carriers, in numerous lawsuits filed in U.S. District Court for the District of Puerto Rico and the Superior Court of Puerto Rico. These suits seek damages for wrongful death, personal injury, business interruption and property damage allegedly caused by the explosion. After nearly four years without determining the cause of the explosion, all parties agreed not to litigate further that issue, but to move these suits toward settlements or trials to determine whether each plaintiff was


002000000000806
injured as a result of the explosion and, if so, the lawful damages attributable to such injury. The defendants agreed on a fund for settlements or final awards. Numerous claims have been settled and ten cases involving 19 plaintiffs are scheduled for trial in the United States District Court beginning on December 10, 2001. No cases have yet been scheduled for trial in the Superior Court. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Trojan Investment Recovery. In early 1993, Portland General Electric (PGE) ceased commercial operation of the Trojan nuclear power generating facility. The Oregon Public Utility Commission (OPUC) granted PGE, through a general rate order, recovery of, and a return on, 87 percent of its remaining investment in Trojan.

The OPUC’s general rate order related to Trojan has been subject to litigation in various state courts, including rulings by the Oregon Court of Appeals and petitions to the Oregon Supreme Court filed by parties opposed to the OPUC’s order, including the Utility Reform Project (URP) and the Citizens Utility Board (CUB).

In August 2000, PGE entered into agreements with the CUB and the staff of the OPUC to settle the litigation related to PGE's recovery of its investment in the Trojan plant. Under the agreements, the CUB agreed to withdraw from the litigation and to support the settlement as the means to resolve the Trojan litigation. The OPUC approved the accounting and ratemaking elements of the settlement on September 29, 2000. As a result of these approvals, PGE’s investment in Trojan is no longer included in rates charged to customers, either through a return on or a return of that investment. Collection of ongoing decommissioning costs at Trojan is not affected by the settlement agreements or the September 29, 2000 OPUC order. With the CUB’s withdrawal, the URP is the one remaining significant adverse party in the litigation. The URP has indicated that it plans to continue to challenge the settlement and the original OPUC order allowing PGE recovery of and a return on its investment in Trojan.

Enron cannot predict the outcome of these actions. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Other Contingencies

Environmental Matters. Enron is subject to extensive federal, state and local environmental laws and regulations. These laws and regulations require expenditures in connection with the construction of new facilities, the operation of existing facilities and for remediation at various operating sites. The implementation of the Clean Air Act Amendments is expected to result in increased operating expenses. These increased operating expenses are not expected to have a material impact on Enron’s financial position or results of operations.

Enron’s natural gas pipeline companies conduct soil and groundwater remediation on a number of their facilities. Enron does not expect to incur material expenditures in connection with soil and groundwater remediation.

Developments in the California Power Market. During 2000, prices
for wholesale electricity in California significantly increased as a result of a combination of factors, including higher natural gas prices, reduction in available hydroelectric generation resources, increased demand, over-reliance on the spot market for electricity and limitations on supply. California's regulatory regime instituted in 1996 permitted wholesale price increases but froze retail prices below market levels. The resulting disparity between costs of supply and customer revenues caused two of California's public utilities, Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE), to accrue substantial unrecovered wholesale power costs and certain obligations related to the difference between third party power purchase costs and frozen rates charged to retail customers. PG&E and SCE have defaulted on or are challenging payments owed for certain outstanding obligations, including wholesale power purchased through the California Power Exchange (the Power Exchange), from the California Independent System Operator (the Independent System Operator), and from qualifying facilities. In addition, PG&E and the Power Exchange each have filed a voluntary petition for bankruptcy.

Various legislative, regulatory and legal remedies to the energy situation in California have been implemented or are being pursued, and may result in restructuring of markets in California and elsewhere. Additional initiatives are likely at the Federal, state and local level, but it is not possible to predict their outcome at this time.

Enron has entered into a variety of transactions with California utilities, the Power Exchange, the Independent System Operator, end users of energy in California, and other third parties, and is owed amounts by certain of these entities. Enron has established reserves related to such activities and believes that the combination of such reserves in accounts receivables and other credit offsets with such parties are adequate to cover its exposure to developments in the California power market. Due to the uncertainties involved, the ultimate outcome of the California power situation cannot be predicted, but Enron believes these matters will not have a material adverse impact on Enron's financial condition or results of operations.

India. Enron indirectly owns 50% of the net voting interest in Dabhol Power Company (Dabhol), which owns a 740 megawatt power plant and is constructing an additional 1,444 megawatt power plant together with an LNG regasification facility (collectively Phase II) in India. Enron accounts for its investment in Dabhol under the equity method and the debt of Dabhol is non-recourse to Enron. Dabhol has been in dispute with the Maharashtra State Electricity Board (MSEB), the purchaser of power from Dabhol, and the Government of Maharashtra (GOM) and the federal government of India (OOI), the guarantors of payments by the MSEB pursuant to the terms and conditions of the power purchase agreements (PPA) and the other project documents. The contract disputes relate principally to (a) the failure by the MSEB to pay certain capacity and energy payments under the PPA, and the failure of the GOM and OOI to satisfy certain guarantee obligations under the project documents and (b) MSEB's statements that MSEB has "rescinded" the PPA and MSEB is therefore no longer bound by the PPA. As a result of such disputes, the Phase II lenders have stopped funding the continued construction of Phase II and the construction contractors have terminated the construction contracts for non-payment. There is no assurance that Dabhol will be able to resolve such disputes to its favor and to successfully collect on and to enforce any judgment or settlement. However, Dabhol believes that the
MSEB's actions are in clear violation of the terms of the PPA, and Dabhol intends to pursue all available legal remedies under the project documents. As a result of these disputes, the 740 megawatt power plant is not being dispatched by MSEB. Further, Dabhol has suspended construction activity on Phase II. Enron does not believe that any contract dispute related to Dabhol will have a material adverse impact on Enron's financial condition or results of operations.

4. EARNINGS PER SHARE

The computation of basic and diluted earnings per share is as follows (in millions, except per share amounts):

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Six Months Ended</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;s&gt;</td>
<td>&lt;c&gt;</td>
<td>&lt;c&gt;</td>
<td>&lt;c&gt;</td>
<td>&lt;c&gt;</td>
<td>&lt;c&gt;</td>
<td>&lt;c&gt;</td>
<td>&lt;c&gt;</td>
<td>&lt;c&gt;</td>
</tr>
<tr>
<td><strong>Numerator:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before cumulative effect of accounting changes</td>
<td>$ 404</td>
<td>$ 289</td>
<td>$ 810</td>
<td>$ 627</td>
<td>$ 383</td>
<td>$ 268</td>
<td>$ 769</td>
<td>$ 586</td>
</tr>
<tr>
<td>Preferred stock dividends:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second preferred stock</td>
<td>(4)</td>
<td>(4)</td>
<td>(8)</td>
<td>(8)</td>
<td>(17)</td>
<td>(17)</td>
<td>(33)</td>
<td>(33)</td>
</tr>
<tr>
<td>Series B Preferred Stock</td>
<td>(17)</td>
<td>(17)</td>
<td>(33)</td>
<td>(33)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income available to common shareholders before cumulative effect of accounting changes</td>
<td>383</td>
<td>268</td>
<td>769</td>
<td>586</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>-</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income available to common shareholders</td>
<td>$ 383</td>
<td>$ 268</td>
<td>$ 788</td>
<td>$ 586</td>
<td>$ 383</td>
<td>$ 268</td>
<td>$ 769</td>
<td>$ 586</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income available to common shareholders before cumulative effect of accounting changes</td>
<td>$ 383</td>
<td>$ 268</td>
<td>$ 769</td>
<td>$ 586</td>
<td>$ 383</td>
<td>$ 268</td>
<td>$ 788</td>
<td>$ 586</td>
</tr>
<tr>
<td>Effect of assumed conversion of dilutive securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second preferred stock</td>
<td>4</td>
<td>4</td>
<td>8</td>
<td>8</td>
<td>17</td>
<td>17</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Series B Preferred Stock</td>
<td>17</td>
<td>17</td>
<td>33</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before cumulative effect of accounting changes</td>
<td>404</td>
<td>289</td>
<td>810</td>
<td>627</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>-</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income available to common shareholders after assumed conversions</td>
<td>$ 404</td>
<td>$ 289</td>
<td>$ 829</td>
<td>$ 627</td>
<td>$ 404</td>
<td>$ 289</td>
<td>$ 829</td>
<td>$ 627</td>
</tr>
<tr>
<td><strong>Denominator:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denominator for basic earnings per share - weighted-average shares</td>
<td>757</td>
<td>733</td>
<td>755</td>
<td>728</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of assumed conversion of dilutive securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred Stock:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Preferred Stock</td>
<td>32</td>
<td>35</td>
<td>33</td>
<td>35</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Series B Preferred Stock</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock options and other equity instruments</td>
<td>52</td>
<td>44</td>
<td>44</td>
<td>44</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dilutive potential common shares</td>
<td>134</td>
<td>129</td>
<td>127</td>
<td>129</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions

<table>
<thead>
<tr>
<th></th>
<th>891</th>
<th>862</th>
<th>882</th>
<th>857</th>
</tr>
</thead>
</table>

Basic earnings per share:
Before cumulative effect of accounting changes
$0.51  $0.37  $1.02  $0.80
Cumulative effect of accounting changes
-     -     0.02  -
Basic earnings per share
$0.51  $0.37  $1.04  $0.80

Diluted earnings per share:
Before cumulative effect of accounting changes
$0.45  $0.34  $0.92  $0.73
Cumulative effect of accounting changes
-     -     0.02  -
Diluted earnings per share
$0.45  $0.34  $0.94  $0.73

5. COMPREHENSIVE INCOME

Comprehensive income includes the following (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th></th>
<th></th>
<th></th>
<th>Six Months Ended</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;S&gt; Net income</td>
<td>&lt;S&gt;</td>
<td>&lt;S&gt;</td>
<td>&lt;S&gt;</td>
<td>&lt;S&gt;</td>
<td>&lt;S&gt;</td>
<td>&lt;S&gt;</td>
<td>&lt;S&gt;</td>
<td>&lt;S&gt;</td>
</tr>
<tr>
<td>Other comprehensive income (net of tax):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(401)</td>
<td>(99)</td>
<td>(551)(a)</td>
<td>(101)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative instruments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>-</td>
<td>25</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred loss on derivative instruments associated with hedges of future cash flows</td>
<td>(26)</td>
<td>-</td>
<td>(34)</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognition in earnings of previously deferred gains related to derivative instruments used as cash flow hedges</td>
<td>4</td>
<td>-</td>
<td>(9)(b)</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in value of available-for-sale investments</td>
<td>10</td>
<td>(6)</td>
<td>11</td>
<td>(19)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income (loss)</td>
<td>$ (9)</td>
<td>$ 184</td>
<td>$ 271</td>
<td>$ 507</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) Change primarily reflects the decline in value of the Brazilian real and the British Pound.

(b) Includes an after-tax gain of $10 million related to the discontinuance of a cash flow hedge or a forecasted transaction that became probable of not occurring.

6. BUSINESS SEGMENT INFORMATION

Enron's business is divided into reporting segments,
defined as components of an enterprise about which financial information is available and evaluated regularly by the Office of the Chairman, which serves as the chief operating decision making group.

Beginning in 2001, the commodity-related risk management activities of Retail Energy Services' North American customer contracts were transferred to the Wholesale Services segment, consolidating all energy commodity risk management activities within one segment. In 2001, Retail Energy Services' business includes origination of new commodity and energy asset management and services contracts, execution of energy asset management and services activity and management of customer relationships. Year 2000 results in the following table have been restated to reflect this change.

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>Wholesale Services(c)</th>
<th>Retail Energy Services(c)</th>
<th>Broadband Services</th>
<th>Transportatio and Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Months Ended</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unaffiliated revenues(a)</td>
<td>$48,340</td>
<td>$ 559</td>
<td>$ 15</td>
<td>$ 935</td>
</tr>
<tr>
<td>Intersegment revenues(b)</td>
<td>138</td>
<td>(2)</td>
<td>1</td>
<td>46</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$48,478</td>
<td>$ 557</td>
<td>$ 16</td>
<td>$ 981</td>
</tr>
<tr>
<td>Income (loss) before interest,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>minority interests and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income taxes</td>
<td>$ 802</td>
<td>$ 60</td>
<td>$(102)</td>
<td>$ 142</td>
</tr>
</tbody>
</table>

| Six Months Ended               |                        |                           |                    |                               |
| June 30, 2001                  |                        |                           |                    |                               |
| Unaffiliated revenues(a)       | $96,747                | $1,201                    | $ 100              | $1,868                        |
| Intersegment revenues(b)       | 237                    | 49                        | (1)                | 126                           |
| Total revenues                 | $96,984                | $1,250                    | $ 99               | $1,994                        |
| Income (loss) before interest, |                        |                           |                    |                               |
| minority interests and         |                        |                           |                    |                               |
| income taxes                   | $ 1,557                | $ 100                     | $(137)             | $ 335                         |

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>Wholesale Services(c)</th>
<th>Retail Energy Services(c)</th>
<th>Broadband Services</th>
<th>Transportatio and Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Months Ended</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unaffiliated revenues</td>
<td>$15,632</td>
<td>$ 409</td>
<td>$ 151</td>
<td>$ 545</td>
</tr>
<tr>
<td>Intersegment revenues</td>
<td>335</td>
<td>11</td>
<td></td>
<td>52</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$15,967</td>
<td>$ 420</td>
<td>$ 151</td>
<td>$ 597</td>
</tr>
<tr>
<td>Income (loss) before interest,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>minority interests and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income taxes</td>
<td>$ 415</td>
<td>$ 46</td>
<td>$(8)</td>
<td>$ 139</td>
</tr>
</tbody>
</table>

Six Months Ended
June 30, 2000

Unaffiliated revenues $27,794 $ 697 $ 210 $1,144
Intersegment revenues 502 37 - 56
Total revenues $28,296 $ 734 $ 210 $1,200
Income (loss) before interest, minority interests and income taxes $ 844 $ 52 $(8) $ 372

(a) Enron recognized revenues from transactions with unconsolidated equity affiliates of approximately $1,111 million in the first half of 2001, including $125 million related to commodity contracts entered into in the second quarter.

(b) Intersegment sales are made at prices comparable to those received from unaffiliated customers and in some instances are affected by regulatory considerations.

(c) The 2000 amounts have been restated. Prior to the restatement, Retail Energy Services reported revenues and IBIT of $840 million and $24 million, respectively, for the second quarter of 2000. Restated full year 2000 revenues and IBIT were $1,766 million and $173 million, respectively. Operating results in 2001 include servicing charges from Wholesale Services for management of Retail Services' risk management activities. These servicing charges are reflective of the applicable level of risk management services provided and have been presented on a basis consistent with how such charges are reported internally.

(d) Includes consolidating eliminations.

Total assets by segment are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001</th>
<th>December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Services</td>
<td>$49,314</td>
<td>$51,099</td>
</tr>
<tr>
<td>Retail Energy Services</td>
<td>1,353</td>
<td>1,205(a)</td>
</tr>
<tr>
<td>Broadband Services</td>
<td>1,453</td>
<td>1,337</td>
</tr>
<tr>
<td>Transportation and Distribution</td>
<td>8,499</td>
<td>8,283</td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>2,773</td>
<td>3,579</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$63,392</td>
<td>$65,503</td>
</tr>
</tbody>
</table>

(a) Retail Energy Services' total assets have been restated.

7. DERIVATIVE INSTRUMENTS

On January 1, 2001, Enron recognized an after-tax non-cash gain of $19 million in earnings and deferred an after-tax non-cash gain of $25 million in "Accumulated Other Comprehensive Income" (OCI), a component of shareholders' equity, and reclassified $277 million from "Long-Term Debt" to "Other Liabilities" to reflect the initial adoption of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 must be applied to all derivative instruments and requires that such...
instruments be recorded in the balance sheet either as an asset or a liability measured at its fair value through earnings, with special accounting permitted for certain qualifying hedges as described in the following paragraphs.

In the ordinary course of business, Enron enters into derivative instruments, as defined in SFAS No. 133, as part of its normal risk management operations, which are subject to parameters established by Enron's Board of Directors. The adoption of SFAS No. 133 has no impact on the way Enron accounts for its risk management business activities.

On a much more limited basis, Enron's other businesses enter into derivative instruments, such as forwards, swaps and other contracts, in order to hedge certain non-trading risks, including interest rate risk, commodity price risk and foreign currency exchange rate risk. Enron primarily uses cash flow hedges, for which Enron's objective is to provide protection against variability in cash flows due to an associated variable risk. Enron accounts for such hedging activity by initially deferring the gain or loss related to the fair value changes in derivative instruments in OCI. The deferred change in fair value is then reclassified into income concurrently with the recognition in income of the cash flow item hedged. The net after-tax amount expected to be reclassified from OCI within the next 12 months is approximately $10 million. Enron recognized a loss of approximately $13 million related to ineffectiveness in cash flow hedges. Enron has also entered into a limited number of fair value hedges to protect the fair value of certain liabilities from variability caused by fluctuations in either interest rates or foreign currency exchange rates. Enron accounts for these hedges by recognizing the fair value of both the derivative instrument and the hedged item into income concurrently. There was no material ineffectiveness in fair value hedges during the first six months of 2001. Certain of Enron's unconsolidated affiliates entered into net investment hedges to protect against the foreign currency exposure related to foreign operations. Enron recorded an increase of approximately $9 million in OCI related to such hedges in 2001. Enron also holds a limited number of derivative instruments in its non-risk management businesses, which do not meet the requirements of SFAS No. 133 for hedge accounting, but provide Enron with an economic hedge of an associated risk.

The maximum amount of time over which cash flow exposure in forecasted transactions is hedged, excluding hedges of variable interest rate risk on existing financial instruments, is approximately 20 years. Derivative contracts are entered into with counterparties who are equivalent to investment grade. Accordingly, Enron does not anticipate any material impact to its financial position or results of operations as a result of nonperformance by the third parties on derivative instruments related to non-risk management business activities.

8. RELATED PARTY TRANSACTIONS

During the second quarter of 2001, Enron did not recognize any material revenues or income from transactions


00200000000813
with the limited partnerships discussed below. Additionally, the senior officer, who previously was the general partner of these partnerships, sold all of his financial interests as of July 31, 2001, and no longer has any management responsibilities for these entities. Accordingly, such partnerships are no longer related parties to Enron.

All transactions with these partnerships (the Partnerships) have been approved by Enron's senior risk officers as well as reviewed annually by the Board of Directors. Management believes that the terms of the transactions were reasonable compared to those which could have been negotiated with unrelated third parties.

In the first quarter of 2001, Enron entered into transactions with the Partnerships, now unrelated, to hedge certain merchant investments and other assets. As part of these transactions, Enron has entered into agreements with entities formed in 2000 (the Entities), which included the obligation to deliver 12 million shares of Enron common stock in March 2005 (the Commitment) and entered into derivative instruments which eliminated the contingent nature of existing restricted forward contracts executed in 2000. The Commitment and the shares to be delivered under the derivative instruments are restricted through March 2005. In exchange, Enron received notes receivable from the Entities totaling approximately $827.6 million. In addition, Enron entered into share settled costless collar arrangements with the Entities on the 12 million shares of Enron common stock. Such transactions will be accounted for as equity transactions when settled. Enron received a $6.5 million note receivable from the Entities to terminate share-settled options on 7.1 million shares of Enron common stock. The transactions resulted in non-cash increases to non-current assets and equity.

In the first half of 2001, Enron recognized net revenues of approximately $241.1 million (of which $5.0 million related to the second quarter), primarily related to the change in the market value of derivatives instruments entered into with the Entities in 2000 to hedge certain merchant investments and other assets. Revenues recognized on the derivative instruments offset market value changes of certain merchant investments and price risk management activities. In addition, Enron and the Entities terminated certain derivative instruments (originally entered into in 2000) with a combined notional value of approximately $727.2 million. Enron received note receivables from the Entities for approximately $133.3 million related to such terminations. At June 30, 2001, cash in the Entities of $156 million was invested in Enron demand notes. Enron recognized $63 million and $10 million of interest income and interest expense, respectively, on notes receivable from and notes payable to the Entities. In the second quarter of 2001, Enron acquired investments from the Partnerships for approximately $36.6 million.

In the first half of 2001, Enron received approximately $241.8 million from Whitewing Associates, LP (Whitewing), an unconsolidated equity affiliate, related to securitizations.
In the second quarter of 2001, Enron acquired investments from Whitewing for approximately $28.8 million. No gains were recorded by Enron in connection with these transactions. Management believes that these transactions are reasonable compared to those which could have been negotiated with third parties.

PART I. FINANCIAL INFORMATION - (Continued)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
ENRON CORP. AND SUBSIDIARIES

RESULTS OF OPERATIONS

Second Quarter 2001
vs. Second Quarter 2000

The following review of Enron's results of operations should be read in conjunction with the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Consolidated Net Income

Enron's second quarter 2001 net income was $404 million compared to $289 million in the second quarter of 2000. Enron's business is divided into five reporting segments including:

Wholesale Services. Wholesale Services includes Enron's wholesale businesses around the world. Wholesale Services operates in developed markets such as North America and Europe, as well as developing or newly deregulating markets including South America and Japan.

Retail Energy Services. Retail Energy Services (Energy Services) is extending Enron's energy expertise and capabilities to end-use retail customers in the industrial and commercial business sectors to manage their energy requirements and reduce their total energy costs.

Broadband Services. Enron's broadband services business (Broadband Services) provides customers with broadband services, including network services intermediation and the delivery of premium content.

Transportation and Distribution. Transportation and Distribution consists of Enron Transportation Services (Transportation Services) and Portland General (PGE). Transportation Services includes Enron's interstate natural gas pipelines, primarily Northern Natural Gas Company (Northern), Transwestern Pipeline Company (Transwestern), Enron's 50% interest in Florida Gas Transmission Company (Florida Gas) and Enron's interests in Northern Border...

Corporate and Other. Corporate and Other includes Enron's investment in Azurix Corp. (Azurix), which provides water and wastewater services, results of Enron Renewable Energy Corp., which develops and constructs wind-generated power projects, and the operations of Enron's methanol and MTBE plants as well as overall corporate activities of Enron.

Basic and diluted earnings per share of common stock were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td>$0.51</td>
<td>$0.37</td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$0.45</td>
<td>$0.34</td>
<td></td>
</tr>
</tbody>
</table>

Income Before Interest, Minority Interests and Income Taxes

The following table presents income (loss) before interest, minority interests and income taxes (IBIT) for each of Enron's reporting segments (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Services</td>
<td>$802</td>
<td>$415</td>
<td></td>
</tr>
<tr>
<td>Retail Energy Services</td>
<td>60</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Broadband Services</td>
<td>(102)</td>
<td>(8)</td>
<td></td>
</tr>
<tr>
<td>Transportation and Distribution:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation Services</td>
<td>77</td>
<td>77</td>
<td></td>
</tr>
<tr>
<td>Portland General</td>
<td>65</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>(109)</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$793</td>
<td>$609</td>
<td></td>
</tr>
</tbody>
</table>

Wholesale Services

Enron builds its wholesale businesses through the creation of networks involving selective asset ownership, contractual access to third-party assets and market-making activities. Each market in which Wholesale Services operates utilizes these components in a slightly different manner and is at a different stage of development. This network strategy has enabled Wholesale Services to establish a leading position in its markets. Wholesale Services' activities are categorized into two business lines: (a) Commodity Sales and Services and (b) Assets and Investments. Activities may be integrated into a bundled product offering for Enron's customers.

http://10kwizard.ccbn.com/filing.php?repo=tenk&ipage=1475107&doc=1&total=13&Tk=EN... 11/2/01
Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities). Additionally, Wholesale Services manages its liquidity and exposure to third-party credit risk through monetization of its contract portfolio or third-party insurance contracts. Wholesale Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

The following table reflects IBIT for each of Wholesale Services' business lines (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>Commodity Sales and Services</td>
<td>$762</td>
<td>$420</td>
</tr>
<tr>
<td>Assets and Investments</td>
<td>134</td>
<td>55</td>
</tr>
<tr>
<td>Unallocated expenses</td>
<td>(94)</td>
<td>(60)</td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$802</td>
<td>$415</td>
</tr>
</tbody>
</table>

The following discussion analyzes the contributions to IBIT for each business line.

Commodity Sales and Services. Wholesale Services provides reliable commodity delivery and predictable pricing to its customers through forwards and other contracts. Activity includes the purchase, sale, marketing and delivery of natural gas, electricity, liquids and other commodities, as well as the management of Wholesale Services' own portfolio of contracts. Contracts associated with this activity are accounted for using the mark-to-market method of accounting. Wholesale Services' market-making activity is facilitated through a network of capabilities including selective asset ownership. Accordingly, certain assets involved in the delivery of these services are included in this business (such as intrastate natural gas pipelines, gas storage facilities and certain electric generation assets).

Wholesale Services markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>Physical Volumes (BBtue/d) (a)</td>
<td>&lt;c&gt;</td>
<td>&lt;c&gt;</td>
</tr>
</tbody>
</table>

Gas:
North America 25,614 22,438
Europe and Other 7,290 3,593
32,904 26,031
Transport Volumes
Total Gas Volumes 33,223 26,626
Crude Oil and Liquids 10,054 5,048
Electricity(b) 31,500 19,056
Total 74,777 46,730

Electricity Volumes Marketed (Thousand MWh)(c)
North America 213,948 124,089
Europe and Other 72,704 12,912
Total 286,652 137,001

Financial Settlements (Notional) (BBtue/d)
256,443 152,627

(a) Billion British thermal units equivalent per day.
(b) Represents electricity volumes, converted to BBtue/d.
(c) Thousand megawatt-hours.

Earnings from commodity sales and services increased $342 million in the second quarter of 2001 as compared to the same period in 2000. The quarter over quarter increase was primarily due to increased earnings from North American and European power marketing and certain other marketing operations, partially offset by decreased North American gas marketing results. Profits from North American power marketing operations, which increased significantly, included the sale of three peaking power plants. With increased liquidity in the market, Enron can now use power purchase contracts as an alternative to the peaking plants to directly support contracts to sell power. Earnings from other wholesale marketing operations, including coal, steel and forest products, also contributed to the earnings growth of Enron's commodity sales and services business. Volumes growth, which increased 60 percent in the second quarter of 2001 as compared to the second quarter of 2000, and price volatility in the power markets were the key contributors to increased profits in the power intermediation businesses.

Assets and Investments. Enron's Wholesale businesses make investments in various energy and certain related assets as a part of its network strategy. Wholesale Services either purchases the asset from a third party or develops and constructs the asset. In most cases, Wholesale Services operates and manages such assets. Earnings principally result from operations of the assets or sales of ownership interests.

Additionally, Wholesale Services invests in debt and equity securities of energy-related businesses, which may also utilize Wholesale Services' products and services. With these merchant investments, Enron's influence is much more limited relative to assets Enron develops or constructs. Earnings from these activities, which are accounted for on a fair value basis and are included in


00200000000818
revenues, result from changes in the market value of the securities. Wholesale Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments.

Earnings from assets and investments increased $79 million in the second quarter of 2001 as compared to the same period in 2000 as a result of increased valuations of Wholesale Services' merchant investments, sales of interests in international energy assets and improved results from international asset operations.

Unallocated Expenses. Net unallocated expenses such as systems expenses and performance-related costs increased in 2001 due to increased profitability and the growth of Wholesale Services' businesses.

Retail Energy Services

Energy Services sells or manages the delivery of natural gas, electricity, liquids and other commodities to industrial and commercial customers located in North America and Europe. Energy Services also provides full energy management services. This integrated product includes the management of commodity delivery, energy information and energy assets, and price risk management activities.

Significant components of Energy Services' results are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter 2001</th>
<th>Second Quarter 2000 (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$557</td>
<td>$420</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>328</td>
<td>295</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>168</td>
<td>93</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Equity losses</td>
<td>(13)</td>
<td>(18)</td>
</tr>
<tr>
<td>Other, net</td>
<td>22</td>
<td>30</td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$60</td>
<td>$46</td>
</tr>
</tbody>
</table>

(a) Amounts for the second quarter of 2000 have been restated. See Note 6 to the Consolidated Financial Statements.

Revenues and gross margin increased $137 million and $104 million, respectively, in the second quarter of 2001 compared to the second quarter of 2000, primarily as a result of long-term energy contracts originated in 2001 and the growth of Energy Services' European operations. Operating expenses increased primarily as a result of higher employee-related costs. Equity losses for both periods reflect Energy Services' portion of losses of The New Power Company. Other, net in both the second quarter of 2001 and


00200000000819
2000 consisted primarily of gains associated with securitizations related to The New Power Company.

Broadband Services

Enron is extending its market-making and risk management skills to develop the network services intermediation business that allows customers to manage unexpected fluctuation in the price, supply and demand of network-related requirements, including bandwidth and storage. The Enron Intelligent Network (the EIN), a nationwide fiber optic network, which connects 25 pooling points in North America, Europe and Japan, provides the infrastructure for Broadband Services' products. The EIN also gives Enron a bandwidth-on-demand platform that allows the delivery of high-bandwidth media-rich content. Broadband Services sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

Enron is significantly modifying the cost structure of Broadband Services to correspond to slower market development and the associated lower revenue outlook. Enron will focus on the intermediation business while providing content and network services in a cost effective manner. Enron expects losses to continue through at least 2001 in the Broadband Services segment. Future profitability is dependent on the recovery of the broadband and communications sectors.

Significant components of Broadband Services' results are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter 2001</th>
<th>Second Quarter 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>$ (6)</td>
<td>$ 76</td>
</tr>
<tr>
<td>Operating expenses (including depreciation)</td>
<td>93</td>
<td>85</td>
</tr>
<tr>
<td>Other, net</td>
<td>[3]</td>
<td>1</td>
</tr>
<tr>
<td>Loss before interest, minority interests and taxes</td>
<td>$(102)</td>
<td>$(8)</td>
</tr>
</tbody>
</table>

Gross margin decreased $82 million in the second quarter of 2001 compared to the second quarter of 2000. Weak market conditions in the broadband and communications sectors negatively impacted the 2001 gross margin. Second quarter 2000 gross margin included earnings from sales of excess dark fiber. Operating expenses (including depreciation) increased as a result of depreciation on fiber-optic related equipment placed into service in late 2000. General and administrative expenses in the second quarter of 2001 were comparable to the prior period.

Transportation and Distribution

Transportation Services. The following table summarizes total volumes transported for each of Enron's interstate natural gas pipelines.
Total Volumes Transported (MMBtu/d) (a)  
<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Natural Gas</td>
<td>2,908</td>
<td>3,237</td>
</tr>
<tr>
<td>Transwestern Pipeline</td>
<td>1,973</td>
<td>1,606</td>
</tr>
<tr>
<td>Florida Gas Transmission</td>
<td>1,574</td>
<td>1,591</td>
</tr>
<tr>
<td>Northern Border Pipeline</td>
<td>2,303</td>
<td>2,429</td>
</tr>
</tbody>
</table>

(a) Billion British thermal units per day. Reflects 100% of each entity's throughput volumes. Florida Gas and Northern Border Pipeline are unconsolidated equity affiliates.

Significant components of IBIT are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$121</td>
<td>$148</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>54</td>
<td>76</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Equity in earnings</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Other, net</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td><strong>Income before interest and taxes</strong></td>
<td><strong>$ 77</strong></td>
<td><strong>$ 77</strong></td>
</tr>
</tbody>
</table>

Revenues, net of cost of sales (net revenues) of Transportation Services decreased $27 million in the second quarter of 2001 as compared to the second quarter of 2000 primarily due to lower sales of gas storage inventory by Northern, partially offset by increased storage revenues received by Northern and increased revenues generated by Transwestern from transportation and operational gas sales. Operating Expenses decreased $22 million primarily as a result of decreased overhead costs and the timing of other pipeline expenses. Equity in earnings increased $6 million in the second quarter of 2001 as compared to the same period in 2000 primarily due to improved operating results from EOTT and Florida Gas.

Portland General. Statistics for PGE for the second quarter of 2001 and 2000 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Sales (Thousand MWh)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>1,548</td>
<td>1,480</td>
</tr>
</tbody>
</table>

Commercial 1,785 1,769
Industrial 1,139 1,235
Total Retail 4,472 4,484
Wholesale 3,035 4,909
Total Electricity Sales 7,507 9,393

Average Billed Revenue (cents per kWh) 10.95 4.51

Resource Mix
Coal 12% 7%
Combustion Turbine 17 6
Hydro 7 7
Total Generation 36 20
Firm Purchases 58 74
Secondary Purchases 6 6
Total Resources 100% 100%

Average Variable Power Cost (Mills/kWh) (a) 83.6 26.9
Retail Customers (end of period, thousands) 730 726

(a) Mills (1/10 cent) per kilowatt-hour.

Significant components of IBIT are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$831</td>
<td>$431</td>
<td></td>
</tr>
<tr>
<td>Purchased power and fuel</td>
<td>624</td>
<td>252</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>94</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>55</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>7</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Income before interest and taxes</td>
<td>$ 65</td>
<td>$ 62</td>
<td></td>
</tr>
</tbody>
</table>

Revenues, net of purchased power and fuel costs, increased $28 million in the second quarter of 2001 as compared to the second quarter of 2000. The increase was due to higher profits from wholesale power sales, partially offset by increased power costs resulting from general market conditions, including lower hydroelectric generation. Operating expenses increased primarily as a result of higher maintenance costs and increased regulatory and overhead expenses. Depreciation and amortization increased in 2001 primarily as a result of increased regulatory amortization.

Corporate and Other
Corporate and Other realized a loss before interest, minority interests and taxes of $109 million in the second quarter of 2001 while reporting IBIT of $17 million in the second quarter of 2000. Second quarter 2001 results include higher unallocated corporate-wide expenses and decreased earnings from non-core businesses, including Azurix.
Interest and Related Charges, net
Interest and related charges, net, is reported net of interest capitalized of $9 million and $13 million for the second quarter of 2001 and 2000, respectively. Net expense increased $19 million in the second quarter of 2001 as compared to the same period of 2000, primarily due to increased debt levels.

Minority Interests
Minority interests decreased $9 million to $30 million in the second quarter of 2001 compared to the same period in 2000, primarily due to lower earnings from South American operations and the impact of lower interest rates on certain majority-owned limited partnerships.

Income Tax Expense
Income taxes increased during the second quarter of 2001 as compared to the second quarter of 2000 primarily as a result of increased pretax earnings. The projected effective tax rate for 2001 is lower than the statutory rate mainly due to equity earnings, foreign tax rate differential and differences between the book and tax basis of certain assets and stock sales.

RESULTS OF OPERATIONS
Six Months Ended June 30, 2001
vs. Six Months Ended June 30, 2000

RESULTS OF OPERATIONS

Consolidated Net Income
Enron reported net income of $810 million (excluding a gain of $19 million related to the cumulative effect of accounting changes) for the first six months of 2001 compared to $627 million during the same period in 2000.

Basic and diluted earnings per share of common stock were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Six Months Ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30,</td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>&lt;$&gt; Basic earnings per share:</td>
<td>&lt;i&gt;C&lt;/i&gt;</td>
<td>&lt;i&gt;C&lt;/i&gt;</td>
</tr>
<tr>
<td>Before cumulative effect of accounting changes</td>
<td>$1.02</td>
<td>$0.80</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>0.02</td>
<td>-</td>
</tr>
<tr>
<td>Reported basic earnings per share</td>
<td>$1.04</td>
<td>$0.80</td>
</tr>
<tr>
<td>Diluted earnings per share:</td>
<td>&lt;i&gt;C&lt;/i&gt;</td>
<td>&lt;i&gt;C&lt;/i&gt;</td>
</tr>
<tr>
<td>Before cumulative effect of accounting changes</td>
<td>$0.92</td>
<td>$0.73</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>0.02</td>
<td>-</td>
</tr>
</tbody>
</table>

Reported diluted earnings per share $0.94 $0.73

Income Before Interest, Minority Interests and Income Taxes
The following table presents IBIT for each of Enron's reporting segments (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Services</td>
<td>$1,155</td>
<td>$844</td>
</tr>
<tr>
<td>Retail Energy Services</td>
<td>100</td>
<td>52</td>
</tr>
<tr>
<td>Broadband Services</td>
<td>(137)</td>
<td>(8)</td>
</tr>
<tr>
<td>Transportation and Distribution:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation Services</td>
<td>210</td>
<td>205</td>
</tr>
<tr>
<td>Portland General</td>
<td>125</td>
<td>167</td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>(267)</td>
<td>(27)</td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$1,588</td>
<td>$1,233</td>
</tr>
</tbody>
</table>

Wholesale Services
The following table reflects IBIT for each of Wholesale Services' business lines (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity Sales and Services</td>
<td>$1,154</td>
<td>$676</td>
</tr>
<tr>
<td>Assets and Investments</td>
<td>193</td>
<td>275</td>
</tr>
<tr>
<td>Unallocated expenses</td>
<td>(183)</td>
<td>(107)</td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$1,557</td>
<td>$844</td>
</tr>
</tbody>
</table>

The following discussion analyzes the contributions to IBIT for each of the business lines.

Commodity Sales and Services. Wholesale Services markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Volumes (BBtue/d) (a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas: North America</td>
<td>26,430</td>
<td>21,523</td>
</tr>
</tbody>
</table>

Europe and Other  7,991  3,031
Transport Volumes  34,421  24,554
    Total Gas Volumes  34,833  25,080
Crude Oil and Liquids  8,454  5,591
Electricity(b)  28,677  13,613
    Total  71,964  44,284

Electricity Volumes Marketed (Thousand MWh)(c)
    North America  410,012  226,992
    Europe and Other  109,042  20,756
    Total  519,054  247,748

Financial Settlements (Notional) (BBtue/d)  280,447  147,247

(a) Billion British thermal units equivalent per day.
(b) Represents electricity volumes, converted to BBtue/d.
(c) Thousand megawatt-hours.

Earnings from commodity sales and services increased $871 million in the first half of 2001 as compared to the same period in 2000. The increase was primarily due to significantly higher earnings from North American power marketing operations and increased earnings from North American gas marketing and European power marketing. Profits from North American power marketing operations included the sale of five peaking power plants. Earnings from other wholesale marketing operations, including coal, steel, weather and forest products, also contributed to the earnings growth of Enron's commodity sales and services business. Volumes growth, which increased 63 percent in the first half of 2001 as compared to the first half of 2000, and price volatility in both the power and gas markets were the key contributors to increased profits in the power and gas intermediation businesses.

Assets and Investments. Earnings from assets and investments decreased $82 million in the second quarter of 2001 as compared to the same period in 2000 primarily as a result of a decrease in the value of Wholesale Services' merchant investments. Earnings from international asset operations were comparable to 2000 levels.

Unallocated Expenses. Net unallocated expenses such as systems expenses and performance-related costs increased in 2001 due to increased profitability and the growth of Wholesale Services' businesses.

Retail Energy Services

Significant components of Energy Services' results are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


00200000000825
Revenues and gross margin increased $516 million and $222 million, respectively, in the first half of 2001 compared to the first half of 2000, primarily as a result of long-term energy contracts originated in 2001 and the growth of Energy Services' European operations. Operating expenses increased primarily as a result of higher employee-related costs. Equity losses for both periods reflect Energy Services' portion of losses of The New Power Company. Other, net in 2001 and 2000 consisted primarily of gains associated with securitizations related to The New Power Company.

Broadband Services

<table>
<thead>
<tr>
<th></th>
<th>&lt;S&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$1,250</td>
<td>$734</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>823</td>
<td>529</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>332</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>19</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Equity loss</td>
<td>(28)</td>
<td>(17)</td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>52</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$ 100</td>
<td>$ 52</td>
<td></td>
</tr>
</tbody>
</table>

(a) Amounts for 2000 have been restated. See Note 6 to the Consolidated Financial Statements.

Gross margin decreased $79 million in the first half of 2001 compared to the same period of 2000. Weak market conditions in the broadband and communications sectors negatively impacted the 2001 gross margin. Gross margin for 2001 included the realized appreciation associated with a portion of Enron's broadband content delivery platform while gross margin for the first half of 2000 primarily reflects earnings from sales of excess dark fiber and an increase in the market value of Broadband Services' merchant investments. Operating expenses increased due to higher employee-related costs and depreciation on fiber-optic related equipment placed into service in late 2000.

Transportation and Distribution
Transportation Services. The following table summarizes total volumes transported for each of Enron's interstate natural gas pipelines.
Six Months Ended
June 30, 2001 2000

Total Volumes Transported (Btu/d)(a)

<table>
<thead>
<tr>
<th>Company</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Natural Gas</td>
<td>3,327</td>
<td>3,691</td>
</tr>
<tr>
<td>Transwestern Pipeline</td>
<td>1,859</td>
<td>1,584</td>
</tr>
<tr>
<td>Florida Gas Transmission</td>
<td>1,404</td>
<td>1,571</td>
</tr>
<tr>
<td>Northern Border Pipeline</td>
<td>2,396</td>
<td>2,447</td>
</tr>
</tbody>
</table>

(a) Billion British thermal units per day. Reflects 100% of each entity's throughput volumes. Florida Gas and Northern Border Pipeline are unconsolidated equity affiliates.

Significant components of IBIT are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$364</td>
<td>$349</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>161</td>
<td>141</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>34</td>
<td>33</td>
</tr>
<tr>
<td>Equity in earnings</td>
<td>30</td>
<td>17</td>
</tr>
<tr>
<td>Other, net</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Income before interest and taxes</td>
<td>$210</td>
<td>$205</td>
</tr>
</tbody>
</table>

Revenues, net of cost of sales (net revenues) of Transportation Services increased $15 million in the first half of 2001 as compared to the first half of 2000 primarily due to increased revenues generated by Transwestern from transportation and operational gas sales and increased storage revenues received by Northern, partially offset by lower sales of gas storage inventory by Northern. Operating Expenses increased $20 million primarily as a result of higher gas prices and other costs associated with the volumes transported by Transwestern and other pipeline expenses. Equity in earnings increased $13 million in the first half of 2001 as compared to the same period in 2000 primarily due to improved operating results from EOTT and Florida Gas.

Portland General. Statistics for PGE for the first half of 2001 and 2000 are as follows:
June 30, 2001  2000

<table>
<thead>
<tr>
<th></th>
<th>&lt;c&gt;</th>
<th>&lt;c&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electricity Sales (Thousand MWh) (a)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>3,719</td>
<td>3,841</td>
</tr>
<tr>
<td>Commercial</td>
<td>3,605</td>
<td>3,641</td>
</tr>
<tr>
<td>Industrial</td>
<td>2,339</td>
<td>2,404</td>
</tr>
<tr>
<td>Total Retail</td>
<td>9,663</td>
<td>9,886</td>
</tr>
<tr>
<td>Wholesale</td>
<td>5,774</td>
<td>9,190</td>
</tr>
<tr>
<td>Total Electricity Sales</td>
<td>15,437</td>
<td>19,076</td>
</tr>
<tr>
<td><strong>Average Billed Revenue (cents per kWh)</strong></td>
<td>10.22</td>
<td>4.25</td>
</tr>
<tr>
<td><strong>Resource Mix</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>Combustion Turbine</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td>Hydro</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total Generation</strong></td>
<td>37</td>
<td>26</td>
</tr>
<tr>
<td>Firm Purchases</td>
<td>56</td>
<td>68</td>
</tr>
<tr>
<td>Secondary Purchases</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Average Variable Power Cost (Mills/kWh) (b)</strong></td>
<td>77.6</td>
<td>23.8</td>
</tr>
<tr>
<td><strong>Retail Customers (end of period, thousands)</strong></td>
<td>730</td>
<td>726</td>
</tr>
</tbody>
</table>

(a) Thousand megawatt-hours.  
(b) Mills (1/10 cent) per kilowatt-hour.

Significant components of IBIT are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>&lt;c&gt;</th>
<th>&lt;c&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Six Months Ended</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>$1,598</td>
<td>$828</td>
</tr>
<tr>
<td><strong>Purchased power and fuel</strong></td>
<td>1,206</td>
<td>454</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>161</td>
<td>154</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>106</td>
<td>92</td>
</tr>
<tr>
<td><strong>Other, net</strong></td>
<td>-</td>
<td>39</td>
</tr>
<tr>
<td><strong>Income before interest and taxes</strong></td>
<td>$ 125</td>
<td>$167</td>
</tr>
</tbody>
</table>

Revenues, net of purchased power and fuel costs, increased $18 million in the first six months of 2001 as compared to the same period of 2000. The increase was due to higher wholesale power sales, partially offset by increased power costs resulting from general market conditions, including lower hydroelectric generation and higher gas prices. Operating expenses increased primarily as a result of higher maintenance costs and increased regulatory expenses. Depreciation and amortization increased in 2001 primarily as a result of increased regulatory
amortization. Other, net in 2000 was favorably impacted by certain regulatory events.

Corporate and Other
Corporate and Other realized a loss before interest, minority interests and taxes of $267 million in the first six months of 2001 compared to a loss of $27 million in the first six months of 2000. The 2001 results include higher unallocated corporate-wide expenses and decreased earnings from non-core businesses, including Azurix.

Interest and Related Charges, net
Interest and related charges, net, is reported net of interest capitalized of $24 million and $26 million for the first half of 2001 and 2000, respectively. Net expense increased $59 million in the first half of 2001 as compared to the same period of 2000, primarily due to increased debt levels.

Income Tax Expense
Income taxes increased during the first half of 2001 as compared to the first half of 2000 primarily as a result of increased pretax earnings. The projected effective tax rate for 2001 is lower than the statutory rate mainly due to equity earnings, foreign tax rate differential and differences between the book and tax basis of certain assets and stock sales.

Enron recorded tax benefits in shareholders' equity related to stock options exercised by employees of approximately $162 million in the first half of 2001.

CUMULATIVE EFFECT OF ACCOUNTING CHANGES

On January 1, 2001, Enron recognized an after-tax non-cash gain of $19 million in earnings and deferred an after-tax non-cash gain of $25 million in "Accumulated Other Comprehensive Income," a component of shareholders' equity and reclassified $277 million from "Long-Term Debt" to "Other Liabilities" to reflect the initial adoption of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 must be applied to all derivative instruments and requires that such instruments be recorded in the balance sheet either as an asset or a liability measured at its fair value through earnings, with special accounting permitted for certain qualifying hedges.

NEW ACCOUNTING PRONOUNCEMENTS


The pronouncement requires entities to discontinue the amortization of goodwill, reallocate all existing goodwill
among its reporting segments based on criteria set by SFAS No. 142 and perform initial impairment tests by applying a fair-value-based analysis on the goodwill in each reporting segment. Any impairment at the initial adoption date shall be recognized as the effect of a change in accounting principle. Subsequent to the initial adoption, goodwill shall be tested for impairment annually or more frequently if circumstances indicate a possible impairment.

Under SFAS No. 142, entities are required to determine the useful life of other intangible assets and amortize the value over the useful life. If the useful life is determined to be indefinite no amortization will be recorded. For intangible assets recognized prior to the adoption of SFAS No. 142, the useful life should be reassessed. Other intangible assets are required to be tested for impairment in a manner similar to goodwill. At June 30, 2001, Enron's goodwill related to consolidated entities was approximately $3.5 billion. Estimated annual amortization of such goodwill is approximately $100 million. Enron is in the process of evaluating the application of SFAS No. 142.

FINANCIAL CONDITION

Cash Flows

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities excluding net margin deposit activity</td>
<td>$1,005</td>
<td>(197)</td>
</tr>
<tr>
<td>Operating activities</td>
<td>(2,342)</td>
<td>(350)</td>
</tr>
<tr>
<td>Net margin deposit activity</td>
<td>(1,337)</td>
<td>(547)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(1,161)</td>
<td>(2,254)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>1,971</td>
<td>3,231</td>
</tr>
</tbody>
</table>

Cash used in operating activities totaled $1,337 million in the first half of 2001 as compared to $547 million in the same period last year. Cash used in operating activities in the first half of 2001 reflects cash provided by operations and price risk management activities, offset by net cash used related to margin deposit activity. Excluding net margin deposit activity, cash provided by operating activity was $1,005 million. Enron received significant cash deposits as credit collateral during the fourth quarter of 2000 resulting from volatility in the power and gas markets. During the first six months of 2001, net deposits of $2,342 million were returned as volatility in the commodity prices have declined. Net cash used in operating activities in the first half of 2000 primarily reflects net cash used in acquiring merchant assets and investments and working capital requirements. Management anticipates cash from operating activities in the second half of 2001 to be positively impacted by reduced working capital requirements and overall...
operating activities.

Cash used in investing activities totaled $1,161 million in the first six months of 2001 as compared to $2,254 million in the same period of 2000. Cash used in the first six months of 2001 reflects investments in unconsolidated equity affiliates and capital expenditures. Investments in unconsolidated equity affiliates in 2001 include the acquisition of a company whose assets include a newsprint mill and related assets, a power generation related entity and the purchase of all publicly traded shares of Azurix Corp. Capital expenditures in 2001 related to Wholesale Services' energy network.

Cash provided by financing activities totaled $1,971 million in the first half of 2001 as compared to $3,231 million during the same period of 2000. The first half of 2001 includes the net issuances of short- and long-term debt of $2,251, partially offset by payments of dividends.

Enron is able to fund its normal working capital requirements mainly through operations or, when necessary, through the utilization of credit facilities and its ability to sell commercial paper and accounts receivable. Enron has classified as short term, approximately $1.25 billion of notes payable that is convertible at the option of the noteholder into Enron Corp common stock. Proceeds, the amount which is based on the market price of Enron common stock for any conversion, may be paid either in cash or in Enron common stock, depending on Enron's stock price at the date of conversion. Based on current conditions, management does not anticipate any of the notes to be converted.

CAPITALIZATION

Total capitalization at June 30, 2001 was $27.9 billion. Debt as a percentage of total capitalization increased to 46.0% at June 30, 2001 as compared to 40.9% at December 31, 2000. The increase in the ratio reflects increased debt levels, including the issuance in January 2001 of $1.25 billion of notes payable and increased net short-term borrowings in 2001, and the impact of the decline in value of certain foreign currencies, partially offset by earnings.

FINANCIAL RISK MANAGEMENT

Enron Wholesale's business offers price risk management services primarily related to commodities associated with the energy sector (natural gas, electricity, crude oil and natural gas liquids). Broadband Services also offers price risk management services to its customers. Enron's other businesses also enter into forwards, swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production and other contractual commitments. Enron utilizes value at risk measures that assume a one-day holding period and a 95% confidence level. For a complete discussion of the types of financial risk management products used by Enron, the types of market risks associated with Enron's portfolio of


00200000000831
transactions, and the methods used by Enron to manage market risks, see Enron's Annual Report on Form 10-K for the year ended December 31, 2000.

Enron's value at risk for trading commodity price risk increased to $79 million at June 30, 2001 as compared to $66 million at December 31, 2000. This increase is attributable to increased price volatility both in the gas and power markets combined with increased activity in anticipation of the peak summer season.

Enron's value at risk for trading equity declined $11 million in the first six months of 2001 primarily as a result of sales of merchant investments and decreased volatility.

In addition, value at risk for non-trading interest rate risk increased by $11 million in the first six months of 2001. This increase is a result of contracts to hedge interest rate risks associated with Yen-denominated notes issued by Enron during the second quarter of 2001.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Report and the Form 10-K include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts contained in these documents are forward-looking statements. Forward-looking statements include, but are not limited to, statements relating to expansion opportunities for the Transportation Services, extension of Enron's business model to new markets and industries, demand in the market for broadband services and high bandwidth applications, transaction volumes in the U.S. power market, commencement of commercial operations of new power plants and pipeline projects, completion of the sale of certain assets and growth in the demand for retail energy outsourcing solutions. When used in this document, the words "anticipate," "believe," "estimate," "expects," "intend," "may," "project," "plan," "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Although Enron believes that its expectations reflected in these forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include success in marketing natural gas and power to wholesale customers; the ability of Enron to penetrate new retail natural gas and electricity markets (including energy outsourcing markets) in the United States and foreign jurisdictions; development of Enron's broadband network and customer demand for intermediation and content services; the timing, extent and market effects of deregulation of energy markets in the United States, including the current energy market conditions in California, and in foreign jurisdictions; other regulatory developments in the United States and in
foreign countries, including tax legislation and regulations; political developments in foreign countries; the extent of efforts by governments to privatize natural gas and electric utilities and other industries; the timing and extent of changes in commodity prices for crude oil, natural gas, electricity, foreign currency and interest rates; the extent of success in acquiring oil and gas properties and in discovering, developing, producing and marketing reserves; the timing and success of Enron's efforts to develop international power, pipeline and other infrastructure projects; the effectiveness of Enron's risk management activities; the ability of counterparties to financial risk management instruments and other contracts with Enron to meet their financial commitments to Enron; and Enron's ability to access the capital markets and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and Enron's ability to maintain the credit ratings for its unsecured senior long-term debt obligations.

PART II. OTHER INFORMATION
ENRON CORP. AND SUBSIDIARIES

ITEM 1. Legal Proceedings

See Part I, Item 1, Note 3 to Consolidated Financial Statements entitled "Litigation and Other Contingencies," which is incorporated herein by reference.

ITEM 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of Enron Corp. was held on May 1, 2001 in Houston, Texas, for the purposes of electing a board of directors; approving a proposed amendment to Enron's Amended and Restated Articles of Incorporation to increase the total number of authorized shares of Common Stock from 1,200,000,000 to 2,400,000,000, contingent upon certain conditions; approving the Amended and Restated Enron Corp. 1991 Stock Plan (as amended and restated effective May 1, 2001); the appointment of auditors and voting on certain shareholder proposals described below. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934 and there was no solicitation in opposition to management's nominees.

(a) All of management's nominees for directors as listed in the proxy statement were elected with the following vote:

<table>
<thead>
<tr>
<th>Nominee</th>
<th>Shares FOR</th>
<th>Shares WITHHELD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert A. Belfer</td>
<td>639,538,731</td>
<td>6,982,509</td>
</tr>
<tr>
<td>Norman P. Blake, Jr.</td>
<td>640,117,095</td>
<td>6,404,145</td>
</tr>
<tr>
<td>Ronnie C. Chan</td>
<td>546,486,640</td>
<td>100,034,600</td>
</tr>
</tbody>
</table>


002000000000833
John H. Duncan  639,626,643    6,894,597
Wendy L. Gramm    631,721,679    14,799,561
Robert K. Jaedicke  639,767,551    6,753,689
Kenneth L. Lay    640,098,009    6,423,231
Charles A. LeMaistre  639,416,086    7,105,154
John Mendelsohn    639,844,439    6,676,801
Paulo V. Ferraz Pereira  640,071,804    6,449,436
Frank Savage    639,970,208    6,551,032
Jeffrey K. Skilling    640,118,885    6,402,355
John Wakeham    633,943,112    12,578,128
Herbert S. Winokur, Jr.  640,043,939    6,477,301

(b) The proposal, contingent upon Enron declaring a stock split of at least 2-for-1 on or before May 1, 2003, to amend Enron's Amended and Restated Articles of Incorporation to increase the total number of authorized shares of Common Stock from 1,200,000,000 to 2,400,000,000 was approved by the following vote:

<table>
<thead>
<tr>
<th>Shares FOR</th>
<th>Shares AGAINST</th>
<th>Shares ABSTAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>634,485,158</td>
<td>8,355,896</td>
<td>3,680,186</td>
</tr>
</tbody>
</table>

(c) The Amended and Restated Enron Corp. 1991 Stock Plan (as amended and restated effective May 1, 2001) was approved by the following vote:

<table>
<thead>
<tr>
<th>Shares FOR</th>
<th>Shares AGAINST</th>
<th>Shares ABSTAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>572,910,613</td>
<td>68,211,644</td>
<td>5,398,983</td>
</tr>
</tbody>
</table>

(d) The appointment of Arthur Andersen LLP as independent auditor was approved by the following vote:

<table>
<thead>
<tr>
<th>Shares FOR</th>
<th>Shares AGAINST</th>
<th>Shares ABSTAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>639,400,879</td>
<td>3,661,979</td>
<td>3,458,382</td>
</tr>
</tbody>
</table>

(e) The votes cast for the proposals from Brent Blackweilder, Dianne Burnham, Hildegarde Hannum, and Eleanor MacCracken (collectively, "Friends of the Earth"); General Board of Pension and Health Benefits of The United Methodist Church; Solidago Foundation; Agape Foundation; and Domini Social Investments were as follows:

<table>
<thead>
<tr>
<th>Shares FOR</th>
<th>Shares AGAINST</th>
<th>Shares ABSTAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>38,976,823</td>
<td>457,230,799</td>
<td>39,138,546</td>
</tr>
</tbody>
</table>

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit 12 Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K

None.

SIGNATURES


002000000000834
Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENRON CORP.
(Registrant)

Date: August 14, 2001  By: RICHARD A. CAUSEY
Richard A. Causey
Executive Vice President and Chief Accounting Officer
(Principal Accounting Officer)
STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935
or Section 30(f) of the Investment Company Act of 1940

1. Name and Address of Reporting Person*  
   Enron Corp.  
   (Last)  (First)  (Middle)  
   1400 Smith Street  
   (Street)  
   Houston, TX 77002-7369

2. Issuer Name and Ticker or Trading Symbol  
   EOTT Energy Partners, L.P. (NYSE: EOT)

3. IRS Identification Number of Reporting Person, if an entity  
   (Voluntary)

4. Statement for 
   Month/Year  
   September 2001

5. If Amendment, 
   Date of Original 
   (Month/Year)

6. Relationship of Reportor to Issuer (Check a 
   Director)

7. Individual or Join  
   X Form filed by 
   Person

OMB Number: 3235-0287
Expires: December 31, 2001
Estimated average burden hours per response... 0.5
## TABLE I -- NON-DERIVATIVE SECURITIES ACQUIRED, DISPOSED OF, OR BENEFICIALLY OWNED AT EOD

<table>
<thead>
<tr>
<th>1. Title of Security</th>
<th>2. Transaction Date (Month/Day/Year)</th>
<th>3. Transaction Code</th>
<th>4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)</th>
<th>5. Amount of Securities Beneficially Owned at End of Month (Instr. 3 and 4)</th>
<th>6. Ownership Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Units(1)</td>
<td>9/28/01</td>
<td>S(2)</td>
<td>3,276,483 D</td>
<td>(3) 328</td>
<td>I</td>
</tr>
<tr>
<td>Subordinated Units(4)</td>
<td>9/28/01</td>
<td>S(2)</td>
<td>6,999,300 D</td>
<td>(3) 700</td>
<td>I</td>
</tr>
<tr>
<td>API(5)</td>
<td>9/28/01</td>
<td>S(2)</td>
<td>$9,317,261 D</td>
<td>(3) $932</td>
<td>I</td>
</tr>
</tbody>
</table>

(1) All of the Common Units in which Enron Corp. has a beneficial interest were transferred by Enron Northwest Ass wholly-owned subsidiary of Enron Corp., to Timber I, LLC prior to the issuance of Class B interests in Timber I, LLC.
(2) Enron Corp. is the owner of the voting, controlling Class A interests in Timber I, LLC. By means of the issuance of 99.99% of its pecuniary interest in 1,776,811 Common Units, 7,000,000 Subordinated Units and $9,318,213 in API, Enron Corp., as sole manager, remains owner of all such securities pursuant to Rule 13d-3 because it retains both voting and investment power over the securities.
(3) The price for such sale has not yet been determined but will be established on or prior to March 31, 2002.
(4) All of the Subordinated units in which Enron Corp. has a beneficial interest were transferred by EOTT Energy C wholly-owned subsidiary of Enron Corp., to Timber I, LLC prior to the issuance of Class B interests in Timber I, LLC.

http://www.sec.gov/Archives/edgar/data/1024401/000095012901503589/h91233ae4a.txt

10/30/01
(5) All of the APIs in which Enron Corp. has a beneficial interest were transferred by Enron Corp. to Timber I, LLC issuance of Class B interests in Timber I, LLC.

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly. * If the form is filed by more than one reporting person, see Instruction 4(b)(v).

<table>
<thead>
<tr>
<th>&lt;S&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Title of Derivative Security (Instr. 3)</td>
<td>2. Conversion or Exercise</td>
<td>3. Transaction Date (Month/Day/Year)</td>
<td>4. Transaction Code (Instr. 3)</td>
<td>5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)</td>
<td>6. Date Exercisable and Expiration Date (Month/Day/Year)</td>
</tr>
<tr>
<td>Financial Swap</td>
<td>(6)</td>
<td>9/28/01</td>
<td>P</td>
<td>(7)</td>
<td>9/28/01</td>
</tr>
<tr>
<td>Call Options (10)</td>
<td>$5.57</td>
<td>(11)</td>
<td>10/01/05</td>
<td>Subordinated Units 80,</td>
<td></td>
</tr>
<tr>
<td>Call Options (12)</td>
<td>$5.57</td>
<td>(13)</td>
<td>01/01/05</td>
<td>Subordinated Units 80,</td>
<td></td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000095012901503589/h91233ae4a.txt

10/30/01
(6) The fixed price for such derivative security has not yet been determined but will be established on or prior to
(7) Pursuant to the financial swap, the counterparty is required to pay to Enron North America Corp., a wholly-owned
Enron Corp., the excess, if any, of the prices of the underlying securities (as determined in accordance with the
over the fixed price, and Enron North America Corp. is required to pay to the counterparty the excess, if any, of
over the prices of the underlying securities (as determined in accordance with the swap agreement).
(8) The consideration for the financial swap was the agreement of the counterparty therein.
(9) The financial swap and the call option are the only derivative securities involving issuer securities in which
has a pecuniary interest. As a result of the financial swap, Enron has a pecuniary interest in the Common Units, S
Units and APIs underlying the financial swap as shown in column 7, which amount exceeds the securities underlying
option position.
(10) Consists of short call options (i.e. Enron Corp. is required to sell upon exercise of the options by the
option holders) that were granted on October 1, 2000 to an employee of BOTT Energy Corp. pursuant to a
compensation agreement.
(11) The options will vest as to 50% of the Subordinated Units on the day after certain conditions are met if such
prior to October 2, 2003, and as to the remaining 50% on the day certain other conditions are met if such date occurs
October 2, 2003.
(12) Consists of short call options (i.e. Enron Corp. is required to sell upon exercise of the options by the
option holders) that were granted on April 14, 2000 to an employee of EOTT Energy Corp. pursuant to a compensation agreement.

(13) The options will vest as to 50% of the Subordinated Units on the day after certain conditions are met if such prior to January 2, 2003, and as to the remaining 50% on the day certain other conditions are met if such date occurs January 2, 2003.

**Intentional misstatements or omissions of facts constitute Federal Criminal Violations.


/s/ REX R. ROGERS

**Signature of Reporting Person

By: Rex R. Rogers
Title: Vice President
Associate Gen.
For: Enron Corp.

Note: File three copies of this Form, one of which must be manually signed.

If space is insufficient, see Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

</Table>

</TEXT>
</DOCUMENT>

http://www.sec.gov/Archives/edgar/data/1024401/000095012901503589/h91233ae4a.txt

10/30/01
-----BEGIN PRIVACY-ENHANCED MESSAGE-----
Proc-Type: 2001,MIC-CLEAR
Originator-Name: webmaster@www.sec.gov
Originator-Key-Asymmetric:
MfgwCqYEVQgBAQfICAf8DSgAwRwJAM2sNKK9AVtBzYZmr6aGjIWyK3XmZv3dTINen
TNSM7vrrzLADBmYqiomw5eDN3P6oaM5D3tdezXMm7z1T+B+twIDAQAB
MIC-Info: RSA-MD5,RSA,
ECr5c4xj4P9sEGblJyYr4vqCFVn7VQLHco4dHwkPmG99CPbg31PudBA5U1W+EDe
227x5hJ1D+Wxim23k56N5g==

<SEC-DOCUMENT>0000950129-01-503589.txt : 20011024
<SEC-HEADER>0000950129-01-503589hdr.sgml : 20011024
ACCESSION NUMBER: 0000950129-01-503589
CONFORMED SUBMISSION TYPE: 4/A
PUBLIC DOCUMENT COUNT: 1
CONFORMED PERIOD OF REPORT: 20010928
FILED AS OF DATE: 20011023

SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: EOTT ENERGY PARTNERS LP
CENTRAL INDEX KEY: 0000917464
STANDARD INDUSTRIAL CLASSIFICATION: WHOLESALE-PETROLEUM BULK STATIONS & TERMINALS [5171]
IRS NUMBER: 760424520
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 4/A
SEC ACT: 1934 Act
SEC FILE NUMBER: 001-12872
FILM NUMBER: 1764111

BUSINESS ADDRESS:
STREET 1: 1330 POST OAK BLVD
STREET 2: SUITE 2700
CITY: HOUSTON
STATE: TX
ZIP: 77056
BUSINESS PHONE: 7139935200

MAIL ADDRESS:
STREET 1: PO BOX 4666

http://www.sec.gov/Archives/edgar/data/1024401/000095012901503589/0000950129-01-503589.txt
10/30/01
CITY:  HOUSTON
STATE:  TX
ZIP:  77210

<REPORTING-OWNER>

COMPANY DATA:
COMPANY CONFORMED NAME:  ENRON CORP/OR/
CENTRAL INDEX KEY:  0001024401
STANDARD INDUSTRIAL CLASSIFICATION:  SECURITY BROKERS, DEALERS & FLOTATION COMPANIES [6211]

<RELATIONSHIP>OWNER
IRS NUMBER:  470255140
STATE OF INCORPORATION:  OR
FISCAL YEAR END:  1231

FILING VALUES:
FORM TYPE:  4/A

BUSINESS ADDRESS:
STREET 1:  1400 SMITH ST
CITY:  HOUSTON
STATE:  TX
ZIP:  77002-7369
BUSINESS PHONE:  7138536161

MAIL ADDRESS:
STREET 1:  1400 SMITH ST
CITY:  HOUSTON
STATE:  TX
ZIP:  77002-7369

FORMER COMPANY:
FORMER CONFORMED NAME:  ENRON OREGON CORP
DATE OF NAME CHANGE:  19961008

</REPORTING-OWNER>
</SEC-HEADER>

<DOCUMENT>
<Type>4/A
<SEQUENCE>1</Type>

<FILENAME>h91233ae4a.txt</FILENAME>
<DESCRIPTION>ENRON CORP. FOR EOTT ENERGY PARTNERS, L.P.</DESCRIPTION>

<TEXT>

----------------------------------------
OMB APPROVAL

----------------------------------------

http://www.sec.gov/Archives/edgar/data/1024401/0000950129015053589/0000950129-01-503589.txt

10/30/01
United States Securities and Exchange Commission  
Washington, D.C. 20549

Statement of Changes in Beneficial Ownership

Filed pursuant to section 16(a) of the Securities Exchange Act of 1934,  
section 17(a) of the Public Utility Holding Company Act of 1935  
or section 30(f) of the Investment Company Act of 1940

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Name and Address of Reporting Person*</td>
<td>2. Issuer Name and Ticker or Trading Symbol</td>
<td>6. Relationship of Re-</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Last</td>
<td>First</td>
<td>Middle</td>
<td></td>
</tr>
</tbody>
</table>
Enron Corp. | EOTT Energy Partners, L.P. (NYSE: EOT) | Director |
| 1400 Smith Street |   |   |   |
| Houston | TX | 77002-7369 |   |
| City | State | Zip |   |

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3. IRS Identification Number of Reporting Person, if an entity Voluntary</td>
<td>4. Statement for Month/Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>September 2001</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. If Amendment, Date of Original (Month/Year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Individual or Joint</td>
<td>Check Applicable</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X Form filed by</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Person</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reporting P</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table I -- Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

<table>
<thead>
<tr>
<th>1. Title of Security (Instr. 3)</th>
<th>2. Transaction Date</th>
<th>3. Transaction Code</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Indicates a beneficial owner of more than 10% of a class of securities of the issuer.

http://www.sec.gov/Archives/edgar/data/1024401/000095012901503589/0000950129-01-503589.txt

10/30/01
<table>
<thead>
<tr>
<th>(Month/ Year)</th>
<th>(Instr. B)</th>
<th>End of Month (Instr. 3 and 4)</th>
<th>Direct (D) or Indirect (I)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Code V</td>
<td>Amount (A) or (D) Price</td>
<td></td>
</tr>
<tr>
<td>Common Units(1)</td>
<td>9/28/01</td>
<td>3,276,483 D (3)</td>
<td>328 I</td>
</tr>
<tr>
<td>Subordinated Units(4)</td>
<td>9/28/01</td>
<td>6,999,300 D (3)</td>
<td>700 I</td>
</tr>
<tr>
<td>APIs(5)</td>
<td>9/28/01</td>
<td>$9,317,281 D (3)</td>
<td>$932 I</td>
</tr>
</tbody>
</table>

(1) All of the Common Units in which Enron Corp. has a beneficial interest were transferred by Enron Northwest Ass wholly-owned subsidiary of Enron Corp., to Timber I, LLC prior to the issuance of Class B interests in Timber I, L

(2) Enron Corp. is the owner of the voting, controlling Class A interests in Timber I, LLC. By means of the issuance of non-voting, non-controlling Class B interests in Timber I, LLC, Enron Corp. disposed of 99.99% of its pecuniary interest in 3,276,881 Common Units, 7,000,000 Subordinated Units and $9,317,281 in APIs. Enron Corp., as sole manager, remains owner of all such securities pursuant to Rule 13d-3 because it retains both voting and investment power over the Securities. Enron Corp. retains a .01% pecuniary interest in such securities.

(3) The price for such sale has not yet been determined but will be established on or prior to March 31, 2002.

(4) All of the Subordinated Units in which Enron Corp. has a beneficial interest were transferred by EOTT Energy C wholly-owned subsidiary of Enron Corp., to Timber I, LLC prior to the issuance of Class B interests in Timber I, L partnership agreement of the issuer, the Subordinated Units are convertible, if ever, only if certain tests are met the Subordinated Units could remain outstanding throughout the life of the issuer. Because the conversion tests have not been met, these securities are not treated as derivative securities for purposes of this report.

(5) All of the APIs in which Enron Corp. has a beneficial interest were transferred by Enron Corp. to Timber I, LLC issuance of Class B interests in Timber I, LLC.

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
<table>
<thead>
<tr>
<th>&lt;S&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Title of Derivative Security (Instr. 3)</td>
<td>2. Conversion or Exercise</td>
<td>3. Transaction Code</td>
<td>4. Transaction Date (Month/Day/Year)</td>
<td>5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)</td>
<td>6. Date Exercise and Expiration Date (Month/Day/Year)</td>
<td>7. Title and Amount of Underlying Securities (Instr. 3 and 4)</td>
</tr>
<tr>
<td>Financial Swap</td>
<td>(6)</td>
<td>9/28/01</td>
<td>P</td>
<td>[7]</td>
<td>9/28/01 9/26/03</td>
<td>Common Units 3,178,</td>
</tr>
<tr>
<td>Call Options(10)</td>
<td>$5.57</td>
<td>(11)</td>
<td>10/01/05</td>
<td>Subordinated Units 6,789,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Call Options(12)</td>
<td>$5.57</td>
<td>(13)</td>
<td>01/01/05</td>
<td>Subordinated Units 80,</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

<Caption>

<table>
<thead>
<tr>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Instr. 4)</td>
<td>Direct (D) or Indirect (I)</td>
<td>Indirect</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000095012901503589/0000950129-01-503589.txt 10/30/01
(6) The fixed price for such derivative security has not yet been determined but will be established on or prior to the agreement.

(7) Pursuant to the financial swap, the counterparty is required to pay to Enron North America Corp., a wholly-owned subsidiary of Enron Corp., the excess, if any, of the prices of the underlying securities (as determined in accordance with the swap agreement) over the fixed price, and Enron North America Corp. is required to pay to the counterparty the excess, if any, of the prices of the underlying securities (as determined in accordance with the swap agreement).

(8) The consideration for the financial swap was the agreement of the counterparty therein.

(9) The financial swap and the call option are the only derivative securities involving issuer securities in which Enron has a pecuniary interest. As a result of the financial swap, Enron has a pecuniary interest in the Common Units, S Units and APIs underlying the financial swap as shown in column 7, which amount exceeds the securities underlying option position.

(10) Consists of short call options (i.e. Enron Corp. is required to sell upon exercise of the options by the option holders) that were granted on October 1, 2000 to an employee of EOTT Energy Corp. pursuant to a compensation agreement.

(11) The options will vest as to 50% of the Subordinated Units on the day after certain conditions are met if such date occurs prior to October 2, 2003, and as to the remaining 50% on the day certain other conditions are met if such date occurs October 2, 2003.

(12) Consists of short call options (i.e. Enron Corp. is required to sell upon exercise of the options by the option holders) that were granted on April 14, 2000 to an employee of EOTT Energy Corp. pursuant to a compensation agreement.

(13) The options will vest as to 50% of the Subordinated Units on the day after certain conditions are met if such date occurs prior to January 2, 2003, and as to the remaining 50% on the day certain other conditions are met if such date occurs January 2, 2003.

**Intentional misstatements or omissions of facts constitute Federal Criminal Violations.**

/z/ REX R. ROGERS

http://www.sec.gov/Archives/edgar/data/1024401/000095012901503589/0000950129-01-503589.txt 10/30/01

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

</Table>

</TEXT>
</DOCUMENT>
</SEC-DOCUMENT>
-----END PRIVACY-ENHANCED MESSAGE-----
FORM 4/A

[ ] CHECK THIS BOX IF NO LONGER SUBJECT TO SECTION 16. FORM 4 OR FORM 5 OBLIGATIONS MAY CONTINUE. SEE INSTRUCTION 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935
or Section 30(f) of the Investment Company Act of 1940

<table>
<thead>
<tr>
<th>(B)</th>
<th>(C)</th>
<th>(C)</th>
<th>(C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Print or Type Responses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Name and Address of Reporting Person* Enron Corp.</td>
<td>2. Issuer Name and Ticker or Trading EOTT Energy Partners, L.P. (NYSE:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Last)</td>
<td>(First)</td>
<td>(Middle)</td>
<td></td>
</tr>
<tr>
<td>1400 Smith Street</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Street)</td>
<td>Houston</td>
<td>TX</td>
<td>77002-7369</td>
</tr>
<tr>
<td>(City)</td>
<td>(State)</td>
<td>(Zip)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>47-0255140</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10/30/01</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TABLE I -- NON-DERIVATIVE SECURITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Title of Security (Instr. 3)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>3. Transaction Code (Instr. 8)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>5. Securities Price (A) or Amount (D) (Instr. 3, 4 and 5)</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1024401/000095012901503589/h91233ae4a.txt
<table>
<thead>
<tr>
<th>Common Units (1)</th>
<th>9/28/01</th>
<th>S(2)</th>
<th>3,276,483</th>
<th>D</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinated Units (4)</td>
<td>9/28/01</td>
<td>S(2)</td>
<td>6,999,300</td>
<td>D</td>
<td>(3)</td>
</tr>
<tr>
<td>APIs (5)</td>
<td>9/28/01</td>
<td>S(2)</td>
<td>$9,317,281</td>
<td>D</td>
<td>(3)</td>
</tr>
</tbody>
</table>

(1) All of the Common Units in which Enron Corp. has a beneficial interest were tran
wholly-owned subsidiary of Enron Corp., to Timber I, LLC prior to the issuance of Cl
(2) Enron Corp. is the owner of the voting, controlling Class A interests in Timber
non-voting, non-controlling Class B interests in Timber I, LLC, Enron Corp. disposed
3,276,811 Common Units, 7,000,000 Subordinated Units and $9,318,213 in APIs. Enron C
owner of all such securities pursuant to Rule 13d-3 because it retains both voting a
Enron Corp. retains a .01% pecuniary interest in such securities.
(3) The price for such sale has not yet been determined but will be established on o
(4) All of the Subordinated units in which Enron Corp. has a beneficial interest was
wholly-owned subsidiary of Enron Corp., to Timber I, LLC prior to the issuance of Cl
partnership agreement of the issuer, the Subordinated Units are convertible, if ever
the Subordinated Units could remain outstanding throughout the life of the issuer. B
and may not be met, these securities are not treated as derivative securities for pu
(5) All of the APIs in which Enron Corp. has a beneficial interest were transferred
issuance of Class B interests in Timber I, LLC.

Reminder: Report on a separate line for each class of securities beneficially owned.
If the form is filed by more than one reporting person, see Instruction 4 (b) (v).

TABLE II -- DERIVATIVE SECURITIES ACQUIRED, DISPOSED OF, O
(e.g., PUTS, CALLS, WARRANTS, OPTIONS, CONVERTIBLE

<table>
<thead>
<tr>
<th>&lt;S&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Title of Derivative Security (Instr. 3)</td>
<td>2. Conversion or Exercise Price of Derivative Security</td>
<td>3. Trans- or Date (Month/Year)</td>
<td>4. Trans- or Day/Year</td>
<td>5. Number of Derivative Securities Acquired</td>
</tr>
</tbody>
</table>

Financial Swap (6) | 9/28/01 | P | (7) | 9/28/01 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>I</td>
<td>By Enron North America Corp., a wholly-owned subsidiary</td>
</tr>
<tr>
<td>9</td>
<td>D</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>D</td>
<td></td>
</tr>
</tbody>
</table>

(6) The fixed price for such derivative security has not yet been determined but will.

(7) Pursuant to the financial swap, the counterparty is required to pay to Enron North America Corp., the excess, if any, of the prices of the underlying securities (as determined in accordance with the swap) over the prices of the underlying securities (as determined in accordance with the swap). The consideration for the financial swap was the agreement of the counterparty to pay the only derivative securities involved has a pecuniary interest. As a result of the financial swap, Enron has a pecuniary interest in Units and APIS underlying the financial swap as shown in column 7, which amount exceeds the option position.

(10) Consists of short call options (i.e. Enron Corp. is required to sell upon exercise of option holders) that were granted on October 1, 2000 to an employee of EOTT Energy compensation agreement.

(11) The options will vest as to 50% of the Subordinated Units on the day after certain conditions are met on the date the remaining 50% vest on the condition as to the day certain other conditions are met.

(12) Consists of short call options (i.e. Enron Corp. is required to sell upon exercise of option holders) that were granted on April 14, 2000 to an employee of EOTT Energy compensation agreement.

(13) The options will vest as to 50% of the Subordinated Units on the day after certain conditions are met on the date the remaining 50% vest on the condition as to the day certain other conditions are met.

**Intentional misstatements or omissions of facts constitute Federal Criminal Violat

Note: File three copies of this Form, one of which must be manually signed.
If space is insufficient, see Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained
in this form are not required to respond unless the form displays a currently
valid OMB number.

</Table>

</TEXT>
</DOCUMENT>
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2001

Commission File Number 1-12473
ENRON CAPITAL TRUST I
(Exact name of registrant as specified in its charter)

Delaware 76-0518948
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

Enron Building
1400 Smith Street
Houston, Texas 77002
(Address of principal executive offices)

(713) 853-6161
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

As of March 31, 2001, the Registrant had an aggregate of 8,000,000 8.30% Trust Preferred Securities and 247,440 8.30% Trust Common Securities outstanding.

1 of 10

http://www.sec.gov/Archives/edgar/data/1025966/000102440101500011/tst10q.txt

10/30/01

002000000000852
ENRON CAPITAL TRUST I

TABLE OF CONTENTS

Page No.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Income Statement - Three Months Ended March 31, 2001 and 2000 3
Balance Sheet - March 31, 2001 and December 31, 2000 4
Statement of Cash Flows - Three Months Ended
March 31, 2001 and 2000 5
Notes to Financial Statements 6

ITEM 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations 8

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings 9
ITEM 2. Changes in Securities 9
ITEM 3. Defaults upon Senior Securities 9
ITEM 4. Submission of Matters to a Vote of
Security Holders 9
ITEM 6. Exhibits and Reports on Form 8-K 9

SIGNATURES 10

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENRON CAPITAL TRUST I
INCOME STATEMENT
(In Thousands)
(Unaudited)

<CAPTION>

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2001</th>
<th>March 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from Partnership</td>
<td>$4,278</td>
<td>$4,278</td>
</tr>
<tr>
<td>Preferred Securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$4,278</td>
<td>$4,278</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1025966/000102440101500011/tsti10q.txt 10/30/01

002000000000853
PART I. FINANCIAL INFORMATION - (Continued)

ITEM 1. FINANCIAL STATEMENTS - (Continued)

RNNON CAPITAL TRUST I
BALANCE SHEET
(In Thousands)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2001</th>
<th>December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Limited Partnership Interest</td>
<td>$206,186</td>
<td>$206,186</td>
</tr>
<tr>
<td>Partnership Distributions Receivable</td>
<td>4,278</td>
<td>-</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$210,464</td>
<td>$206,186</td>
</tr>
</tbody>
</table>

LIABILITIES AND SHAREOWNERS' EQUITY

|                      |               |                   |
| Current Liabilities  |               |                   |
| Trust Distributions Payable | $ 4,278 | $ -              |

Shareowners' Equity

| Trust Preferred Securities - authorized, issued and outstanding 8,000,000 shares, $25 liquidation value | 200,000 | 200,000 |
| Trust Common Securities - authorized, issued and outstanding 247,440 shares, $25 liquidation value | 6,186   | 6,186   |

Total Shareowners' Equity | $206,186 | $206,186 |

Total Liabilities and Shareowners' Equity | $210,464 | $206,186 |

The accompanying notes are an integral part of these financial statements.
ENRON CAPITAL TRUST I  
STATEMENT OF CASH FLOWS  
(In Thousands)  
(Unaudited)

<table>
<thead>
<tr>
<th>&lt;CAPTION&gt;</th>
<th>Three Months Ended</th>
<th>March 31,</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOW FROM OPERATING ACTIVITIES:</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconciliation of Net Income to Net Cash Provided by Operating Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>4,278</td>
<td>4,278</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in Partnership Distributions Receivable</td>
<td>(4,278)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>-</td>
<td>4,278</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH FLOW FROM INVESTING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Provided by (Used in) Investing Activities</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH FLOW FROM FINANCING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>-</td>
<td>(4,278)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Used in Financing Activities</td>
<td>-</td>
<td>(4,278)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (Decrease) in Cash and Cash Equivalents</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents, Beginning of Period</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents, End of Period</td>
<td>$</td>
<td>$</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:  
Dividends Declared | 4,278 | $ |

<FN>  
The accompanying notes are an integral part of these financial statements.  
</TABLE>  

<PAGE>  
PART I. FINANCIAL INFORMATION - (Continued)  
ITEM 1. FINANCIAL STATEMENTS - (Continued)  

ENRON CAPITAL TRUST I  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

1. BASIS OF PRESENTATION  
The condensed financial statements included herein have

http://www.sec.gov/Archives/edgar/data/1025966/000102440101500011/tsti10q.txt  
10/30/01

002000000000855
been prepared by management without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although management believes the disclosures are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in Enron Capital Trust I Form 10-K for the year ended December 31, 2000.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enron Capital Trust I (the "Trust") is a statutory business trust created under the Delaware Business Trust Act. Ownership of the assets of the Trust is evidenced by an aggregate of 8,000,000 8.30% Trust Preferred Securities (the "Trust Preferred Securities"), which are listed and traded on the New York Stock Exchange under the symbol "ENE PrT", and 247,440 8.30% Trust Common Securities (the "Trust Common Securities" and, together with the Trust Preferred Securities, the "Trust Securities"), all of which are owned by Enron Corp. ("Enron"). The Trust's sole assets are 8,247,440 8.30% Partnership Preferred Securities ($25 liquidation amount per security) representing an 85% limited partnership interest in Enron Preferred Funding, L.P. (the "Partnership"). The Trust and the Partnership are consolidated subsidiaries of Enron for financial accounting purposes.

2. DESCRIPTION OF THE PARTNERSHIP

The general partner of the Partnership is Enron, which owns a 15% general partnership interest in the Partnership. Since completion of the offering of the Trust Preferred Securities on November 21, 1996, the assets of the Partnership have been invested primarily in a $181,926,000 principal amount 7.75% Subordinated Debenture due 2016 of Enron (the "Enron Debenture") and $29,108,000 principal amount 7.75% Debentures due 2016 (the "Subsidiary Debentures" and, together with the Enron Debenture, the "Debentures"), of each of Enron North America Corp. and Enron Transportation Services Company, each of which is a wholly-owned subsidiary of Enron. The obligations under the Subsidiary Debentures are guaranteed by Enron. In addition to the Debentures, the Partnership owns an aggregate of approximately $2,500,000 in short-term, investment grade debt securities (the "Eligible
Debt Securities") as of March 31, 2001 and December 31, 2000.

3. SUMMARIZED FINANCIAL INFORMATION OF THE PARTNERSHIP

Summarized financial information for the Partnership, accounted for by the equity method, is as follows (in thousands):

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>March 31, 2001</th>
<th>December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$ 7,187</td>
<td>$ 2,500</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td>240,142</td>
<td>240,142</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>4,278</td>
<td>-</td>
</tr>
<tr>
<td>Partners' Capital</td>
<td>243,051</td>
<td>242,642</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>Three Months Ended</th>
<th>March 31, 2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 4,686</td>
<td>$ 4,687</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>4,686</td>
<td>4,687</td>
<td></td>
</tr>
</tbody>
</table>

PART I. FINANCIAL INFORMATION - (Concluded)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

ENRON CAPITAL TRUST I

Results of Operations and Changes in Cash Flows

First Quarter 2001 vs. First Quarter 2000

For the quarter ended March 31, 2001, distributions totaling $4.2 million and $0.1 million, respectively, were declared to the holders of the 8,000,000 Trust Preferred Securities and to the holder of the 247,440 Trust Common Securities. These distributions were paid on April 2, 2001. On March 31, 2000, the holders of the 8,000,000 Trust Preferred Securities were paid quarterly cash distributions totaling $4.2 million. On the same date, the holder of the 247,440 Trust Common Securities was paid quarterly cash distributions totaling $0.1 million. On April 2, 2001 and March 30, 2000, the Trust received quarterly distributions from the Partnership of $4.3 million related to the Trust's limited partnership interest.

PART II. OTHER INFORMATION

ENRON CAPITAL TRUST I
ITEM 1. Legal Proceedings
   None.

ITEM 2. Changes in Securities
   None.

ITEM 3. Defaults upon Senior Securities
   None.

ITEM 4. Submission of Matters to a Vote of Security Holders
   None.

ITEM 6. Exhibits and Reports on Form 8-K
   (a) Exhibits
       None.
   (b) Reports on Form 8-K
       None.

<PAGE>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENRON CAPITAL TRUST I
{Registrant}

Date: May 11, 2001   By: BEN GLISAN, JR.
Name: Ben Glisan, Jr.
Title: Regular Trustee

</TEXT>
</DOCUMENT>
UNIVERSAL STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2001

Commission File Number 1-12473
ENRON CAPITAL TRUST I
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization) 76-0518940 (I.R.S. Employer Identification Number)

Enron Building
1400 Smith Street
Houston, Texas 77002 (Address of principal executive offices) (Zip Code)

(713) 853-6161 (Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or
15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90
days.
Yes [X] No [ ]

As of June 30, 2001, the Registrant had an aggregate of 8,600,000 8.30% Trust Preferred Securities and 247,440 8.30%
Trust Common Securities outstanding.
ENRON CAPITAL TRUST I

TABLE OF CONTENTS

Page No.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements
  Balance Sheet - June 30, 2001 and December 31, 2000 4
  Notes to Financial Statements 6

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 8

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings 9
ITEM 2. Changes in Securities 9
ITEM 3. Defaults upon Senior Securities 9
ITEM 4. Submission of Matters to a Vote of Security Holders 9
ITEM 6. Exhibits and Reports on Form 8-K 9

SIGNATURES 10

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENRON CAPITAL TRUST I

INCOME STATEMENT
(In Thousands)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30,</td>
<td>June 30,</td>
</tr>
<tr>
<td>Revenues from Partnership Preferred Securities</td>
<td>$4,279</td>
<td>$4,279</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1025966/000102440101500021/tsti10-q.txt 10/30/01

002000000000860
Net Income $4,279  $4,279  $8,557  $8,557

<FN>
The accompanying notes are an integral part of these financial statements.
</TABLE>

<PAGE>
<TABLE>
PART I. FINANCIAL INFORMATION - (Continued)

ITEM 1. FINANCIAL STATEMENTS - (Continued)

ENRON CAPITAL TRUST I
BALANCE SHEET
(In Thousands)
(Unaudited)

<CAPTION>

<TR><TD>June 30, 2001</TD><TD>December 31, 2000</TD></TR>
</TABLE>

<ASSETS>
Investment in Limited Partnership Interest $206,186 $206,186
Partnership Distributions Receivable 4,279 -
Total Assets $210,465 $206,186

<LIABILITIES AND SHAREOWNERS' EQUITY>

Current Liabilities
Trust Distributions Payable $ 4,279 $ -

Shareowners' Equity
Trust Preferred Securities - authorized, issued and outstanding 8,000,000 shares, $25 liquidation value 200,000 200,000
Trust Common Securities - authorized, issued and outstanding 247,440 shares, $25 liquidation value 6,186 6,186
Total Shareowners' Equity $206,186 $206,186

Total Liabilities and Shareowners' Equity $210,465 $206,186

<FN>
The accompanying notes are an integral part of these financial statements.
</TABLE>
ENRON CAPITAL TRUST I
STATEMENT OF CASH FLOWS
(In Thousands)
(Unaudited)

Six Months Ended
June 30, 2001  2000

<CAPTION>

<C>

S

CASH FLOW FROM OPERATING ACTIVITIES:
Reconciliation of Net Income to Net
Cash Provided by Operating Activities
Net Income $ 8,557  $ 8,557
Increase in Partnership Distributions Receivable (4,279)  -

Net Cash Provided by Operating Activities 4,278  8,557

CASH FLOW FROM INVESTING ACTIVITIES:
Net Cash Provided by (Used in) Investing
Activities -  -

CASH FLOW FROM FINANCING ACTIVITIES:
Dividends Paid (4,278)  (8,557)

Net Cash Used in Financing Activities (4,278)  (8,557)

Increase (Decrease) in Cash and
Cash Equivalents -  -

Cash and Cash Equivalents, Beginning
of Period -  -

Cash and Cash Equivalents, End of Period $ -  $ -

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
Unpaid Dividends Declared $ 4,279  $ -

<FN>
The accompanying notes are an integral part of these financial statements.
</TABLE>

<PAGE>

PART 1. FINANCIAL INFORMATION - (Continued)

ITEM 1. FINANCIAL STATEMENTS - (Continued)

ENRON CAPITAL TRUST I
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The condensed financial statements included herein have

http://www.sec.gov/Archives/edgar/data/1025966/000102440101500021/tsti10-q.txt

10/30/01

002000000000862
been prepared by management without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although management believes the disclosures are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in Enron Capital Trust I Form 10-K for the year ended December 31, 2000.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enron Capital Trust I (the "Trust") is a statutory business trust created under the Delaware Business Trust Act. Ownership of the assets of the Trust is evidenced by an aggregate of 8,000,000 8.30% Trust Preferred Securities (the "Trust Preferred Securities"), which are listed and traded on the New York Stock Exchange under the symbol "ENE PrT", and 247,440 8.30% Trust Common Securities (the "Trust Common Securities" and, together with the Trust Preferred Securities, the "Trust Securities"), all of which are owned by Enron Corp. ("Enron"). The Trust's sole assets are 8,247,440 8.30% Partnership Preferred Securities ($25 liquidation amount per security) representing an 85% limited partnership interest in Enron Preferred Funding, L.P. (the "Partnership"). The Trust and the Partnership are consolidated subsidiaries of Enron for financial accounting purposes.

2. DESCRIPTION OF THE PARTNERSHIP

The general partner of the Partnership is Enron, which owns a 15% general partnership interest in the Partnership. Since completion of the offering of the Trust Preferred Securities on November 21, 1996, the assets of the Partnership have been invested primarily in a $181,926,000 principal amount 7.75% Subordinated Debenture due 2016 of Enron (the "Enron Debenture") and two Debentures of $29,108,000 principal amounts at 7.75% due 2016 (the "Subsidiary Debentures") and, together with the Enron Debenture, the "Debentures") of each of Enron North America Corp. and Enron Transportation Services Company, each of which is a wholly-owned subsidiary of Enron. The obligations under the Subsidiary Debentures are guaranteed by Enron. In addition to the Debentures, the Partnership owns an aggregate of approximately $2,500,000 in short-term, investment grade
debt securities (the "Eligible Debt Securities") as of June 30, 2001 and December 31, 2000.

3. SUMMARIZED FINANCIAL INFORMATION OF THE PARTNERSHIP

Summarized financial information for the Partnership, accounted for by the equity method, is as follows (in thousands):

<TABLE>
<CAPTION>
Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001</th>
<th>December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$ 7,180</td>
<td>$ 2,500</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td>240,142</td>
<td>240,142</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>4,279</td>
<td>-</td>
</tr>
<tr>
<td>Partners' Capital</td>
<td>243,043</td>
<td>242,642</td>
</tr>
</tbody>
</table>
</TABLE>

<TABLE>
<CAPTION>
Income Statement

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2001</td>
<td>June 30, 2000</td>
</tr>
<tr>
<td>Revenues</td>
<td>$4,680</td>
<td>$4,691</td>
</tr>
<tr>
<td>Net Income</td>
<td>$4,680</td>
<td>$9,366</td>
</tr>
</tbody>
</table>
</TABLE>

PART I. FINANCIAL INFORMATION - (Concluded)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.
ENRON CAPITAL TRUST I

Results of Operations and Changes in Cash Flows

Second Quarter 2001 vs Second Quarter 2000

For the quarter ended June 30, 2001, distributions totaling $4.2 million and $0.1 million, respectively, were declared to the holders of the 8,000,000 Trust Preferred Securities and to the holder of the 247,440 Trust Common Securities. These distributions were paid on July 2, 2001. On June 30, 2000, the holders of the 8,000,000 Trust Preferred Securities were paid quarterly cash distributions totaling $4.2 million. On the same date, the holder of the 247,440 Trust Common Securities was paid quarterly cash distributions totaling $0.1 million. On July 2, 2001 and June 30, 2000, the Trust received quarterly distributions from the Partnership of $4.3 million related to the Trust's limited partnership interest.


http://www.sec.gov/Archives/edgar/data/1025966/000102440101500021/tsti10-q.txt

10/30/01

002000000000864
For the six months ended June 30, 2001, distributions totaling $8.3 million and $0.3 million, respectively, were declared to the holders of the 8,000,000 Trust Preferred Securities and to the holder of the 247,440 Trust Common Securities. Of the distributions declared to the holders of the Trust Preferred Securities and the holder of the Trust Common Securities, $4.2 million and $0.1 million, respectively, were paid by June 30, 2001 and $4.2 million and $0.1 million, respectively, were paid on July 2, 2001. For the six months ended June 30, 2000, the holders of the 8,000,000 Trust Preferred Securities and the holder of the 247,440 Trust Common Securities were paid cash distributions totaling $8.3 million and $0.3 million, respectively. On July 2, 2001 and June 30, 2000, the Trust received distributions from the Partnership totaling $8.6 million related to the Trust's limited partnership interest.

PART II. OTHER INFORMATION
ENRON CAPITAL TRUST I

ITEM 1. Legal Proceedings

None.

ITEM 2. Changes in Securities

None.

ITEM 3. Defaults upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

None.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENRON CAPITAL TRUST I

http://www.sec.gov/Archives/edgar/data/1025966/000102440101500021/tsti10-q.txt 10/30/01
Date: August 13, 2001
By: BEN GLISAN, JR.
Name: Ben Glisan, Jr.
Title: Regular Trustee

&/TEXT>
</DOCUMENT>
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the
   Securities Exchange Act of 1934
   For the fiscal year ended December 31, 2000

[ ] Transition Report Pursuant to Section 13 or 15(d) of the
   Securities Exchange Act of 1934

Commission File Number 1-3423-01

ENRON CAPITAL TRUST II
(Exact name of registrant as specified in its charter)

Delaware 76-6122939
(State or other jurisdiction  (IRS Employer
of incorporation or organization) Identification No.)

1400 Smith Street, Houston Texas 77002
(Address of principal executive offices) (Zip Code)

(713) 853-6161
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

$ 1/8% Trust Preferred Securities New York Stock Exchange
   (Title of Class)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed
all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months
(or for such shorter period that the registrant was required to
file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

[X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers
pursuant to Item 405 of Regulation S-K is not contained herein,
and will not be contained, to the best of registrant's knowledge,
in definitive proxy or information statements incorporated by
reference in Part III of this Form 10-K or any amendment to this
Form 10-K.  [X]

http://www.sec.gov/Archives/edgar/data/1029532/000102440101500007/tsti10k.txt 10/30/01

002000000000867
As of March 26, 2001, the registrant had an aggregate of 6,000,000 8 1/8% Trust Preferred Securities and 186,000 8 1/8% Trust Common Securities outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

ITEM 1. BUSINESS.

Enron Capital Trust II (the "Trust") is a statutory business trust created under the Delaware Business Trust Act, as amended (the "Trust Act"), pursuant to an amended and restated declaration of trust (the "Declaration") and the filing of a certificate of trust with the Secretary of State of the State of Delaware. On January 16, 1997, the Trust completed its initial public offering of the Trust Preferred Securities described below, as a result of which the Trust's sole assets are 6,186,000 8 1/8% Partnership Preferred Securities ($25 liquidation amount per security) representing an 8% limited partnership interest in Enron Preferred Funding II, L.P., a Delaware limited partnership (the "Partnership"). Ownership of the assets of the Trust is evidenced by an aggregate of 6,000,000 8 1/8% Trust Preferred Securities (the "Trust Preferred Securities"), which are listed and traded on the New York Stock Exchange under the symbol "ENE PrR", and 186,000 Trust Common Securities (the "Trust Common Securities," and, together with the Trust Preferred Securities, the "Trust Securities"), all of which are owned by Enron Corp., an Oregon corporation ("Enron"). The Trust makes distributions on the Trust Securities to the extent it receives distributions from the Partnership on the Partnership Preferred Securities. Payments on the Partnership Preferred Securities represent the sole source of cash for the Trust. Distributions on the Trust Securities are guaranteed by Enron, but only to the extent that the Trust has available funds to pay such distributions. The Trust was created for the sole purpose of issuing the Trust Securities, investing the proceeds of such issuance in the Partnership Preferred Securities and engaging in only those other activities necessary or incidental thereto. The Trust Securities are subject to redemption at any time on or after March 31, 2002 or earlier in the event of certain tax law changes or other events.

The general partner of the Partnership is Enron, which owns a 15% general partnership interest in the Partnership. Since completion of the offering of the Trust Preferred Securities on January 16, 1997, the assets of the Partnership have been invested primarily in a $136,450,000 principal amount 7.75% Subordinated Debenture due 2016, Series II of Enron (the "Enron Debenture") and $21,836,000 principal amount 7.75% Debentures due 2016, Series II, of each of Enron North America Corp. and Enron Transportation Services Company (the "Subsidiary Debentures" and, together with the Enron Debenture, the "Debentures"), each of which is a wholly owned subsidiary of Enron. The obligations under the Subsidiary Debentures are guaranteed by Enron. The respective issuers of the Debentures have certain rights to elect to defer any payments of principal and interest on the Debentures.
for up to five years at a time. In addition to the Debentures, the Partnership owns an aggregate of approximately $1,900,000 in short-term, investment grade debt securities (the "Eligible Debt Securities"). Under certain circumstances, upon repayment of one or more of the Debentures, the assets of the Partnership may be reinvested in one or more debt securities of Enron or its subsidiaries. Payments of interest and principal on the Enron Debenture and the Subsidiary Debentures (or the guarantees thereof) and the Eligible Debt Securities are the sole source of revenue for the Partnership. The Partnership pays distributions to the Trust as holder of the Partnership Preferred Securities when and if Enron, as the general partner, determines to do so, although Enron has no obligation to do so.

For more information concerning the Trust, the Partnership and the rights of the holders of the Trust Securities, see the Amended and Restated Declaration of Trust relating to the Trust, the Amended and Restated Agreement of Limited Partnership relating to the Partnership, the Indentures relating to each of the Debentures and the Guarantee Agreements of Enron with respect to the Trust Preferred Securities, the Partnership Preferred Securities and the Subsidiary Debentures, each of which is included as an exhibit to this Form 10-K.

Enron Corp., an Oregon corporation, is an energy and communications company with headquarters in Houston, Texas. The common stock of Enron is traded on the New York Stock Exchange under the symbol "EEN." Enron's operations are conducted through its subsidiaries and affiliates which are principally engaged in the transportation of natural gas through pipelines to markets throughout the United States; the generation, transmission and distribution of electricity to markets in the northwestern United States; the marketing of natural gas, electricity and other commodities and related risk management and finance services worldwide; the development, construction and operation of power plants, pipelines and other energy related assets worldwide; and the development of an intelligent network platform to provide bandwidth management services and deliver high bandwidth applications.

The location of the principal executive offices of the Trust and the Partnership is c/o Enron Corp., 1400 Smith Street, Houston, Texas 77002, and its phone number at such address is (713) 853-6161.

ITEM 2. PROPERTIES.

Not applicable.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

<PAGE>

PART II

http://www.scc.gov/Archives/edgar/data/1029532/000102440101500007/tstii10k.txt

10/30/01

002000000000869
ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Trust Preferred Securities are listed on the New York Stock Exchange ("NYSE") under the symbol "ENE PrR." From January 16, 1997 through December 31, 2000, the high and low prices of the Trust Preferred Securities on the NYSE were $26.75 and $20.50, respectively. As of February 2, 2001, the approximate number of holders of record of the Trust Preferred Securities was 70. All of the Trust Common Securities are held by Enron.

During 2000 and 1999, the Trust paid quarterly distributions on the Trust Preferred Securities of $0.5078 per quarter, and the Trust expects to continue to pay distributions on the Trust Preferred Securities of $0.5078 per quarter to the extent the Trust has funds available for the payment of such distributions.

The Trust issued an aggregate of 186,000 Trust Common Securities to Enron on January 16, 1997 in a transaction exempt from the Securities Act of 1933 pursuant to Section 4(2) thereof.

ITEM 6. SELECTED FINANCIAL DATA (UNAUDITED).

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Period from Inception to December 31, 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(January 13, 1997) (In Thousands)</td>
</tr>
<tr>
<td>Revenues</td>
<td>$12,565</td>
</tr>
<tr>
<td>Income from Continuing Operations</td>
<td>12,565</td>
</tr>
<tr>
<td>Distributions</td>
<td>12,565</td>
</tr>
</tbody>
</table>

</TABLE>

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Thousands)</td>
</tr>
<tr>
<td>Total Assets</td>
</tr>
<tr>
<td>Shareowners' Equity</td>
</tr>
</tbody>
</table>
</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

On January 16, 1997, the Trust issued $150 million of Trust Preferred Securities to the public. The Trust used the proceeds from the offering combined with $4.7 million of proceeds from the issuance of Trust Common Securities to Enron to acquire Partnership Preferred Securities of the Partnership. The proceeds received by the Partnership were invested primarily in 20-year debentures of Enron and two wholly-owned subsidiaries of Enron.
During 2000, 1999 and 1998, holders of the 6,000,000 Trust Preferred Securities were paid quarterly cash distributions totaling $12.2 million per year. During 2000, 1999 and 1998, holders of the 186,000 Trust Common Securities were paid quarterly cash distributions totaling $0.4 million per year. On those same quarterly distribution dates, the Trust received quarterly distributions from the Partnership totaling $12.6 million per year for 2000, 1999 and 1998.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required hereunder is included in this report as set forth in the "Index to Financial Statements" on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The Trust is administered by three trustees. The first Trustee, Ben Glisan, Jr. (the "Regular Trustee"), is an employee of Enron or its subsidiaries. The second trustee is The Chase Manhattan Bank, which is unaffiliated with Enron and acts as indenture trustee for purposes of compliance with the provisions of the Trust Indenture Act (the "Property Trustee"). The third trustee, Chase Manhattan Bank Delaware, is also unaffiliated with Enron and serves as Delaware Trustee to fulfill a requirement of the Trust Act.

ITEM 11. EXECUTIVE COMPENSATION.

The Regular Trustee is not compensated by the Trust or Enron for his services as trustee. The Property Trustee and Delaware Trustee are not compensated by the Trust but are paid customary compensation for their services by Enron.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Not applicable.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Except as described above under Item 1, the Trust is not party to any transactions with affiliates.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.
(a)(1) and (2) Financial Statements and Financial Statement Schedules

See "Index to Financial Statements" set forth on page F-1.

(a)(3) List of Exhibits

4.1 Certificate of Trust (incorporated by reference to Exhibit 4(a) of the Registration Statement on Form S-1 of the Trust (No. 333-18669)).

4.2 Amended and Restated Declaration of Trust dated as of January 13, 1997 (incorporated by reference to Exhibit 4.2 to Enron Capital Trust II Form 10-K for the year ended 1996).

4.3 Amended and Restated Agreement of Limited Partnership of the Enron Preferred Funding II, L.P. dated as of January 16, 1997 (incorporated by reference to Exhibit 4.3 to Enron Capital Trust II Form 10-K for the year ended 1996).


4.5 Partnership Preferred Guarantee Agreement dated as of January 16, 1997 (incorporated by reference to Exhibit 4.5 to Enron Capital Trust II Form 10-K for the year ended 1996).

4.6 Indenture dated as of January 16, 1997 relating to the Enron's 7.75% Subordinated Debentures due 2016, Series II (incorporated by reference to Exhibit 4.6 to Enron Capital Trust II Form 10-K for the year ended 1996).

4.7 Indenture dated as of January 16, 1997 relating to Enron Transportation Services Company's 7.75% Debentures due 2016, Series II (incorporated by reference to Exhibit 4.7 to Enron Capital Trust II Form 10-K for the year ended 1996).

4.8 Indenture dated as of January 16, 1997 relating to the Enron Capital & Trade Resources Corp. 7.75% Debentures due 2016, Series II (incorporated by reference to Exhibit 4.8 to Enron Capital Trust II Form 10-K for the year ended 1996).

4.9 Guarantee Agreement of Enron dated as of January 16, 1997 relating to Enron Transportation Services Company's 7.75% Debentures due 2016, Series II (incorporated by reference to Exhibit 4.9 to Enron Capital Trust II Form 10-K for the year ended 1996).

4.10 Guarantee Agreement of Enron dated as of January 16, 1997 relating to Enron Capital & Trade Resources Corp. 7.75% Debentures due 2016, Series II (incorporated by reference to Exhibit 4.10 to Enron Capital Trust II Form 10-K for the year ended 1996).

4.11 Form of certificate representing Trust Preferred Securities (included in Exhibit 4.2)

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed during the last quarter of the period covered by this report.
INDEX TO FINANCIAL STATEMENTS
ENRON CAPITAL TRUST II

Financial Statements of Enron Capital Trust II

Report of Independent Public Accountants F-2
Income Statement for the years ended December 31, 2000, 1999 and 1998 F-3
Balance Sheet as of December 31, 2000 and 1999 F-4
Statement of Changes in Shareowners' Equity for the years ended December 31, 2000, 1999 and 1998 F-6
Notes to the Financial Statements F-7
Exhibit 99 - Financial Statements of Enron Preferred Funding II, L.P. F-10

Financial Statement Schedules

Financial statement schedules have been omitted because they are inapplicable as the information required therein is included elsewhere in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareowners of Enron Capital Trust II:

We have audited the accompanying balance sheet of Enron Capital Trust II (a Delaware statutory business trust) as of December 31, 2000 and 1999, and the related statements of income, cash flows and changes in shareowners' equity for the years ended December 31, 2000, 1999 and 1998. These financial statements are the responsibility of Enron Capital Trust II's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our
opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enron Capital Trust II as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years ended December 31, 2000, 1999 and 1998, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Houston, Texas
March 26, 2001

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TABLE

Enron Capital Trust II
Income Statement
(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from Partnership Preferred Securities</td>
<td>$12,565</td>
<td>$12,565</td>
<td>$12,565</td>
</tr>
<tr>
<td>Net Income</td>
<td>$12,565</td>
<td>$12,565</td>
<td>$12,565</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.

TABLE

Enron Capital Trust II
Balance Sheet
(In Thousands)

<table>
<thead>
<tr>
<th>As of December 31,</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Limited Partnership Interest</td>
<td>$154,650</td>
<td>$154,650</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$154,650</td>
<td>$154,650</td>
</tr>
</tbody>
</table>

SHAREOWNERS’ EQUITY

Shareowners’ Equity

http://www.sec.gov/Archives/edgar/data/1029532/000102440101500007/tstii10k.txt

10/30/01
Trust Preferred Securities -  
authorized, issued and outstanding  
6,000,000 securities, $25 liquidation  
value  
$150,000  
Trust Common Securities -  
authorized, issued and outstanding  
186,000 securities, $25 liquidation  
value  
4,650

Total Shareowners' Equity  
$154,650

<FN>  
The accompanying notes are an integral part of these financial statements.
</TABLE>

<PAGE>
<TABLE>

Enron Capital Trust II  
Statement of Cash Flows  
(In Thousands)

<CAPTION>

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>CASH FLOW FROM OPERATING ACTIVITIES:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of Net Income to Net</td>
</tr>
<tr>
<td>Cash Provided by Operating Activities</td>
</tr>
<tr>
<td>Net Income</td>
</tr>
</tbody>
</table>

| Net Cash Provided by Operating Activities | 12,565 | 12,565 | 12,565 |

<table>
<thead>
<tr>
<th>CASH FLOW FROM INVESTING ACTIVITIES:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash Used in Investing Activities</td>
</tr>
<tr>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOW FROM FINANCING ACTIVITIES:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends Paid</td>
</tr>
</tbody>
</table>

| Net Cash Provided by (Used in) Financing Activities | (12,565) | (12,565) | (12,565) |

| Increase (Decrease) in Cash and Cash Equivalents | - | - | - |

| Cash and Cash Equivalents, Beginning of Year | - | - | - |

| Cash and Cash Equivalents, End of Year | $ | $ | $ |

<FN>  
The accompanying notes are an integral part of these financial statements.
</TABLE>

<PAGE>
<TABLE>

http://www.sec.gov/Archives/edgar/data/1029532/000102440101500007/tstii10k.txt  
10/30/01
Enron Capital Trust II
Statement of Changes in Shareowners' Equity
(In Thousands)

<CAPTION>
Year Ended December 31,

<C>
Trust Preferred Securities
Balance, Beginning of Year $150,000 $150,000 $150,000
Balance, End of Year 150,000 150,000 150,000

Trust Common Securities
Balance, Beginning of Year 4,650 4,650 4,650
Balance, End of Year 4,650 4,650 4,650

Retained Earnings
Balance, Beginning of Year - - - -
Net Income 12,565 12,565 12,565
Dividends:
Trust Preferred Securities (12,187) (12,187) (12,187)
Trust Common Securities (378) (378) (378)
Balance, End of Year $ - $ - $ -

<FN>
The accompanying notes are an integral part of these financial statements.
</TABLE>

<PAGE>
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE TRUST

Enron Capital Trust II (the "Trust") is a statutory business trust created under the Delaware Business Trust Act. Ownership of the assets of the Trust is evidenced by an aggregate of 6,000,000 8.125% Trust Preferred Securities (the "Trust Preferred Securities"), which are listed and traded on the New York Stock Exchange under the symbol "ENK PrR", and 186,000 Trust Common Securities (the "Trust Common Securities" and, together with the Trust Preferred Securities, the "Trust Securities"), all of which are owned by Enron Corp. ("Enron"). The Trust's sole assets are 6,186,000 8.125% Partnership Preferred Securities ($25 liquidation amount per security) representing an 85% limited partnership interest in Enron Preferred Funding II, L.P. (the "Partnership"). The Trust and the Partnership are consolidated subsidiaries of Enron for financial accounting purposes. The Trust makes distributions on the Trust Securities to the extent it receives distributions from the Partnership on the Partnership Preferred Securities, which represents the sole source of cash for the Trust. Enron is obligated to pay all fees and expenses of the Trust and the Partnership.

The Trust was created for the sole purpose of issuing the Trust Securities, investing the proceeds of such issuance in the Partnership Preferred Securities and engaging in only
those other activities necessary or incidental thereto.

Of the three trustees for the Trust, one is an employee or officer of Enron or its affiliates ("the Regular Trustee"), one is a financial institution that acts as indenture trustee for purposes of compliance with the Trust provisions and one is an entity that maintains its principal place of business in Delaware for the purposes of compliance with the Business Trust Act. The Regular Trustee is authorized and directed to conduct the affairs of and to operate the Trust. Enron, at its discretion as holder of the Trust Common Securities, may appoint, remove or replace the trustees.

In the event of liquidation of the Trust, holders are entitled to receive $25 per Trust Preferred Security plus any accrued and unpaid distributions (together the "Trust Liquidation Distribution"), unless Partnership Preferred Securities are distributed to such holders. If the Trust has insufficient assets to pay the Trust Liquidation Distribution in full, then the holders of the Trust Preferred Securities will receive distributions on a pro rata basis. The holders of the Trust Common Securities are entitled to receive distributions on liquidation pro rata with the holders of the Trust Preferred Securities, except that under certain events of default the holders of the Trust Preferred Securities will have preference over the holders of the Trust Common Securities with respect to payments upon liquidation of the Trust.

2. DESCRIPTION OF THE PARTNERSHIP

The general partner of the Partnership is Enron, which owns a 15% general partnership interest in the Partnership. Since completion of the offering of the Trust Preferred Securities on January 16, 1997, the assets of the Partnership have been invested primarily in a $136,450,000 principal amount 7.75% Subordinated Debenture, Series II, due 2016 of Enron (the "Enron Debenture") and $21,836,000 principal amount 7.75% Debentures, Series II, due 2016 (the "Subsidiary Debentures" and, together with the Enron Debenture, the "Debentures"), of each of Enron North America Corp. and Enron Transportation Services Company, each of which is a wholly-owned subsidiary of Enron. The obligations under the Subsidiary Debentures are guaranteed by Enron. The respective issuers of the Debentures have certain rights to elect to defer any payments of principal and interest on the Debentures for up to five years at a time. In addition to the Debentures, the Partnership owns an aggregate of approximately $1,900,000 in short-term, investment grade debt securities (the "Eligible Debt Securities") as of December 31, 2000 and 1999. Under certain circumstances, upon repayment of one or more of the Debentures, the assets of the Partnership may be reinvested in one or more debt securities of Enron or its subsidiaries. Payments of interest on the Debentures (or the guarantees thereof) and the Eligible Debt Securities are the sole source of revenue for the Partnership. The Partnership pays distributions to the Trust as holder of the Partnership Preferred Securities when and if Enron, as the general
partner, determines to do so, although Enron has no obligation to do so. In the event Enron determines not to make a distribution, the shareholders must be notified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The Trust, as the limited partner of the Partnership, accounts for its investment in the Partnership under the equity method.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. INCOME TAXES

The Trust is classified for U.S. federal income tax purposes as a grantor trust. For U.S. federal income tax purposes, the Trust is a non-taxable entity and each holder of Trust Preferred Securities and Trust Common Securities is considered the owner of an individual interest in the Partnership Preferred Securities held by the Trust, and each holder is required to include in its gross income its distributive share of income attributable to the Partnership, which generally is equal to such holder’s allocable share of amounts accrued on the Partnership Preferred Securities. Accordingly, no recognition has been given to income taxes in the accompanying financial statements.

5. DISTRIBUTIONS

Holders of the Trust Securities are entitled to receive quarterly cash distributions at an annual rate of 8.125%. Distributions on the Trust Preferred Securities are guaranteed by Enron, but only to the extent that the Trust has available funds to pay such distributions. Any distributions not paid on the scheduled payment date will accumulate and compound quarterly at a rate per annum equal to 8.125%.

Neither the Trust Preferred Securities nor the Partnership Preferred Securities have any scheduled maturity but are subject to redemption at any time, upon not less than 30 nor more than 60 days notice, on or after March 31, 2002 or earlier in the event of certain tax law changes or other events.

6. SUMMARIZED FINANCIAL INFORMATION OF THE PARTNERSHIP

Summarized financial information for the Partnership, accounted for by the equity method, is as follows (in thousands):

<TABLE>

http://www.sec.gov/Archives/edgar/data/1029532/000102440101500007/tstii10k.txt 10/30/01

002000000000878
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Partners of Enron Preferred Funding II, L.P.:

We have audited the accompanying balance sheet of Enron Preferred Funding II, L.P. (a Delaware limited partnership) as of December 31, 2000 and 1999, and the related statements of income, cash flows and changes in shareowners' equity for the years ended December 31, 2000, 1999 and 1998. These financial statements are the responsibility of the Enron Preferred Funding II, L.P.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enron Preferred Funding II, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years ended December 31, 2000, 1999 and 1998, in conformity with accounting principles generally

http://www.sec.gov/Archives/edgar/data/1029532/000102440101500007/tstii10k.txt 10/30/01

00200000000879
accepted in the United States.

Arthur Andersen LLP

Houston, Texas
March 26, 2001

<TABLE>

Enron Preferred Funding II, L.P.
Income Statement
(In Thousands)

<CAPTION>

Year Ended December 31,
Interest Income   $14,073 $14,051 $14,062
Net Income   $14,073 $14,051 $14,062

<FN>
The accompanying notes are an integral part of these financial statements.
</TABLE>

<PAGE>

<TABLE>

Enron Preferred Funding II, L.P.
Balance Sheet
(In Thousands)

<CAPTION>

As of December 31,
2000   1999

ASSETS

Cash and Cash Equivalents   $ 1,850  $ 1,852
Long-Term Notes Receivable from Affiliates   180,122  180,122
Total Assets   $181,972  $181,974

LIABILITIES AND SHAREOWNERS' EQUITY

Shareowners' Equity
Partnership Preferred Securities - authorized, issued and outstanding 6,186,000 securities, $25 liquidation value   $154,650  $154,650
General Partner Contribution   27,292  27,292
Retained Earnings   30  32
Total Liabilities and Shareowners' Equity   $181,972  $181,974

<FN>
The accompanying notes are an integral part of these financial statements.

http://www.sec.gov/Archives/edgar/data/1029532/000102440101500007/tstii10k.txt

10/30/01
<TABLE>

Enron Preferred Funding II, L.P.
Statement of Cash Flows
(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOW FROM OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconciliation of Net Income to Net Cash Provided by Operating Activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$14,073</td>
<td>$14,051</td>
<td>$14,062</td>
</tr>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>14,073</td>
<td>14,051</td>
<td>14,062</td>
</tr>
<tr>
<td>CASH FLOW FROM INVESTING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash Used in Investing Activities</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CASH FLOW FROM FINANCING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>(14,075)</td>
<td>(14,075)</td>
<td>(14,006)</td>
</tr>
<tr>
<td>Net Cash Provided by (Used in) Financing Activities</td>
<td>(14,075)</td>
<td>(14,075)</td>
<td>(14,006)</td>
</tr>
<tr>
<td>Increase (Decrease) in Cash and Cash Equivalents</td>
<td>(2)</td>
<td>(24)</td>
<td>56</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, Beginning of Year</td>
<td>1,852</td>
<td>1,876</td>
<td>1,820</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, End of Year</td>
<td>$1,850</td>
<td>$1,852</td>
<td>$1,876</td>
</tr>
</tbody>
</table>

<FN>
The accompanying notes are an integral part of these financial statements.
</TABLE>

<TABLE>

Enron Preferred Funding II, L.P.
Statement of Changes in Shareowners' Equity
(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership Preferred Securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, Beginning of Year</td>
<td>$154,650</td>
<td>$154,650</td>
<td>$154,650</td>
</tr>
<tr>
<td>Balance, End of Year</td>
<td>154,650</td>
<td>154,650</td>
<td>154,650</td>
</tr>
</tbody>
</table>

http://www.sec.gov/Archives/edgar/data/1029532/000102440101500007/tstii10k.txt  10/30/01

002000000000881
General Partner Contribution
Balance, Beginning of Year  27,292  27,292  27,292
Balance, End of Year  27,292  27,292  27,292

Retained Earnings
Balance, Beginning of Year  32  56
Net Income  14,073  14,051  14,062
Dividends:
  Partnership Preferred Securities  (12,565)  (12,565)  (12,565)
  General Partner  (1,510)  (1,510)  (1,441)
Balance, End of Year  $  30  $  32  $  56

The accompanying notes are an integral part of these financial statements.
</TABLE>

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PARTNERSHIP

Enron Preferred Funding II, L.P. (the "Partnership") is a limited partnership that was formed on January 16, 1997 in connection with the creation of Enron Capital Trust II (the "Trust"). Pursuant to the certificate of limited partnership, as amended, and the Limited Partnership Agreement, Enron Corp. ("Enron") is the sole general partner of the Partnership.

On January 16, 1997 the Partnership issued $154,650,000 of Partnership Preferred Securities to the Trust. The Trust is the sole limited partner of the Partnership. The Trust and the Partnership are consolidated subsidiaries of Enron for financial accounting purposes. The Partnership, in turn, used proceeds from the issuance of the Partnership Preferred Securities and general partner contributions of $27,292,000 to invest primarily in 20-year debentures of Enron and two wholly-owned subsidiaries of Enron (the "Debentures"). In addition to the Debentures, the Partnership owns an aggregate of approximately $1,300,000 in short-term, investment grade debt securities as of December 31, 2000 and 1999. Interest and principal payments related to the Debentures issued by Enron's subsidiaries have been guaranteed, on a subordinated basis, by Enron.

The Partnership Preferred Securities, which have no scheduled maturity date, are redeemable at the option of Enron, upon notice and in whole or in part, on or after March 31, 2002 or earlier in the event of certain tax law changes or other events, at $25 per Partnership Preferred Security plus any accrued unpaid distributions.

In the event of liquidation of the Partnership, holders of the Partnership Preferred Securities are entitled to receive $25 per Partnership Preferred Security plus any accrued and unpaid distributions, before any distribution is made to Enron as general partner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition. Interest income on the Debentures is
recorded on the accompanying Income Statement when due from Enron and its wholly-owned subsidiaries.

Cash and Cash Equivalents. The Partnership considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. ADMINISTRATION OF THE PARTNERSHIP

The Partnership is managed by Enron and exists for the sole purpose of (i) issuing its partnership interests, (ii) investing the proceeds thereof in Debentures and to a lesser extent, certain short-term investments and (iii) engaging in only those other activities necessary or incidental thereto. To the extent that aggregate payments to the Partnership on the Debentures and investments exceed distributions payable with respect to the Partnership Preferred Securities, the Partnership may at times have excess funds which shall be allocated to and may, in Enron’s sole discretion, be distributed to Enron. Enron is obligated to pay all fees and expenses of the Trust and the Partnership.

4. INCOME TAXES

The Partnership is classified for U.S. federal income tax purposes as a limited partnership. The profit or loss of the Partnership for federal income tax purposes is included in the income tax returns of the partners. Accordingly, no recognition has been given to income taxes in the accompanying financial statements.

5. DISTRIBUTIONS

Holders of Partnership Preferred Securities are entitled to receive cumulative cash distributions, if, as and when declared by Enron in its sole discretion out of assets of the Partnership legally available for payment. The distributions payable on each Partnership Preferred Security will be fixed at a rate per annum of 8.125% of the stated liquidation preference of $25 per Partnership Preferred Security. Distributions on the Partnership Preferred Securities are guaranteed by Enron to the extent that the Partnership has available funds to pay such distributions. Distributions not paid on the scheduled payment date will accumulate and compound quarterly at the rate per annum equal to 8.125%.

6. DEBENTURE LONG-TERM NOTE RECEIVABLE FROM AFFILIATES

The Debentures (due 2016) bear interest at 7.75% per annum and are guaranteed by Enron (see Note 1). Of the Debentures purchased, $136,450,000 are obligations of Enron, $21,836,000 are obligations of an affiliate, Enron North America Corp., and
another $21,836,000 are obligations of another affiliate, Enron Transportation Services Company. The Debentures contain redemption provisions that correspond to those applicable to the Partnership Preferred Securities. As of December 31, 2000 and 1999, based on the discounted present value of cash flows, the estimated fair value of the Debentures was $194.8 million and $182.3 million, respectively. Judgment is necessarily required in interpreting market data and the use of different market assumptions or estimation methodologies may affect the estimated fair value amounts.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENRON CAPITAL TRUST II
(Registrant)

Date: March 28, 2001

By: BEN GLISAN, JR.
Name: Ben Glisan, Jr.
Title: Regular Trustee

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated as of March 28, 2001.

Name
BEN GLISAN, JR.
Ben Glisan, Jr.

Title
Regular Trustee

</TEXT>
</DOCUMENT>
Retail Services

Wholesale Services

Commodity Marketing and Delivery

Transportation & Distribution

Energy Services for Commercial and Industrial Customers

Natural Gas Transportation, Electric Distribution and Global Assets
## Earnings Summary

(Millions)

<table>
<thead>
<tr>
<th></th>
<th>3Q00</th>
<th>3Q01</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IBIT:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation &amp; Distribution</td>
<td>$176</td>
<td>$87</td>
</tr>
<tr>
<td>Natural Gas Pipelines</td>
<td>83</td>
<td>85</td>
</tr>
<tr>
<td>Portland General</td>
<td>74</td>
<td>(17)</td>
</tr>
<tr>
<td>Global Assets</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Wholesale Services</td>
<td>589</td>
<td>754</td>
</tr>
<tr>
<td>Americas</td>
<td>536</td>
<td>701</td>
</tr>
<tr>
<td>Europe and Other Commodity Markets</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Retail Services</td>
<td>27</td>
<td>71</td>
</tr>
<tr>
<td>Broadband Services</td>
<td>(20)</td>
<td>(80)</td>
</tr>
<tr>
<td>Corp. &amp; Other</td>
<td>(106)</td>
<td>(59)</td>
</tr>
<tr>
<td><strong>Total IBIT</strong></td>
<td>$666</td>
<td>$773</td>
</tr>
<tr>
<td><strong>Interest &amp; Other</strong></td>
<td>302</td>
<td>255</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td>72</td>
<td>125</td>
</tr>
<tr>
<td><strong>Net Income – Recurring</strong></td>
<td>$292</td>
<td>$393</td>
</tr>
<tr>
<td><strong>Non-Recurring Items</strong></td>
<td>-0-</td>
<td>($1,011)</td>
</tr>
<tr>
<td><strong>Reported Net Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$292</td>
<td>($618)</td>
</tr>
</tbody>
</table>
Transportation & Distribution
Wholesale Services
Retail Services

Natural Gas Transportation, Electric Distribution and Global Assets

Stan Horton
Chairman & CEO
Enron's Transportation & Distribution Businesses

Worldwide Asset-Based Operations

Transportation & Distribution

- Natural Gas Pipelines
  - Interstate Natural Gas Transportation

- Portland General
  - Electric Distribution

- Global Assets
  - International Assets
Natural Gas Pipelines
Strong Growth Opportunities in All Markets Served

- Steady Earnings Growth
- Predictable Net Cash Contribution to Enron
- Rate Case Certainty
- Near Term Expansions in High Growth Markets
  - Florida Expanding to 2.2 Bcf/d by 2003
  - Transwestern Expanding Capacity to California
  - Northern Natural Bolstered by Increased Gas-Fired Plant Demand
- Significant Future Growth Opportunities Serving New Gas-Fired Generation

Transports 15% of U.S. Gas Demand; Peak Capacity of 10.8 Bcf/day
Florida Gas Expansion Activity

- Major Pipeline Expansions Underway
  - Capacity (MMcfd): 428, Cost (Millions): $460, Contract Term (Years): 20, Expected In-Service: April 2002
  - Capacity (MMcfd): 120, Cost (Millions): $80-100, Contract Term (Years): 20, Expected In-Service: Mid 2003

- New Demand-Driven Expansion Opportunities
  - Over 15,000 MW of New Generation Proposed in Florida Through 2003

- Evaluating Supply Connections to Proposed LNG Facilities
Global Assets

- Stand-Alone Assets Not Part of Wholesale and Retail Operations

- Largest Assets
  - Elektro – Electric Distribution Company (Brazil)
  - Dabhol – Power Plant (India)
  - Cuiaba – Power Plant (Brazil)

- Management Focus
  - Efficient Asset Operations
  - Sale of Targeted Assets

- Minimal Current Income or Cash Impacts of Currency Fluctuations

Asset Mix by Location

- South America: 56%
- Caribbean: 14%
- Asia: 8%
- India: 14%
- Other: 8%

$6.5 Billion of Assets
As of June 30, 2001
Capital Spending*
($ in Millions)

<table>
<thead>
<tr>
<th>Capital Spending</th>
<th>2000</th>
<th>2001E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures</td>
<td>$2,381</td>
<td>$1,925</td>
</tr>
<tr>
<td>Equity Investments</td>
<td>933</td>
<td>1,150</td>
</tr>
<tr>
<td>Proceeds from Sale</td>
<td>(494)</td>
<td>(2,325)</td>
</tr>
<tr>
<td>Capital Spending, Net</td>
<td>$2,820</td>
<td>$750</td>
</tr>
</tbody>
</table>

*Includes PP&E and Equity Investments; Excludes Business Acquisitions and Other Investing Activities
Enron's Wholesale Businesses

Wholesale Services

Americas
- Natural Gas
- Power

Europe & Other Commodity Markets
- Europe Natural Gas and Power
- Metals
- Energy-Related Markets
- Industrial Markets
Performance Highlights

Income Before Interest and Taxes (Millions)

$754
$589

3Q01
3Q00

Physical Settlements (Bceft/d)

88.2
53.5

3Q01
3Q00

Diversified Businesses Drive Consistent Volume and Profit Growth
Enron's Leading Market Position

(Physical Settlements in Bcfe/d)

- **Enron**
  - 2Q01: 64.7
  - 3Q01: 78.8

- **AEP**
  - 21.6

- **Reliant**
  - 21.1

- **Mirant**
  - 19.5

- **Duke**
  - 19.4

- **Dynegy**
  - 18.6

- **Aquila**
  - 17.3

- **BP**
  - 15.0

- **El Paso**
  - 14.2

- **PG&E**
  - 12.9

Source: Gas Daily, Power Markets Week, Company Reports
Financial Settlements

- Contracts Settled with Net Cash Payments Without Physical Deliveries
- Comprises Significant Portion of Enron's Longer Term Products
- Enron's Lead Role Provides Distinct Competitive Advantages
  - Valuable Market Insight
  - Important Tool to Manage Enron's Broad-Based Portfolio
New Contract Execution

- Volumes Originated During Current Period for Future Settlement

- Record Level Transacted in 3Q01; Driven by Both Gas and Power

- Power Comprises Almost 45% of Physical Activity - Up from 20% in 3Q00

- Financial Product Expansion Driven by Enron's Distinct Ability to Make Term Commitments
  - Average Term Lengthening; Delivery Commitments through 2003
SciFi
Average Daily Transactions

Since Inception
- 1,550,000 Transactions
- $860 Billion Gross Value
- >1,800 Products Offered
Transaction Mix

Total Enron Transactions

<table>
<thead>
<tr>
<th></th>
<th>3Q00</th>
<th>3Q01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>349,000</td>
<td>550,000</td>
</tr>
<tr>
<td></td>
<td>43%</td>
<td>38%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EnronOnline</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>57%</td>
<td>62%</td>
</tr>
</tbody>
</table>

- Longer-Term Structured Transactions
- Additional Opportunities for Transition to EnronOnline
- High Penetration in North America Gas & Power; Growing Acceptance in Europe
- Rapid Acceptance in Non-Energy Products
- Integrated with Logistics and Back Office for Scale Efficiencies
Enron's Wholesale Businesses

America's Leading Energy Company

Wholesale Services

Americas
- Natural Gas
- Power

Europe & Other Commodity Markets

John Lavorato
President & CEO

Louise Kitchen
COO
Enron Americas
The Most Flexible, Reliable and Valuable Energy Network

- Lead Role in Providing Liquidity for Gas and Power
- Broadest, Deepest Market Knowledge and Delivery Capabilities
- Strong Market Share Provides Sustainable Earnings Base
Americas Business Expansion

- **Transacted Volumes (New Contracts in Bcf/df):**
  - 3Q00: 718.9
  - 3Q01: 540.8
  - % Increase: 33%

- **Financial Settlements (Bcf/df):**
  - 3Q00: 247.5
  - 3Q01: 164.0
  - % Increase: 51%

- **Physical Settlements (Bcf/df):**
  - 3Q00: 58.2
  - 3Q01: 43.0
  - % Increase: 35%
Business Highlights

East Power

- Making Markets Across the Entire Price Curve
  - Key Provider of Liquidity
  - Conducts Majority of Industry’s Long-Term Business
  - Significant Increase in Long-Term Contracting (Over 40% > One Year)

- Growth Driven by Enron’s Core Competitive Advantages

- Compares Favorably with Most Merchant’s Entire U.S. Power Operations
## Regional Transmission Organizations

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># Regions/ISO's</strong></td>
<td>15+</td>
<td>5</td>
</tr>
<tr>
<td><strong>Access to Transmission</strong></td>
<td>Not all Users on the System Take Service in a Nondiscriminatory Manner</td>
<td>Non-Discriminatory Access for All Market Participants</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>Very Little Coordination of Service and Planning for Transmission Between Regions</td>
<td>System-wide Planning, Outage Coordination and Congestion Management</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Inefficiency and Lack of Price Transparency Increases Costs Unnecessarily</td>
<td>Cheapest and Most Effective Products for More Customers</td>
</tr>
<tr>
<td><strong>Generation</strong></td>
<td>Lack of Grid Information Hinders Best Siting Decisions</td>
<td>Optimal Siting &amp; Development Decisions Facilitated</td>
</tr>
<tr>
<td><strong>Total Portion of Wholesale Market Open</strong></td>
<td>20%-25%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Significant Increase in Available Market with Improved RTO's*
North America

Recent Structured Transactions

- Canadian Power
  700 MW Alberta PPA
- Canadian Gas
  Operations Outsourcing
- West Gas
  Long-Term Capacity
- West Power
  Prebuild Package Sale
- West Power
  QF Expansion & Sale
- Rockies Power
  Prebuild Package Sale
- Midwest Power
  Power Plant Site Sale
- East Power
  Load Following Transaction
- Southeast Power
  Utility Asset Management
- Mexico Gas
  Price Risk Management
- Texas Power
  Long-Term Wind PPA
Enron's Wholesale Businesses

Europe's Most Established Energy Merchant

Europe & Other Commodity Markets

- Europe
  - Natural Gas
  - Power
  - Metals

- Other Commodity Markets

John Sherriff
President & CEO

Michael Brown
COO
Enron Europe
The Only Major Pan-European Energy Network

- Strong Deal Flow; Low Market Volatility Currently
- Successful Deployment of Select Assets
- Penetrating New Markets by Packaging from Enron’s Broad Product Slate
- Transacting with Over 300 Wholesale Customers
European Business Expansion

Physical Settlements (Bcfe/d)

- 3Q00: 4.7
- 3Q01: 20.6
- Increase: 338%

Financial Settlements (Bcfe/d)

- 3Q00: 5.3
- 3Q01: 5.1
- Increase: 4%

Transacted Volumes (New Contracts in Bcfe/d)

- 3Q00: 27.8
- 3Q01: 84%
Enron’s Wholesale Businesses
Extending to New Markets

Other Commodity Markets

Energy-Related Markets:
- Coal
- Weather
- LNG
- Crude & Products
- Emissions

Mike McConnell
President & CEO

Jeff Shankman
COO

Industrial Markets:
- Forest Products
- Steel

Jeff McMahon
President & CEO

Ray Bowen
COO
Enron’s Energy-Related Markets

Coal

Physical Volumes
(Thousand Tons)

<table>
<thead>
<tr>
<th>3Q00</th>
<th>3Q01</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,942</td>
<td>24,953</td>
</tr>
</tbody>
</table>

151%

Market Opportunity
- Strong, Worldwide Demand for Coal Related to Power Generation
- Increased Opportunities for Risk Intermediation
- Coal Transport Needs

Enron’s Approach
- Broad Physical Access to Supply
  - Transacting with Over 50 Producers Worldwide
- Physical and Financial Risk Management Products
- Transport Management
  - Manage Over 100 Barges per Month in U.S.
  - Ship Over 1 Million Tonnes per Month into Europe
Enron's Energy-Related Markets

Weather

Transacted Value
($ in Millions)

<table>
<thead>
<tr>
<th>3Q00</th>
<th>3Q01</th>
</tr>
</thead>
<tbody>
<tr>
<td>164</td>
<td>304</td>
</tr>
</tbody>
</table>

Enron's Hydro-Generator Product

Customer's Risks
- Low Snow/Rainfall
- High Alternative Fuel Price

Enron's Solution
- Physical Call Option
  - Triggered by Low Snow/Rainfall
  - Physical Delivery of Natural Gas
- Financial Collar
  - Triggered by Range of Snow/Rainfall
  - Settled Based on Gas Price

Customer Benefits
- Single Source for Alternative Fuel Source
- Flexible Terms and Pricing
- Choices to Settle Physically or Financially

Largest Provider of Weather Risk Management Services Worldwide
Enron's Industrial Markets

Forest Products

- Quebec City Mill: 515,000 Tonne/Year
- Garden State Paper: 210,000 Tonne/Year
- Seventh Largest Producer of Newsprint in North America

- Establishing Physical Presence to Ensure Reliable Delivery
- Creating Benchmark Indices and Trading Hubs
- Leveraging Liquidity and Introducing Structured Products
ENRON

Transportation & Distribution

Wholesale Services

Retail Services

Energy Services for Commercial and Industrial Customers

Dave Delainey
Chairman & CEO

Janet Dietrich
President
Enron Energy Services

Income Before Interest and Taxes

(Millions)

1999

2000

2001
Large Consumer Business

- Includes Customers with Annual Energy Spend >$10 Million
- Bundled Services for Customers with Broad, National Footprints
- Served by Enron Sales Force and Dedicated Managers
- Well-Established in U.S.; Extending into Europe

![Graph showing transactions for YTD 2000 and 2001 with 238% increase]

- 16 transactions in YTD 2000
- 54 transactions in YTD 2001
  - Europe: 38
  - U.S.: 16

Logos: Wal-Mart, Wendy's, Quaker, Guinness, City of Chicago, JCPenney
Major Energy Agreements

**U.K. Energy**

**J Sainsbury Supermarkets**

- 7½-Year Energy Management Agreement
- Total Contract Value of $450 Million
- 12% Energy Reduction Targeted First 2 Years
- Covers All 490 Supermarkets in U.K.
- First U.K. Contract to Combine Commodity Contract with Demand Side Management

**U.S. Power**

**Equity Office Properties**

- 5-year Power Management Agreement
- Total Contract Value of $219 Million
- First Year Projected Savings of $14 Million
- Covers Management Services for Over 66 Million Square Feet for 235 Sites
- Power Management Commodity Contract With Guaranteed Savings

J Sainsbury plc

Equity Office
Small Consumer Business

- Includes Customers with Annual Energy Spend <$10 Million
- Highly Standardized Products (Primarily Energy Commodity)
- Served through Multiple Channels; Short Sales Cycle
- Significant Success in the U.K.; Rapid Recent Expansion in the U.S.

Transactions

- U.S.: 48,973
- Europe: 95,642

YTD 2000: 95%
Enron Broadband Services

- Reduced Counterparties Resulting from:
  - Credit Deterioration
  - Consolidation

- Industry Revenues Remain at Low Levels

- Enron's Restructuring Continues
  - Headcount Reductions Complete
  - Network Optimization Focus

- Exploring Alternatives to Preserve Business Option Value at Reasonable Prices
Conclusion

- Continued Strong Operating Performance
- Increased Transparency of Financial and Operating Results
- Active Management of Non-Core Businesses

Enron's Diversified Franchise Provides Solid Platform for Sustainable Growth
-----BEGIN PRIVACY-ENHANCED MESSAGE-----
Proc-Type: 2001,MIC-CLEAR
Originator-Name: webmaster@www.sec.gov
Originator-Key-Asymmetric:
MFGwCgYEQQgAFAQCEAF8DSgAwWJAw2eNKK9AVtBzYZmr6aGj1WyK3XmZv3dTINen
TWSM7vtoLAAbmYqaionw9sDW3P6oaM5D3tdezXMm7z1T+b+twIDAQAB
MIC-Info: RSA-MD5,RSA,
Wu5WmFplcfEAGT0K3BY/s5RYRg04hlpDhAb0c7QmrIKhx23dqp0vyyYh3aajn5Y4w
bfsbJLP6Q04CyJUNxvd9w==

<SEC-DOCUMENT>0000950129-01-504218.txt : 20011120
<SEC-HEADER>0000950129-01-504218.hdr.sgml : 20011120
ACCESSION NUMBER: 0000950129-01-504218
CONFORMED SUBMISSION TYPE: 10-Q
PUBLIC DOCUMENT COUNT: 2
CONFORMED PERIOD OF REPORT: 20010930
FILED AS OF DATE: 20011119

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME: ENRON CORP/OR/
CENTRAL INDEX KEY: 0001024401
STANDARD INDUSTRIAL CLASSIFICATION: SECURITY BROKERS,

DEALERS & FLOTATION COMPANIES [6211]
TCS NUMBER: 470255140
STATE OF INCORPORATION: OR
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 10-Q
SEC ACT: 1934 Act
SEC FILE NUMBER: 001-13159
FILM NUMBER: 1795947

BUSINESS ADDRESS:
STREET 1: 1400 SMITH ST
CITY: HOUSTON
STATE: TX
ZIP: 77002-7369
BUSINESS PHONE: 7138536161

MAIL ADDRESS:
STREET 1: 1400 SMITH ST
CITY: HOUSTON
STATE: TX
ZIP: 77002-7369

FORMER COMPANY:
FORMER CONFORMED NAME: ENRON OREGON CORP
DATE OF NAME CHANGE: 19961008

</SEC-HEADER>
<DOCUMENT>
<TYPE>10-Q
<SEQUENCE>1
<FILENAME>h92492e10-q.txt
<DESCRIPTION>ENRON CORP. - 9/30/2001
<TEXT>

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

002000000000922
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended SEPTEMBER 30, 2001

Commission File Number 1-13159
ENRON CORP.
(Exact name of registrant as specified in its charter)

Oregon

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer
Identification Number)

Enron Building
1400 Smith Street
Houston, Texas

(Area Code)

(Address of principal executive offices)

(713) 853-6161

(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.
Yes [X] No []

Indicate the number of shares outstanding of each of the issuer’s classes
of common stock, as of the latest practicable date.

Class

Outstanding at October 31, 2001

Common Stock, No Par Value

743,904,638
# TABLE OF CONTENTS

## PART I. FINANCIAL INFORMATION

**ITEM 1.** Financial Statements


Consolidated Balance Sheet - September 30, 2001 and December 31, 2000


Notes to Consolidated Financial Statements

**ITEM 2.** Management's Discussion and Analysis of Financial Condition and Results of Operations

## PART II. OTHER INFORMATION

**ITEM 1.** Legal Proceedings

**ITEM 6.** Exhibits and Reports on Form 8-K
EXPLANATORY NOTE

As explained in a November 8, 2001 Form 8-K filed by Enron Corp. (Enron) with the Securities and Exchange Commission (SEC), Enron will be filing restated consolidated financial statements for the fiscal years ended December 31, 1997 through 2000 and for the first and second quarters of 2001 but it has not yet done so. As a result, the previously issued financial statements for these periods and the audit reports covering the year-end financial statements for 1997 through 2000 should not be relied upon. In addition, as discussed in Note 2 herein, Enron’s Board of Directors has formed a Special Committee to conduct an independent investigation and review of transactions between Enron and certain related parties. The Special Committee has retained the law firm of Wilmer, Cutler & Pickering (Wilmer, Cutler) as its counsel. Wilmer, Cutler has retained Deloitte & Touche LLP to provide related accounting advice to the law firm. The Special Committee began its review on October 26, 2001. Management believes that, based on information currently available to it, the consolidated financial statements set forth herein were compiled in accordance with generally accepted accounting principles and fairly depict the financial condition and results of operations of Enron, and include adjustments designed to capture the anticipated restatements. Information gathered during the Special Committee's investigation, however, may impact the unaudited results set forth herein, including the adjustments designed to reflect the necessary restatements as well as the information set forth in the November 8, 2001 Form 8-K. In addition, Enron has been advised by Arthur Andersen LLP, Enron’s independent auditors, that, due to their need to complete review procedures and the ongoing Special Committee investigation, Arthur Andersen LLP is unable at this time to finalize its review of Enron's consolidated financial statements set forth herein in accordance with established professional standards and procedures for conducting such reviews, as established by generally accepted auditing standards, which review is
PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(In Millions, Except Per Share Amounts)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>Nine Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30,</td>
<td>September 30,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td></td>
<td>200</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$46,877</td>
<td>$29,834</td>
<td>$138,718</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs and Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of gas, electricity and other products</td>
<td>45,742</td>
<td>28,036</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>929</td>
<td>943</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>293</td>
<td>257</td>
</tr>
<tr>
<td>Investment losses</td>
<td>768</td>
<td></td>
</tr>
<tr>
<td>Taxes, other than income taxes</td>
<td>62</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>(917)</td>
<td>533</td>
</tr>
<tr>
<td>Other Income and Deductions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>194</td>
<td>72</td>
</tr>
<tr>
<td>-----------------------------------------------------------------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Gains (losses) on sales of non-merchant assets</td>
<td>45</td>
<td>49</td>
</tr>
<tr>
<td>Interest income</td>
<td>91</td>
<td>50</td>
</tr>
<tr>
<td>Other income (loss), net</td>
<td>(33)</td>
<td>(21)</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Description</th>
<th>(666)</th>
<th>679</th>
<th>981</th>
<th>1,808</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (Loss) Before Interest, Minority Interest and Income Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interests and Income Taxes</td>
<td>201</td>
<td>259</td>
<td>630</td>
<td>643</td>
</tr>
<tr>
<td>Interest and Related Charges, net</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on Company-Obligated Preferred Securities of Subsidiaries</td>
<td>20</td>
<td>20</td>
<td>56</td>
<td>59</td>
</tr>
<tr>
<td>Minority Interests</td>
<td>33</td>
<td>24</td>
<td>90</td>
<td>115</td>
</tr>
<tr>
<td>Income Tax Expense (Benefit)</td>
<td>73</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Description</th>
<th>(644)</th>
<th>303</th>
<th>206</th>
<th>797</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income (Loss) Before Cumulative Effect of Accounting Changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative Effect of Accounting Changes, net of tax</td>
<td></td>
<td></td>
<td>19</td>
<td></td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Description</th>
<th>(644)</th>
<th>303</th>
<th>225</th>
<th>797</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income (Loss)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred Stock Dividends</td>
<td>20</td>
<td>21</td>
<td>61</td>
<td>62</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Description</th>
<th>(664)</th>
<th>282</th>
<th>164</th>
<th>735</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings (Loss) on Common Stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Description</th>
<th>(0.87)</th>
<th>0.39</th>
<th>0.19</th>
<th>1.02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings (Loss) Per Share of Common Stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before Cumulative Effect of Accounting Changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative Effect of Accounting Changes</td>
<td></td>
<td></td>
<td>0.03</td>
<td></td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Description</th>
<th>(0.87)</th>
<th>0.39</th>
<th>0.22</th>
<th>1.02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Earnings (Loss) per Share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Description</th>
<th>(0.87)</th>
<th>0.35</th>
<th>0.18</th>
<th>0.94</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted Earnings (Loss) per Share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before Cumulative Effect of Accounting Changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Cumulative Effect of Accounting Changes

- - 0.02 -

<table>
<thead>
<tr>
<th>Diluted Earnings (Loss) per Share</th>
<th>$</th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>(0.87)</td>
<td>0.35</td>
<td>0.20</td>
<td>0.94</td>
</tr>
</tbody>
</table>

Average Number of Common Shares Used in Computation

<table>
<thead>
<tr>
<th>Basic</th>
<th>761</th>
<th>729</th>
<th>753</th>
<th>719</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Diluted</th>
<th>858</th>
<th>806</th>
<th>848</th>
</tr>
</thead>
</table>

The accompanying notes are an integral part of these consolidated financial statements.

PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In Millions)
(Unaudited)

<TABLE>
<CAPTION>
September 30, December 31,
2001 2000

<table>
<thead>
<tr>
<th>Restated</th>
</tr>
</thead>
</table>

See Note 3

ASSETS
Current Assets
Cash and cash equivalents
$ 1,001
Trade receivables (net of allowance for doubtful accounts of $437 and $35, respectively) 9,208
Other receivables 1,231
Assets from price risk management activities
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>12,018</td>
</tr>
<tr>
<td>Deposits</td>
<td>953</td>
</tr>
<tr>
<td>Other</td>
<td>2,433</td>
</tr>
<tr>
<td></td>
<td>1,333</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>30,027</strong></td>
</tr>
<tr>
<td><strong>Investments and Other Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Investments in and advances to unconsolidated affiliates</td>
<td></td>
</tr>
<tr>
<td>7,131</td>
<td>5,599</td>
</tr>
<tr>
<td>Assets from price risk management activities</td>
<td></td>
</tr>
<tr>
<td>9,687</td>
<td>8,990</td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,720</td>
</tr>
<tr>
<td>Other</td>
<td>4,857</td>
</tr>
<tr>
<td><strong>Total Investments and Other Assets</strong></td>
<td><strong>23,166</strong></td>
</tr>
<tr>
<td><strong>Property, Plant and Equipment, at cost</strong></td>
<td></td>
</tr>
<tr>
<td>Natural gas transmission</td>
<td>6,916</td>
</tr>
<tr>
<td>Electric generation and distribution</td>
<td>4,766</td>
</tr>
<tr>
<td><strong>Fiber-optic network and equipment</strong></td>
<td>350</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,161</td>
</tr>
<tr>
<td>Other</td>
<td>2,256</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation, depletion and amortization</strong></td>
<td><strong>15,449</strong></td>
</tr>
<tr>
<td>3,708</td>
<td>3,716</td>
</tr>
<tr>
<td><strong>Net Property, Plant and Equipment</strong></td>
<td><strong>11,733</strong></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$64,926</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$61,783</strong></td>
</tr>
</tbody>
</table>
The accompanying notes are an integral part of these consolidated financial statements.


PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In Millions)
(Unaudited)

<table>
<thead>
<tr>
<th>September 30, 2001</th>
<th>December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Restated</strong></td>
<td></td>
</tr>
<tr>
<td><strong>See Note 3</strong></td>
<td></td>
</tr>
<tr>
<td><strong>&lt;B&gt;</strong></td>
<td><strong>&lt;C&gt;</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS' EQUITY</strong></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td></td>
</tr>
<tr>
<td>$ 7,787</td>
<td>$ 9,577</td>
</tr>
<tr>
<td>Liabilities from price risk management activities</td>
<td></td>
</tr>
<tr>
<td>8,893</td>
<td>10,495</td>
</tr>
<tr>
<td>Short-term debt</td>
<td></td>
</tr>
<tr>
<td>6,434</td>
<td>2,192</td>
</tr>
<tr>
<td>Customers' deposits</td>
<td></td>
</tr>
<tr>
<td>1,770</td>
<td>4,277</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>2,121</td>
<td>2,200</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>27,005</td>
<td>28,741</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td></td>
</tr>
<tr>
<td>6,544</td>
<td>8,665</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Deferred Credits and Other Liabilities</td>
<td></td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td></td>
</tr>
<tr>
<td>1,947</td>
<td>1,679</td>
</tr>
<tr>
<td>Liabilities from price risk management activities</td>
<td></td>
</tr>
<tr>
<td>9,847</td>
<td>9,519</td>
</tr>
</tbody>
</table>
Other
3,552    2,692

-------------------------------
Total Deferred Credits and Other Liabilities
15,346    13,890
-------------------------------

Minority Interests
2,387    2,437

Company-Obligated Preferred Securities of Subsidiaries
903    904

Shareholders' Equity
Second preferred stock, cumulative, no par value
115    124
  Mandatorily Convertible Junior Preferred Stock, Series B, no par value
1,000    1,000
  Common stock, no par value (net of notes receivable of none and $172, respectively)
8,132    7,926
  Retained earnings
2,495    2,613
  Accumulated other comprehensive income
(1,527)    (1,198)
  Common stock held in treasury
(477)    (28)
  Restricted stock and other
(140)    (148)

-------------------------------
Total
9,598    10,289
-------------------------------

Total Liabilities and Shareholders' Equity
$51,783    $64,926

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Millions)
(Unaudited)

<NINE MONTHS ENDED>

September 30,

<table>
<thead>
<tr>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
</table>

Restated

See Note 3

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of net income to net cash provided by (used in) operating activities</td>
</tr>
<tr>
<td>Net income $ 225 $ 797</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes, net of tax (19)</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization 746 617</td>
</tr>
<tr>
<td>Deferred income taxes 8</td>
</tr>
<tr>
<td>Gains on sales of non-merchant assets (49) (135)</td>
</tr>
<tr>
<td>Investment losses 768</td>
</tr>
<tr>
<td>Changes in components of working capital:</td>
</tr>
<tr>
<td>Net margin deposit activity (2,349) 541</td>
</tr>
<tr>
<td>Other working capital (312) (580)</td>
</tr>
<tr>
<td>Net assets from price risk management activities 190 (830)</td>
</tr>
<tr>
<td>Merchant assets and investments:</td>
</tr>
<tr>
<td>Realized (gains) losses on sales 6</td>
</tr>
<tr>
<td>Proceeds from sales 643 728</td>
</tr>
<tr>
<td>Additions (663) (1,418)</td>
</tr>
<tr>
<td>Unrealized losses 241 129</td>
</tr>
<tr>
<td>Other, net 8 264</td>
</tr>
</tbody>
</table>

Net Cash Provided by (Used in) Operating Activities

0020000000932
Cash Flows From Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>$(1,584)</td>
</tr>
<tr>
<td>Equity investments</td>
<td>$(1,172)</td>
</tr>
<tr>
<td>Proceeds from sales of non-merchant assets</td>
<td>$1,711</td>
</tr>
<tr>
<td>Acquisition of subsidiary stock</td>
<td>$(485)</td>
</tr>
<tr>
<td>Business acquisitions, net of cash acquired</td>
<td>$(82)</td>
</tr>
<tr>
<td>Other investing activities</td>
<td>$(239)</td>
</tr>
</tbody>
</table>

Net Cash Used in Investing Activities

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(1,366)</td>
</tr>
</tbody>
</table>

Cash Flows From Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of long-term debt</td>
<td>$4,060</td>
</tr>
<tr>
<td>Repayment of long-term debt</td>
<td>$(3,903)</td>
</tr>
<tr>
<td>Net increase in short-term borrowings</td>
<td>$2,365</td>
</tr>
<tr>
<td>Issuance of common stock</td>
<td>$199</td>
</tr>
<tr>
<td>Net redemption of company-obligated preferred securities of subsidiaries</td>
<td>$(394)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>$(95)</td>
</tr>
<tr>
<td>Net (acquisition) disposition of treasury stock</td>
<td>$(398)</td>
</tr>
<tr>
<td>Other financing activities</td>
<td>$(49)</td>
</tr>
</tbody>
</table>

Net Cash Provided by Financing Activities

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,880</td>
</tr>
</tbody>
</table>

Increase (Decrease) in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(239)</td>
</tr>
</tbody>
</table>

Cash and Cash Equivalents, Beginning of Period

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,240</td>
</tr>
</tbody>
</table>

Cash and Cash Equivalents, End of Period

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,001</td>
</tr>
</tbody>
</table>

Changes in Components of Other Working Capital

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>$(987)</td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>-------</td>
</tr>
<tr>
<td>Payables</td>
<td>$339</td>
</tr>
<tr>
<td>(1,764)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2,899</td>
</tr>
<tr>
<td>464</td>
<td>(455)</td>
</tr>
<tr>
<td>----------------</td>
<td>-------</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ (312)</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ (580)</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)

ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

   As discussed in Note 3, on November 8, 2001, Enron Corp. (Enron) announced that it will restate its Consolidated Financial Statements for the years ended December 31, 1997 through 2000 and for the first and second quarters of 2001. As a result, the previously-issued financial statements for these periods and the audit reports covering the year-end financial statements for 1997 through 2000 should not be relied upon.

   As further discussed in Note 2, the Securities and Exchange Commission (SEC) has opened a formal investigation of certain related party transactions. Additionally, Enron's Board of Directors (Board) has formed a special committee (Special Committee) to conduct an independent investigation and review of transactions between Enron and certain related parties. The Special Committee also was charged with taking any disciplinary action that it deems appropriate, communicating with the SEC and recommending to the Board any other appropriate actions. The duration of the SEC and Special Committee investigations, and the ultimate results of those investigations, have not yet been determined.
The consolidated financial statements included herein have been prepared by Enron without audit pursuant to the rules and regulations of the SEC. Contrary to the rules of the SEC, the Consolidated Financial Statements included herein have not been reviewed by an independent public accountant using professional standards and procedures for conducting such reviews, as established by generally accepted auditing standards, because of the ongoing investigation by the Special Committee, as discussed above, and the need of Arthur Andersen LLP, Enron's independent auditors, to complete their review procedures.

These statements reflect all adjustments (consisting of the anticipated restatement items discussed in Note 3, and normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. The Consolidated Financial Statements included herein have been adjusted to reflect the impacts of the anticipated restatements discussed in Note 3 based on Enron's current understanding of the relevant facts as of the date of filing of this report. For the impacts on Enron's Consolidated Financial Statements for the years ended December 31, 1997 through 2000 and for the first and second quarters of 2001, see Note 3. It is possible that the investigation by the Special Committee will identify additional or different information concerning these matters which may require additional or different restatements. Accordingly, Enron will not file amendments to its annual reports on Forms 10-K for the years ended December 31, 1997 through 2000, or its quarterly reports on Forms 10-Q for the quarterly periods ended March 31, 2001 and June 30, 2001 to reflect the restatements of Enron's Consolidated Financial Statements until the Special Committee has completed its investigation.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The preparation of financial statements in conformity with
generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consistent with SEC requirements for interim reporting, certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Enron believes that the disclosures are adequate to make the information presented not misleading.

Certain reclassifications have been made in the 2000 amounts to conform with the 2001 presentation.

2. RECENT EVENTS

FINANCIAL CONDITION. Following Enron's announcement of its third quarter 2001 results on October 16, 2001, there was a significant decrease in Enron's common share price and subsequent decreases in the credit ratings of Enron's long-term debt to BBB- and Baa3 (the lowest level of investment grade) with a warning that further downgrades were possible. This situation resulted in a loss of investor confidence and significantly affected Enron's ability to raise capital.

Maintaining an investment grade credit rating is a critical element in maintaining liquidity for Enron's wholesale business which, together with the natural gas pipeline operations and the retail business, comprise Enron's core businesses discussed below. As a part of their standard contractual arrangements, Enron and its trading counterparties regularly post cash deposits or letters of credit to collateralize a portion of their trading obligations. A downgrade to below investment grade could lead to a substantial increase in the level of cash required for collateral and margin deposits with Enron's wholesale trading partners. Additionally, Enron and its subsidiaries have outstanding surety bonds and other instruments related to construction projects and other performance obligations. Under certain circumstances, the issuers of such sureties may request collateral.
Liquidity Actions. Enron has implemented a financial strategy to restore investor confidence and will continue its initiatives in this regard. Enron has taken the following steps to assure its customers and investors that it can fulfill its commitments in the ordinary course of business:

- Enron borrowed approximately $3.0 billion from its committed lines of credit to repay outstanding and expiring commercial paper obligations of approximately $1.9 billion and to provide immediate cash liquidity. This action to convert Enron’s committed lines of credit to cash was done to eliminate any doubt as to their availability in the future;

- In an effort to further enhance short-term liquidity, on November 13, 2001, Enron (through its wholly-owned subsidiary) obtained $550 million in a new secured line of credit from JP Morgan Chase Bank (Chase) and Citicorp North America, Inc. (Citicorp), secured by Enron’s Transwestern Pipeline Company assets. Enron anticipates obtaining $450 million in a new secured line of credit on or about November 20, 2001 from Chase and Citicorp secured by Northern Natural Gas Company assets. These proceeds will be used to further supplement short-term liquidity and to retire maturing obligations;

9

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)

ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- On November 13, 2001, Enron received a $1.5 billion equity infusion in the form of a preferred stock investment in Northern Natural Gas Company, an Enron subsidiary (Northern), from Dynegy Inc. in connection with the merger agreement signed between Enron and Dynegy discussed below.
- Enron anticipates the receipt of over $800 million in net proceeds from asset sales scheduled to close by year-end. However, the of these sale transactions are pending certain regulatory and
other approvals that will impact whether such transactions close and the ultimate timing of the closings. Of the net proceeds, approximately $250 million, or a portion thereof, may be required to repay an obligation that may become a demand obligation due to a recent rating downgrade discussed below and in Note 9.

Enron is also engaged in discussions with various institutions about investing in Enron equity. Enron is diligently pursuing a program to raise an incremental $500 million to $1 billion of private equity from these sources in the near future. There can be no assurance, however, that such program will be successful. Depending on the terms and amounts of such investments, Enron may be required to increase its authorized capital, which would require the approval of its stockholders.

Restructuring Plan. As a result of the merger agreement with Dynegy, discussed below, and the loss of investor confidence, Enron has initiated an action plan for restructuring its business. The key aspects of the action plan involve (i) concentrating primarily on its core businesses; (ii) taking aggressive steps to rationalize the existing cost structure; (iii) accelerating the process of divesting non-core businesses and assets; (iv) restructuring scheduled maturities of debt and other obligations; (v) completing the investigation by the Special Committee and its advisors with respect to related party transactions; (vi) reviewing and strengthening Enron's corporate governance; and (vii) expanding certain disclosures with a focus on increased transparency. Management and the Board have not completed nor approved a restructuring plan. Such restructuring plan is currently being prepared and, therefore, Enron is unable to estimate the timing of implementation or the financial impacts. Enron's fourth quarter 2001 results of operations will likely be negatively impacted by severance, restructuring and other charges resulting from the repositioning of many of Enron's businesses.

In order to focus on Enron's core businesses and rationalize their cost structure, management is in the process of dividing Enron into three fundamental groups of businesses - Core, Non-Core and Under Review. Following is a description of each group of businesses:

- Core Businesses are the consistent franchise businesses for
which

Enron has a distinct competitive advantage. These businesses, collectively, generate significant earnings and cash flows.

These

businesses include:

o Gas and power businesses in North America and Europe;

o Coal businesses in North America and Europe;

o Retail businesses in North America and Europe; and

o Natural gas pipeline businesses.

o Non-Core businesses are businesses that do not provide value
to

Enron's core businesses. These primarily are part of Enron's
global

assets and broadband services segments. Enron has
approximately $8
billion

invested in these businesses and the return from these
investments is
below acceptable rates. Accordingly, Enron is developing a
plan to
exit these businesses in an orderly fashion. Enron expects
that the
sale of these non-core businesses will generate cash proceeds
that
will be used to repay debt. Should the exit strategy,
currently being
prepared, result in a lower value than Enron's current
carrying value,
then Enron may be required to record related asset writedowns,
possibly as early as the fourth quarter of 2001.

o Businesses Under Review are businesses that Enron believes
have strong
future prospects; however, under the restructuring program,
Enron is
in the process of looking closely at the capital requirements
and
near-term growth prospects of these businesses. These
businesses are
primarily Enron's wholesale businesses outside of power and
gas, which
include both energy-related and industrial markets activities.
The
in-depth assessment of each of these businesses will be
completed very
quickly to determine the resources Enron intends to expend in
these

areas.
Impact of Recent Events. The recent deterioration in Enron's credit rating and decline in its stock price has caused a negative impact on Enron's projected 2001 fourth quarter profitability. This is primarily the result of a reduced level of transaction activity by Enron's trading counterparties, particularly in longer-term transactions. It is too early to determine the impact these events will have on Enron's fourth quarter 2001 operating results. Additionally, the fourth quarter of 2001 will likely be negatively impacted by severance, restructuring and other charges resulting from the repositioning of many of Enron's businesses consistent with the restructuring plan, as well as potential writedowns as discussed in Note 8.

Enron has various financial arrangements which require Enron to maintain specified credit ratings. The November 12, 2001 downgrade in Enron's senior unsecured debt rating to BBB- by Standard & Poor's has caused a ratings event related to a $690 million note payable that, absent Enron posting collateral, will become a demand obligation on November 27, 2001. See Note 9 for a description of this obligation. Consistent with the restructuring plan discussed above, Enron is currently working with the lenders to develop a mutually acceptable amendment or waiver to the transaction documents in order to avoid an early Enron payment obligation.

In the event Enron were to lose its investment grade credit rating and Enron's stock price was below a specified price, a note trigger event would occur. This could require Enron to repay, refinance or cash collateralize additional facilities totaling $3.9 billion, which primarily consist of $2.4 billion of debt in Osprey Trust (Osprey) and $915 million of debt in Marlin Water Trust (Marlin). In the event such a trigger event occurs and Enron cannot timely issue equity in an amount sufficient to repay the notes or restructure the obligations, Enron is obligated to pay the difference in cash. For a description of the Marlin and Osprey Trusts, both of which are unconsolidated affiliates, and the related debt obligations, see Note 8.

In the event that Enron fails to pay any debt obligations when due, including when such obligations may be accelerated, or is unable to refinance or obtain a waiver of or amendment to such obligations, a series of events would begin which could impact Enron's compliance with the terms of its
Revolving Credit Agreements and certain other obligations, including bank debt facilities.

PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

It is not possible to predict whether any or all of the actions described above (including the sale of non-core businesses and assets and the refinancing or waiver of Enron obligations that may become immediately payable upon scheduled maturities or due to an acceleration event) will be adequate to maintain Enron's investment grade credit rating or enable Enron to refinance or otherwise restructure its debt obligations that become due. An adverse outcome with respect to any of these matters would likely have a material adverse impact on Enron's ability to continue as a going concern.

MERGER WITH DYNEGY AND RELATED EQUITY FINANCING. On November 9, 2001, Enron and Dynegy announced the execution of a definitive agreement providing for a merger of the two companies. The merger agreement contemplates that both Enron and Dynegy will merge with separate subsidiaries of a newly formed holding company to be named Dynegy Inc. (New Dynegy). As a result of the mergers, both Enron and Dynegy would become wholly owned subsidiaries of New Dynegy. However, the merger agreement provides that both parties will cooperate with each other in analyzing and determining an alternative structure that results in a single corporation with substantially all the senior debt (other than that of regulated utility subsidiaries) of the two companies.

Under the terms of the merger agreement, Enron shareholders will receive 0.2685 shares of New Dynegy Class A common stock per share of Enron common stock, subject to adjustment as provided below. Dynegy shareholders will receive one share of New Dynegy Class A common stock or Class B common stock for their existing shares of Dynegy Class A common stock or Class B common stock, respectively. As a result of the merger, Dynegy's current stockholders will own approximately 64 percent of the common stock of New Dynegy and Enron's stockholders will own approximately 36 percent.
The proposed merger is subject to the approval of Enron's and Dynegy's shareholders, regulatory approvals and other customary conditions, including the absence of any event after November 9, 2001 that would have a material adverse effect on Enron, excluding the effects of general economic and industry conditions. If Enron's liabilities and expenses from and after November 9, 2001 associated with all pending or threatened litigation matters, in the reasonable judgment of Dynegy, exceed, or are reasonably likely to exceed, $2 billion in the aggregate (net of proceeds of insurance and litigation reserves reflected in Enron's financial statements), the amount of such excess over $2 billion will be taken into account in determining whether a material adverse effect on Enron has occurred, and, in any event, if the amount of such excess exceeds, or is reasonably likely to exceed, $1.5 billion, a material adverse effect on Enron will be deemed to have occurred. Assuming all approvals are obtained and conditions satisfied or waived, the merger is expected to close by the end of the third quarter of 2002.

The merger agreement also provides that, in the event the merger agreement is terminated in certain circumstances involving a competing offer to acquire Enron or a change in the Board's recommendation of the merger, Enron would pay Dynegy a break-up fee of $350 million. Dynegy must pay a similar fee to Enron in the event of corresponding actions with respect to Dynegy.

Under the merger agreement, Enron is entitled to issue up to $2 billion of additional equity prior to closing of the merger. However, the Enron merger ratio is subject to downward adjustment if Enron issues equity at an Enron common stock price below the implied Enron common stock price determined by multiplying the Enron merger exchange ratio by the then current Dynegy common stock price.

In connection with the merger agreement, Dynegy entered into a subscription agreement with Enron and Northern pursuant to which Dynegy agreed...
to purchase 1,000 shares of Northern's Series A preferred stock for $1.5 billion. This purchase was consummated on November 13, 2001. Additionally, Dynegy has agreed to invest an additional $1 billion in Enron at the closing of the merger.

The preferred stock provides for cumulative dividends at the rate of 6% per annum (subject to declaration by the Northern board of directors) payable annually beginning on January 31, 2003, or, at Northern's option, quarterly. Unpaid dividends accrue additional dividends at 6% per annum. Upon any liquidation or winding up of Northern, the holders of the preferred stock would be entitled to receive, in preference to the holders of the Northern common stock, an amount equal to $1.5 million per share plus accrued and unpaid dividends, if any. If the merger agreement is terminated for various specified reasons, Northern may redeem the preferred stock in whole, but not in part, at a redemption price equal to the $1.5 billion liquidation preference amount plus any accrued and unpaid dividends.

In connection with the subscription agreement, Dynegy entered into an option agreement with a subsidiary of Enron that indirectly owns the common stock of Northern, under which a Dynegy subsidiary has the option to purchase all of the equity of that Enron subsidiary. The option will become exercisable only upon certain specified terminations of the merger agreement. The exercise price for the option is $23 million, plus the amount by which Northern's indebtedness under its bank credit facility and senior notes is less than $950 million (or minus the amount by which such indebtedness exceeds $950 million), subject to adjustment for the amount of working capital at the time of the exercise. If the option is exercised by Dynegy, Enron will have certain rights to repurchase the ownership of Northern for 90 (or under some scenarios 180) days at a substantially equivalent exercise price adjusted for changes in working capital and debt after the purchase by Dynegy.

Also in connection with the purchase of the Northern preferred stock, Dynegy entered into an exchange agreement with Enron under which each share of the Northern preferred stock may be exchanged for shares of Enron common stock. Dynegy has the option to cause such an exchange if the merger agreement is terminated in certain circumstances relating to a competing third party
acquisition proposal relating to Enron or if the Board withdraws or changes, in a manner adverse to Dynegy, its approval or recommendation of the merger with Dynegy or recommends a competing third party acquisition proposal. Enron has the option to cause such an exchange if the merger agreement is terminated in certain circumstances relating to a competing third party acquisition proposal relating to Dynegy or if Dynegy’s board of directors withdraws or changes, in a manner adverse to Enron, its approval or recommendation of the merger with Enron or recommends a competing third party acquisition proposal. If the exchange right is exercised, each share of Northern preferred stock would be exchanged for approximately 169,300 shares of Enron common stock (or approximately 169.1 million shares in the aggregate), subject to adjustment based on changes to the Enron merger exchange ratio pursuant to the merger agreement. The exchange agreement will terminate if the proposed merger is consummated, the option under the option agreement described above is exercised or the preferred stock is redeemed in accordance with its terms.

13

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The exchange agreement further provides that if Dynegy is prevented from receiving Enron common stock under the exchange agreement because the regulatory and other specified conditions for the issuance have not been satisfied, Dynegy will have the right to assign its rights under the exchange agreement to any third party or Enron will issue to Dynegy shares of a new class of Enron preferred stock convertible into an equivalent number of shares of Enron common stock. If the conditions for Dynegy to receive Enron common stock are not satisfied after twelve months, Dynegy may instead elect to withdraw its exercise of the exchange right and exercise its rights under the option agreement, or receive equivalent consideration from Enron.

Subsequent to the execution of the merger agreement with Dynegy, Kenneth

002000000000944
L. Lay, Enron's Chairman and Chief Executive Officer, waived his right to receive approximately $60.6 million under the change of control terms in his employment contract with Enron, with respect to the merger with Dynegy.

SEC INVESTIGATION. On October 17, 2001, the SEC requested that Enron voluntarily provide information regarding certain related party transactions. On October 31, 2001, the SEC opened a formal investigation of the matters that were the subject of recent press reports and that were previously the subject of the SEC informal inquiry. Enron is cooperating fully with the SEC relative to its investigation. Enron cannot predict the term of the SEC investigation or its potential outcome.

SPECIAL COMMITTEE. Based on various reports and information concerning Enron's transactions with certain related parties, on October 31, 2001 the Board elected William K. Powers Jr., Dean of the University of Texas School of Law, to the Board, and appointed Dean Powers as Chairman of a newly formed Special Committee. The Special Committee is responsible for conducting an independent investigation and review of transactions between Enron and certain related parties. The Special Committee also was charged with taking any disciplinary action that it deems appropriate, communicating with the SEC and recommending to the Board any other appropriate actions. The other members of the Special Committee are independent directors Frank Savage, CEO of Savage Holdings LLC, Paulo Ferraz Pereira, Executive Vice President of investment bank Group Bozano, and Herbert S. Winokur, Jr., Chairman and CEO of Capricorn Holdings, Inc.

The Special Committee has retained the law firm of Wilmer, Cutler & Pickering (Wilmer, Cutler) as its counsel. The firm's representation is led by William R. McLucas, former Director of the Division of Enforcement of the SEC. Wilmer, Cutler has retained Deloitte & Touche LLP to provide related accounting advice to the law firm. The Special Committee began its review on October 26, 2001. The review will include an analysis of both the underlying substance and business purposes of the transactions, as well as an analysis of their financial impact on Enron and, to the extent information is available, on the related
parties. The duration of the Special Committee's review, and the ultimate results of that review, have not yet been determined. Accordingly, Enron cannot predict the ultimate results of the Special Committee investigation and the related impact on Enron's reported Consolidated Financial Statements.

PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. RESTATEMENT

On November 8, 2001, Enron announced that it will restate its Consolidated Financial Statements for the years 1997 through 2000 and the first and second quarters of 2001 to (1) reflect its conclusion that three previously unconsolidated entities did not meet certain accounting requirements and should have been included in Enron's consolidated financial statements, (2) reflect an adjustment to shareholders' equity described below and (3) include prior-year proposed audit adjustments and reclassifications (which were previously determined to be immaterial in the years originally proposed). Specifically, Enron has concluded that based on a review of related party transactions:

- The financial activities of Chewco Investments, L.P. (Chewco), a related party which was an investor in Joint Energy Development Investments Limited Partnership (JEDI), should have been consolidated into Enron's consolidated financial statements beginning in November 1997;

- The financial activities of JEDI, in which Enron was an investor and which were consolidated into Enron's financial statements beginning in the first quarter of 2001, should have been consolidated beginning in November 1997; and

- The financial activities of a wholly-owned subsidiary of LJM Cayman, L.P. (LJM1), a private investment limited partnership for which the general partner's managing member was Andrew S. Fastow, former Executive Vice President and Chief Financial Officer of Enron (see
Note 4), should have been consolidated into Enron's consolidated financial statements beginning in 1999.

The Consolidated Financial Statements included herein reflect such anticipated restatements based on Enron's current understanding of the relevant facts as of the date of the filing of this report. It is possible that the Special Committee's investigation (discussed in Note 2) will identify additional or different information concerning these matters which will require additional or different restatements. As a result, Enron will not issue amendments to its annual reports on Forms 10-K for the years ended December 31, 1997 through 2000 or its quarterly reports on Forms 10-Q for the quarterly periods ended March 31, 2001 and June 30, 2001 to reflect the impacts of the anticipated restatements on Enron's Consolidated Financial Statements until the Special Committee has completed its investigation. Additionally, Enron has announced that the previously-issued financial statements for these periods and the audit reports covering the year-end financial statements for 1997 through 2000 should not be relied upon.

The effects of the anticipated restatements, based on Enron's understanding of the relevant facts as of the date of the filing of this report, are outlined below and a description of the anticipated restatements follows the table (dollars in millions, except per share amounts). Certain amounts in the following table differ from those included in Enron's November 8, 2001 Form 8-K due to further refinement of the identified restatement items.

\[\text{\hspace{1cm}}\]

\text{\begin{tabular}{|c|c|c|c|}
\hline
\text{1st Qtr} & \text{2nd Qtr} & \text{1997} & \text{1998} \\
\hline
\end{tabular}}\]
<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;S&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income as reported</td>
<td>$ 893</td>
<td>$ 979</td>
<td>$ 425</td>
<td>$ 404</td>
</tr>
<tr>
<td>Restatements:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidation of JEDI and Chewco</td>
<td>(153)</td>
<td>(91)</td>
<td>6</td>
<td>(28)</td>
</tr>
<tr>
<td>Consolidation of LJM1 subsidiary</td>
<td>(95)</td>
<td>(8)</td>
<td></td>
<td>(133)</td>
</tr>
<tr>
<td>Raptor equity adjustment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior period proposed audit adjustments and reclassifications</td>
<td>(10)</td>
<td>(38)</td>
<td>29</td>
<td>5</td>
</tr>
<tr>
<td>Net Income Restated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted shares outstanding, as reported</td>
<td>555</td>
<td>695</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted shares restated</td>
<td>769</td>
<td>614</td>
<td>872</td>
<td>891</td>
</tr>
<tr>
<td>Diluted EPS as reported</td>
<td>0.16</td>
<td>1.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted EPS restated</td>
<td>1.10</td>
<td>0.49</td>
<td>0.45</td>
<td></td>
</tr>
<tr>
<td>0.78</td>
<td>0.97</td>
<td>0.53</td>
<td>0.46</td>
<td></td>
</tr>
<tr>
<td>Total assets as reported</td>
<td>$22,552</td>
<td>$29,350</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restatements:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidation of JEDI and Chewco</td>
<td>(181)</td>
<td>(161)</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Consolidation of LJM1 subsidiary</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raptor equity adjustment</td>
<td>(222)</td>
<td>(172)</td>
<td>(1,000)</td>
<td>(1,000)</td>
</tr>
<tr>
<td>Prior period proposed audit adjustments and reclassifications</td>
<td>(68)</td>
<td>(244)</td>
<td>(1,087)</td>
<td>431</td>
</tr>
<tr>
<td>Total assets restated</td>
<td>$22,924</td>
<td>$29,442</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt as reported</td>
<td>8,152</td>
<td>$10,229</td>
<td>$11,922</td>
<td>$12,812</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Restatements:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>711</th>
<th>561</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidation of JEDI and Chewco</td>
<td>628</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidation of LJM1 subsidiary</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raptor equity adjustment</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior period proposed audit adjustments and reclassifications</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEBT RESTATED</td>
<td></td>
<td>6,965</td>
<td>7,918</td>
</tr>
<tr>
<td>8,837 $10,857 $11,922 $12,812</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Equity as reported</td>
<td></td>
<td>5,618</td>
<td>7,048</td>
</tr>
<tr>
<td>9,570 $11,470 $11,727 $11,740</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restatements:</td>
<td></td>
<td>258</td>
<td>391</td>
</tr>
<tr>
<td>Consolidation of JEDI and Chewco</td>
<td>-</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Consolidation of LJM1 subsidiary</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raptor equity adjustment</td>
<td>-</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Prior period proposed audit adjustments and reclassifications</td>
<td>-</td>
<td>(1,000)</td>
<td>(1,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(172)</td>
<td>(255)</td>
</tr>
<tr>
<td>EQUITY RESTATED</td>
<td></td>
<td>5,309</td>
<td>6,600</td>
</tr>
<tr>
<td>8,724 $10,289 $10,506 $10,787</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) After effect of significant contract restructuring charge totaling $463 million (after tax).

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DESCRIPTION OF RESTATEMENT ITEMS

Chewco and JEDI Consolidation. Enron’s decision that Chewco should be consolidated beginning in November 1997 is based on recently obtained information that Chewco did not meet the accounting criteria to qualify
as an adequately capitalized unconsolidated special purpose entity (SPE). See Note 4 for a discussion of Chewco and a description of an SPE. As a result of Chewco's failure to meet these criteria, JEDI, in which Chewco was a limited partner, also did not qualify for nonconsolidation treatment. When the consolidation of these two entities are taken into account, Enron's prior-year reported debt amounts are increased by both JEDI's and Chewco's borrowings. In addition, Enron's net income is reduced for specific JEDI revenues previously allocated to Chewco, relating to the appreciation in value of Enron stock held by JEDI, which eliminates upon consolidation. This, in effect, reduces Enron's share of JEDI's earnings. The net effect reduces Enron's prior-years' reported net income and shareholders' equity amounts.

**LJM1 Subsidiary Consolidation.** Enron's decision that the LJM1 subsidiary should be consolidated in 1999 and 2000 is based on Enron's current assessment that the subsidiary did not qualify for nonconsolidation treatment because of inadequate capitalization.

In 1999, Enron entered into a series of transactions involving a third party and LJM1. The effect of the transactions was (i) Enron and the third party amended certain forward contracts to purchase shares of Enron common stock, resulting in Enron having forward contracts to purchase Enron common shares at the market price on that day, (ii) LJM1 received 6.8 million shares of Enron common stock subject to certain restrictions, 3.1 million shares of which it contributed to the LJM1 subsidiary and (iii) Enron received a note receivable from LJM1, which was repaid in December 1999, and certain financial instruments hedging Enron's investment in the stock of Rhythms NetConnections, Inc. Enron recorded the assets received and equity issued at estimated fair value. In connection with the transactions, LJM1 agreed that Mr. Fastow would have no pecuniary interest in such Enron common shares and would be restricted from voting on matters related to such shares. In March 2000, Enron and LJM1 entered into an agreement to terminate the financial instruments. In connection with this agreement, Enron received the 3.1 million shares of Enron common stock held
by the LJMI subsidiary. A put option, which was originally entered into in the first quarter of 2000 and gave LJMI the right to sell shares of Enron common stock to Enron at a strike price of $71.31 per share, was terminated under this agreement. In return, Enron paid approximately $26.8 million to LJMI.

Consolidation of the LJMI subsidiary has the effect of eliminating the income recognized by Enron on derivative transactions with this LJMI subsidiary, thus reducing Enron's net income in 1999 and 2000. Shareholders' equity has been reduced in 1999 and increased in 2000 to reflect the elimination of Enron common stock contributed by LJMI to the LJMI subsidiary.

Shareholders' Equity Reduction. Enron's previously-announced $1.2 billion reduction of shareholders' equity primarily involves the correction of an accounting error made in the second quarter of 2000 and in the first quarter of 2001. As described in more detail below and in Note 4, four SPEs known as Raptor I-IV (collectively, Raptor) were created in 2000 to permit Enron to hedge market risk in certain of its investments. (LJM2 Co-Investment, L.P. (LJM2), a private investment limited partnership for which the general partner's managing member was Mr. Fastow, invested in these entities, but the related-party nature of the transaction is not relevant to the accounting correction.) As part of the capitalization of these entities, Enron issued common stock in exchange for a note receivable. Enron increased notes receivable and shareholders' equity to reflect this transaction. Enron now believes that, under generally accepted accounting principles, the note receivable should have been presented as a reduction to shareholders' equity (similar to a shareholder loan). This treatment would have resulted in no net increase to shareholders' equity. The net effect of this initial accounting entry was to overstate both notes receivable and shareholders' equity by approximately $172 million (which
represented less than 2% of shareholders' equity at the time) in each of the second quarter, third quarter and year-end financial statements of Enron for the year 2000.

In the first quarter of 2001, Enron entered into a series of transactions with Raptor that could have obligated Enron to issue Enron common stock in the future in exchange for notes receivable. Enron accounted for these transactions using the accounting treatment described in the preceding paragraph. This resulted in an additional overstatement of both notes receivable and shareholders' equity by $828 million. As a result of these errors, shareholders' equity and notes receivable were overstated by a total of $1 billion in the unaudited balance sheets of Enron at March 31, 2001 and June 30, 2001.

In the third quarter of 2001, as a result of deterioration in the credit quality of the Raptor SPEs caused by the decline in New Power Holdings, Inc.'s (NPW) stock price, the increase in Raptor's exposure under derivative contracts with Enron and the increasing dilutive effect on Enron's earnings per share calculation, Enron acquired LJM2's equity in the SPEs for $35 million and terminated the entities. Consistent with the original treatment, Enron accounted for this transaction as a reduction to Enron shareholders' equity and notes receivable by $1.2 billion. Of this amount, $270 million related to the amount by which the fair value of contracts to deliver Enron shares exceeded the value of the notes receivable, which is not related to the restatement discussed above.

Audit Adjustments. The restatements include prior-year proposed audit adjustments and reclassifications which were determined to be immaterial in the periods originally proposed.

4. RELATED PARTY TRANSACTIONS

On November 8, 2001, Enron released information in a Form 8-K regarding the two LJM limited partnerships formed by Enron's former chief financial officer, his role in the partnerships, the business relationships and transactions between Enron and the partnerships, and the economic results of those transactions as known thus far, and transactions between Enron and certain other Enron employees. Following is the information that was provided.
THE LJM LIMITED PARTNERSHIPS AND TRANSACTIONS WITH ENRON. LJM1 and LJM2 (collectively, LJM) are private investment limited partnerships that were formed in 1999. Andrew S. Fastow was (from inception through July 2001) the managing member of the general partners of LJM1 and LJM2. Enron believes that the LJM partnerships have as limited partners a significant number of institutions and other investors that are not related parties to Enron. These partnerships are a subject of the Special Committee's investigation and it is possible that this investigation will identify additional or different information concerning matters described herein.

PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Enron, like many other companies, utilizes a variety of structured financings in the ordinary course of its business to access capital or hedge risk. Many of these transactions involve "special purpose entities," or "SPEs." Accounting guidelines allow for the non-consolidation of SPEs with the sponsoring company's financial statements in certain circumstances. Accordingly, certain transactions between the sponsoring company and the SPE may result in gain or loss and/or cash flow being recognized by the sponsor, commonly referred to by financial institutions as "monetizations."

The LJM Partnerships. Enron believes that, under the LJM1 and LJM2 limited partnership agreements (as with many similar agreements in private equity investing), the general partners are entitled to receive a percentage of the profits in excess of their portions of total capital contributed to the partnerships depending upon the performance of the partnerships' investments. Enron also believes that the general partners are entitled to receive annual management fees based in part on formulas that take into account the total amount of capital committed and/or invested by the limited partners. Enron now believes that Mr. Fastow earned in excess of $30 million relating to his
management and investment activities. Enron believes that the initial capital commitments of all partners to LJM1 were $16 million, and aggregate capital commitments of all partners to LJM2 were $394 million.

LJM1 and LJM2 were described to the Enron Board of Directors as potential sources of capital to buy assets from Enron, potential equity partners for Enron investments and counterparties to help mitigate risks associated with Enron investments. The Board also was informed that LJM1 and LJM2 intended to transact business with third parties. Prior to approving Mr. Fastow's affiliation with LJM1 and LJM2, the Board determined that Mr. Fastow's participation in the partnerships would not adversely affect the interests of Enron. The Board approved the initial transaction with LJM1 and recognized that Enron could (but was not required to) engage in additional transactions with LJM.

The Board directed that certain controls be put into place relating to Mr. Fastow's involvement with the partnerships and transactions between Enron and the partnerships. The Board required review and approval of each transaction by the Office of the Chairman, the Chief Accounting Officer and the Chief Risk Officer. The Board also recognized the ability of the Chairman of the Board to require Mr. Fastow to resign from the partnerships at any time and directed that the Audit and Compliance Committee conduct annual reviews of transactions between Enron and LJM1 and LJM2 completed during the prior year to ensure the Board's requirements as to controls were met. Whether these controls and procedures were properly implemented is a subject of the Special Committee's investigation.

Enron believes that, as of July 31, 2001, Mr. Fastow sold his interests in LJM1 and LJM2 to Michael J. Kopper, and that Mr. Fastow ceased to be the managing member of LJM's general partners. Prior to that time, Mr. Kopper reported to Mr. Fastow as a non-executive officer of an Enron division. Mr. Kopper resigned from Enron immediately before Enron believes he purchased Mr. Fastow's interests in LJM. Mr. Fastow is no longer working for Enron.
PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
       ENRON CORP. AND SUBSIDIARIES
       NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

General Summary of LJM Transactions. From June 1999 through September 2001, Enron and Enron-related entities entered into 24 business relationships in which LJM1 or LJM2 participated. These relationships were of several general types, including: (1) sales of assets by Enron to LJM2 and by LJM2 to Enron; (2) purchases of debt or equity interests by LJM1 or LJM2 in Enron-sponsored SPEs; (3) purchases of debt or equity interests by LJM1 or LJM2 in Enron affiliates or other entities in which Enron was an investor; (4) purchases of equity investments by LJM1 or LJM2 in SPEs designed to mitigate market risk in Enron's investments; (5) the sale of a call option and a put option by LJM2 on physical assets; and (6) a subordinated loan to LJM2 from an Enron affiliate. The financial results of these transactions are summarized below.

<TABLE>
<CAPTION>

Impact of LJM Transactions

<table>
<thead>
<tr>
<th>Transaction(s)</th>
<th>Value (In Millions)</th>
<th>LJM Net Cash Flow</th>
<th>Restated Pre-Tax Earnings</th>
<th>LJM Investment</th>
<th>Other Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of Assets</td>
<td>$</td>
<td>-</td>
<td>$ 0.7</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Purchases of Equity/Debt in Enron-Sponsored Special Purpose Entities</td>
<td>52.5</td>
<td>52.5</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in Enron Affiliates</td>
<td>17.8</td>
<td>14.4</td>
<td>3.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio Special Purpose Entities</td>
<td>75.5</td>
<td>75.5</td>
<td>(166.2) (a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Call Option</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

00200000000955
Transactions with LJM and Other Entities
Transaction with LJM and Whitewing

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$145.8</td>
<td>$142.4</td>
<td>$(165.5)</td>
</tr>
<tr>
<td>$ 3.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Nine Months Ended September 30, 2000

Sales of Assets
- $30.0 $67.0

Purchases of Equity/Debt in Enron-Sponsored Special Purpose Entities
63.0
(20.3)

Investments in Enron Affiliates
48.9
(15.4)

Portfolio Special Purpose Entities
109.0
(18.1)
48.6(a)

Call Option
0.9
(7.3)

Transactions with LJM and Other Entities
11.7
4.2

Transaction with LJM and Whitewing

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$233.5</td>
<td>$(86.9)</td>
<td>$115.6</td>
</tr>
<tr>
<td>$320.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) Enron's pre-tax earnings impact of transactions with LJM2 through the Raptor SPEs was approximately $545 million and $49 million for the nine months ended September 30, 2001 and 2000, respectively, excluding the pre-tax charge described below. During the nine months ended September 30, 2001 and 2000, the Raptor SPEs hedged losses related to Enron investments of $453 million and $35 million, respectively. The 2001 pre-tax earnings amount includes a $710 million pre-tax charge in the quarter ended
September 30, 2001 related to the termination of the Raptor SPEs.

(b) This amount excludes a seller financed note from Enron to LJM of approximately $70 million.

---

**PART I. FINANCIAL INFORMATION - (CONTINUED)**

**ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)**

**ENRON CORP. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**<TABLE>**

**<CAPTION>**

**Impact of LJM Transactions**

<table>
<thead>
<tr>
<th>Value (In Millions)</th>
<th>LJM Net Cash Flow</th>
<th>Restated Pre-Tax Earnings</th>
<th>Cash Investment</th>
<th>Other Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32.4</td>
<td>$ 2.4</td>
<td>$ 86.6</td>
<td>$ 30.0(b)</td>
<td></td>
</tr>
<tr>
<td>Purchases of Equity/Debt in Enron-Sponsored Special Purpose Entities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64.4</td>
<td></td>
<td></td>
<td>100.7</td>
<td></td>
</tr>
<tr>
<td>Investments in Enron Affiliates</td>
<td></td>
<td></td>
<td>66.5</td>
<td></td>
</tr>
<tr>
<td>51.2</td>
<td></td>
<td></td>
<td>15.3</td>
<td></td>
</tr>
<tr>
<td>Portfolio Special Purpose Entities</td>
<td></td>
<td></td>
<td>127.1</td>
<td></td>
</tr>
<tr>
<td>148.5</td>
<td>21.4</td>
<td>532.0(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Call Option</td>
<td></td>
<td></td>
<td>11.3</td>
<td></td>
</tr>
<tr>
<td>12.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions with LJM and Other Entities</td>
<td></td>
<td></td>
<td>7.5</td>
<td></td>
</tr>
<tr>
<td>11.7</td>
<td>4.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction with LJM and Whitewing</td>
<td></td>
<td></td>
<td>40.3</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>(40.3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>$383.4</td>
<td></td>
</tr>
</tbody>
</table>

---

$320.7 $(62.7) $618.6

---
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td></td>
</tr>
<tr>
<td>Sales of Assets</td>
<td>$ -</td>
</tr>
<tr>
<td>-</td>
<td>$ -</td>
</tr>
<tr>
<td>Purchases of Equity/Debt in Enron-Sponsored Special Purpose Entities</td>
<td>73.8</td>
</tr>
<tr>
<td>15.4</td>
<td>(58.4)</td>
</tr>
<tr>
<td>Investments in Enron Affiliates</td>
<td>44.5</td>
</tr>
<tr>
<td>1.0</td>
<td>(43.5)</td>
</tr>
<tr>
<td>Portfolio Special Purpose Entities</td>
<td>64.0</td>
</tr>
<tr>
<td>95.2[c]</td>
<td>31.2</td>
</tr>
<tr>
<td>Call Option</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transactions with LJM and Other Entities</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transaction with LJM and Whitewing</td>
<td>-</td>
</tr>
<tr>
<td>38.5</td>
<td>38.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$182.3</strong></td>
</tr>
<tr>
<td>$150.1</td>
<td>$(32.2)</td>
</tr>
<tr>
<td>$ 19.3</td>
<td></td>
</tr>
</tbody>
</table>

Estimated Fair Value of Existing LJM Investments

$ 43.6(d)

(a) Enron's pre-tax earnings impact of transactions with LJM2 through the Raptor SPEs was approximately $532 million in 2000. During 2000, the Raptor SPEs hedged losses related to Enron investments of $501 million.

(b) This amount excludes a seller financed note from Enron to LJM of approximately $70 million.

(c) This amount represents Enron's estimate of the value received in Enron common stock, a portion of which was restricted. The estimate was based on a 36% discount off the market price on the date of issuance for shares that were restricted and estimated proceeds received by LJM from the sale of the unrestricted shares.

(d) This amount represents Enron's estimated fair value of the six
investments
made by LJM that remained outstanding as of September 30, 2001.

21

PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sales of Assets. In June 2000, LJM2 purchased dark fiber optic
cable from
Enron for a purchase price of $100 million. LJM2 paid Enron $30 million
in cash
and the balance in an interest-bearing note for $70 million. Enron
recognized
$67 million in pre-tax earnings in 2000 related to the asset sale.
Pursuant to a
marketing agreement with LJM2, Enron was compensated $20 million for
marketing
the fiber to others and other fees for providing operation and
maintenance
services to LJM2 with respect to the fiber. This arrangement gave Enron
profit
potential in proceeds received after LJM2 achieved a specified return
level.
LJM2 sold a portion of the fiber to industry participants for $40
million. LJM2
sold the remaining dark fiber assets for $113 million in December 2000
to an SPE
that was formed to acquire the fiber. In December 2000, LJM2 used a
portion of
the proceeds to pay in full the note and accrued interest owed to Enron.
At the
time of LJM2's sale of the fiber to the SPE, Enron entered into a
derivative
contract which served as credit support for the benefit of some of the
debt
holders of a third-party investor in the SPE. This credit support
provided the
lender with a specified rate of return. As a result, Enron's credit
exposure
under the $70 million note was replaced with $61 million in remaining
exposure
under the derivative contract. LJM2 earned $2.4 million on its resale of
the
fiber.

Purchases of Equity/Debt in Enron-Sponsored SPEs. Between
September 1999
and December 2000, LJM1 or LJM2 purchased equity or debt interests in
nine
Enron-sponsored SPEs. LJM1 and LJM2 invested $175 million in the nine
SPEs.
These transactions enabled Enron to monetize assets and generated pre-
tax
earnings to Enron of $2 million in 1999.
Enron believes that LJM received cash of $15 million, $64 million and $53 million in 1999, 2000 and 2001, respectively, relating to its investments in these entities. In three instances, third-party financial institutions also invested in the entities. LJM invested on the same terms as the third-party investors. In one of these nine transactions, Enron entered into a marketing agreement with LJM2 that provided Enron with the right to market the underlying equity. This arrangement gave Enron profit potential in proceeds received after LJM2 achieved a specified return level. In six of these nine transactions, Enron repurchased all or a portion of the equity and debt initially purchased by LJM.

The SPEs owned, directly or indirectly, a variety of operating and financial assets. For example, Yosemite Securities Trust was a finance entity which facilitated Enron’s ability to raise funds in the capital markets through the use of credit-linked notes, a standard financing arrangement offered by investment banks. Osprey Trust is beneficially-owned by a number of financial institutions and is a limited partner in Whitewing Associates, L.P., an Enron unconsolidated affiliate (Whitewing) (see Note 8). Enron is the other partner. Whitewing purchased certain Enron investments for future sale.

In addition, as a result of these transactions, Enron was able to monetize equity interests with investment banks. These monetizations resulted in Enron’s recognizing $146 million and $5 million in pre-tax earnings in 2000 and the nine months ended 2001, respectively, and $252 million in cash inflows, all in 2000.

Investment in Enron Affiliates. In two transactions, LJM2 made direct and indirect investments in stock (and warrants convertible into stock) of NFW. NFW initially was a wholly-owned subsidiary of Enron, subsequently included other strategic and financial investors, and in October 2000 became a

22

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)

ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
public company. NPW is engaged in the retail marketing and sale of natural gas, electricity and other commodities, products and services to residential and small commercial customers in the United States. In January 2000, LJMJ2 invested $673,000 in Cortez Energy Services LLC (Cortez), a limited liability company formed by Enron and LJMJ2, and Enron contributed five million shares of NPW stock to Cortez. In July 2000, in a private placement, LJMJ2 purchased warrants exercisable for NPW stock for $50 million on the same terms as third-party investors. Enron believes that LJMJ2 still owns these investments.

In September 1999, LJMJ1 acquired from Enron a 13% equity interest in a company owning a power project in Brazil for $10.8 million, and acquired redeemable preference shares in a related company for $500,000. Enron recognized a $1.7 million loss on the sale of these interests to LJMJ1. Enron recognized revenues of $65 million, $14 million and $5 million from a commodity contract with the company owning the power project in 1999, 2000 and 2001, respectively. As part of an exclusive marketing arrangement to sell LJMJ1's equity in the project to third parties and to limit LJMJ1's return, Enron paid LJMJ1 a $240,000 fee in May 2000. In 2001, Enron repurchased LJMJ1's 13% equity interest and the redeemable preference shares for $14.4 million. Enron currently owns this equity interest and consolidates the Brazilian company.

In December 1999, LJMJ2 paid Enron $30 million for a 75% equity interest in a power project in Poland. Enron recognized a $16 million gain in 1999 on the sale. Enron paid $750,000 to LJMJ2 as an equity placement fee. In March 2000, Enron repurchased 25% of the equity in the Polish power project from LJMJ2 for $10.6 million, and Whitewing acquired the remaining 50% from LJMJ2 for $21.3 million. Enron and Whitewing still own their respective equity interests.

In December 1999, LJMJ2 acquired a 90% equity interest in an Enron entity with ownership rights to certain natural gas reserves for $3 million. As a result, Enron recognized $3 million in revenue from an existing commodity contract. Subsequently, LJMJ2 assigned a portion of its ownership interest in the entity to Enron and Whitewing at no cost (to achieve certain after-tax benefits). Enron believes LJMJ2 continues to own its remaining interest.

Portfolio SPEs. Enron and LJMJ established a series of SPEs to
mitigate market exposures on Enron investments, including investments in NPW, Rhythms NetConnections, Inc., and other technology, energy, and energy-related companies. LJM made $191 million in equity investments in five separate SPEs ($127 million in the four Raptor SPEs and $64 million related to the Rhythms SPE), three of which (Raptor I, II and IV) were also capitalized with Enron stock and derivatives which could have required the future delivery of Enron stock. Raptor III was capitalized with an economic interest in warrants convertible into stock of NPW. The Rhythms SPE is discussed in Note 3 in the "LJM1 Subsidiary Consolidation" section. Enron subsequently engaged in hedging transactions with these SPEs, which included price swap derivatives, call options and put options. The derivatives and options generally were intended to hedge Enron’s risk in certain investments having an aggregate notional amount of approximately $1.9 billion.

In the first quarter of 2001, Enron entered into a series of transactions with the Raptor SPEs that could have obligated Enron to issue Enron common stock in the future in exchange for notes receivable. These transactions, along with a transaction entered into in 2000, obligated Enron to deliver up to 30 million shares of Enron common stock to the Raptor SPEs in March 2005.

23

<PAGE>

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Such transactions were to have been accounted for as equity transactions when settled.

In the third quarter of 2001, as a result of deterioration in the credit quality of the Raptor SPEs caused by the decline in Enron and NPW’s stock price, the increase in Raptor’s exposure under derivative contracts with Enron and the increasing dilutive effect on Enron’s earnings per share calculation, Enron acquired LJM2’s equity in the SPEs for $35 million and terminated the entities.

Enron recognized pre-tax earnings (losses) (as restated) relating to risk management activities of none, $532 million and ($166) million in 1999,
2000 and 2001, respectively, including the effect of a $710 million pre-tax charge recognized in 2001, related to the decline in credit quality and ultimate termination of the Raptor SPEs. During 2000 and the nine months ended September 30, 2001, the Raptor SPEs hedged losses of $501 million and $453 million, respectively. The Rhythms SPE was used to hedge Enron's exposure arising from an investment in the stock of Rhythms NetConnections, Inc. However, it was subsequently determined that it did not meet the criteria to qualify as an adequately capitalized unconsolidated SPE. See Note 3 for a discussion of the restatements related to the Rhythms SPE.

In total, LJM1 and LJM2 invested $191 million and received $319 million (an estimated $95 million of which is non-cash value from the receipt of 3.6 million shares of Enron restricted stock) related to their investments in these five SPEs.

Call Option. In May 2000, Enron purchased a call option from LJM2 on two gas turbines at the same time that LJM2 contracted to purchase the gas turbines from the manufacturer. Enron paid LJM2 $1.2 million for this right during a seven-month period in 2000. The call option gave Enron the right to acquire these turbines from LJM2 at negotiated fair market value, which was $11.3 million. The call option was subsequently assigned from Enron to an Enron-sponsored SPE capitalized by a third-party financial institution. In December 2000, the call option was exercised by the SPE, which acquired the turbines from LJM2 at cost.

Transactions with LJM and Other Entities. Enron sold its contractual right to acquire a gas turbine to a utility for $15.8 million in July 2000. Enron recognized a pre-tax gain of $3.5 million on the transaction. At the same time, the utility entered into a put option agreement with LJM2 relating to the turbine under which the utility paid LJM2 $3.5 million. Subsequently, upon the execution of an engineering, procurement and construction contract with a wholly-owned subsidiary of Enron, the utility assigned the contractual right to acquire the gas turbine to that subsidiary.

In December 1999, Enron sold an equity investment in Enron Nigeria Barge
Ltd. to an investment bank and provided seller financing. In June 2000, LJM2 purchased this equity investment directly from the investment bank for $7.5 million and the assumption of the seller-financed note from Enron. In September 2000, LJM2 sold the equity investment to an industry participant for $31.2 million. The proceeds from LJM2's sale were used by LJM2 to repay the principal and interest on the note from Enron in the amount of $23.0 million. The remaining $8.2 million repaid LJM2's $7.5 million purchase price and provided a profit of $700,000 to LJM2.

Transaction between LJM and Whitewing. In December 1999, a wholly-owned subsidiary of Whitewing entered into a $38.5 million credit agreement with

LJM2, the borrower. The loan had a term of one year and carried an interest rate of LIBOR+2.5%. The loan amount (including interest) of $40.3 million was repaid by LJM2 in 2000.

Currently Outstanding LJM2 Transactions. Enron believes that LJM2 currently has interests in six of the investments described above in which LJM2 originally invested $124 million, and that LJM2 has received cash inflows of $27 million from these investments. These investments include $23 million in equity in two Enron-sponsored SPEs, $32.5 million in equity in Osprey Trust, $3 million in equity in an Enron affiliate and $50.7 million in direct equity investments in NFW (representing two transactions).

Enron and LJM2 also entered into various agreements relating to cash management services, employee services and office space provided by Enron to LJM2. In addition, Enron paid LJM2 a management fee for certain transactions, and other transaction fees described above. Enron also reimbursed LJM2 for transaction-related expenses (such as legal and tax fees and other costs) associated with some of the transactions described above.

OTHER EMPLOYEE TRANSACTIONS. From June 1993 through November
1997, an Enron subsidiary was the general partner of JEDI and a third-party, the California Public Employees' Retirement System (CalPERS), was the limited partner. In November 1997, JEDI made a liquidating distribution to CalPERS of $383 million. Concurrently, Chewco purchased a limited partnership interest in JEDI for $383 million, $132 million of which was financed by an interest-bearing loan from JEDI to Chewco, and $240 million of which was borrowed from a third-party financial institution (supported by a guarantee from Enron). The balance of the transaction (approximately $12 million) was principally funded by a contribution from a third party. Enron has subsequently determined that a portion of this contribution was cash collateralized. Based on current information, Enron believes that a non-executive officer of an Enron division, Michael J. Kopper, was an investor in the general partner of Chewco and, at the time of the purchase, also was the manager of the Chewco general partner. These events resulted in inadequate capitalization of Chewco to meet the SPE accounting guidelines. The restatement resulting from the Chewco transaction is discussed in Note 3.

From December 1997 to December 2000, Chewco received distributions of $433 million from JEDI. Among other things, Chewco used a portion of these distributions to make repayments on its JEDI loan and to repay an additional borrowing from the third-party financial institution.

In December 1999, Chewco purchased a $15 million equity interest in Osprey Trust, an Enron-sponsored SPE, from LJM1.

In March 2001, Enron purchased Chewco's limited partnership interest in JEDI for $35 million. In September 2001, Enron paid an additional $2.6 million to Chewco in connection with a tax indemnification agreement between JEDI, Chewco and Enron. Of the total purchase consideration, $26 million was used by Chewco to make a payment on the JEDI loan. Chewco currently has an outstanding balance due on the JEDI loan of $15 million. JEDI is currently a wholly-owned subsidiary of Enron.

Enron now believes that Mr. Kopper also was the controlling partner of a limited partnership that (through another limited partnership) purchased interests in affiliated subsidiaries of LJM1 in March 2000. Enron also now believes that four of the six limited partners of the purchaser were, at
the time of the investment, non-executive officers or employees of Enron, and a

<PAGE>

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fifth limited partner was an entity associated with Mr. Fastow. These officers and employees, and their most recent job titles with Enron, were Ben Glisan, Managing Director and Treasurer of Enron Corp.; Kristina Mordaunt, Managing Director and General Counsel of an Enron division; Kathy Lynn, Vice President of an Enron division; and Anne Yaeger, a non-officer employee. Enron has terminated the employment of Mr. Glisan and Ms. Mordaunt. Ms. Lynn and Ms. Yaeger are no longer associated with Enron and Enron believes they are now associated with LJM2. At the time these individuals invested in the limited partnership, LJM1 had ceased entering into new transactions with Enron. However, some pre-existing investments involving LJM1 and Enron were still in effect, and Enron believes that these investments resulted in distributions or payments to LJM1 and to the limited partnership in which these individuals invested.

Pursuant to a services agreement among Enron, LJM1 and LJM2, Enron made available to LJM1 and LJM2 a portion of the time of certain of its employees to provide administrative assistance to the general partners of LJM1 and LJM2. Mr. Kopper, Ms. Lynn and Ms. Yaeger, among other Enron employees, were made available to LJM1 or LJM2 from time to time during their employment by Enron.

OTHER TRANSACTIONS. In the first nine months of 2001, Enron received approximately $241.8 million from Whitewing, an unconsolidated equity affiliate, related to monetizations. During the first nine months of 2001, Enron acquired investments from Whitewing for approximately $28.8 million. No gains were recorded by Enron in connection with these transactions. Management believes that the terms of these transactions are reasonable compared to those which could have been negotiated with third parties.
5. SUPPLEMENTAL CASH FLOW INFORMATION

Net cash paid for income taxes for the first nine months of 2001 and 2000 was $168 million and $37 million, respectively. Cash paid for interest for the same periods, net of amounts capitalized, was $640 million and $573 million, respectively.

BUSINESS ACQUISITIONS. In September 2001, Retail Services contributed subsidiary companies with net book value of $103 million in the formation of a new company, ServiceCo Holdings Inc. (ServiceCo). Also contributing to the formation of ServiceCo was a third party financial investor and technology partner. ServiceCo provides facility management services to retail customers. Retail Services received an 86% interest in ServiceCo in return for its contributions.

In the third quarter of 2000, Enron, through a wholly-owned subsidiary, acquired all of the outstanding common shares of MG plc, a leading independent international metals market-making business that provides financial and marketing services to the global metals industry, for approximately $413 million in cash. Enron recorded goodwill of approximately $354 million. As of the date of acquisition, MG plc's balance sheet primarily consisted of approximately $1.7 billion of metals inventory and $1.6 billion of short-term debt.

In 2000, Enron entered into an agreement with Azurix Corp. (Azurix) under which the holders of Azurix's approximately 39 million publicly traded shares would receive cash of $8.375 in exchange for each share. On March 16, 2001, Azurix shareholders approved the agreement whereby Enron paid approximately $330 million for an equivalent number of shares held by the public and all publicly traded shares of Azurix were redeemed.
Note 4).

6. LITIGATION AND OTHER CONTINGENCIES

Enron is a party to various claims and litigation, the significant items of which are discussed below.

RECENT SECURITIES, FRAUD AND DERIVATIVE LAWSUITS

Since October 16, 2001, multiple class action lawsuits have been filed against Enron and certain current and former officers and/or directors (the Defendants) in the District Court for the Southern District of Texas. The lawsuits allege that the Defendants violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and rule 10b-5 promulgated thereunder, by issuing a series of material misrepresentations to the market during different class periods ranging from June 1, 1999 to October 10, 2001, thereby artificially inflating the price of Enron common and/or preferred stock. The lawsuits generally claim that the alleged misrepresentations and omissions involved the Broadband Services Division, transactions with the LJM entities and Azurix and Enron’s accounting for various transactions. The plaintiffs generally seek to recover compensatory damages, expert fees, attorney’s fees, costs of court and pre- and post-judgment interest. Enron expects that these lawsuits will be consolidated into a single action and Enron intends to vigorously defend these lawsuits.

Enron also is a nominal defendant in numerous shareholder derivative lawsuits pending in state courts in Texas and Oregon and in the United States District Court for the Southern District of Texas. These lawsuits, which were filed after October 16, 2001, purport to assert derivative claims on behalf of Enron against certain current and/or former officers and directors of Enron, outside firms providing professional services to Enron and various other companies. The claims asserted in these lawsuits include breach of the duty of disclosure, abuse of control, fraud, unjust enrichment and money had and received. The plaintiffs seek actual and punitive damages, restitution, a constructive trust, an accounting, injunctive relief, attorney’s fees, expert fees, pre- and post-judgment interest and court costs. These lawsuits were filed very recently and Enron is investigating its responsibilities with respect to
them. Enron has also received requests from shareholders under Section 16(b) of the Securities Exchange Act of 1934 to recover short-swing profits from officers, directors and certain other parties. Enron is currently investigating these requests.

On November 12, 2001, a shareholder filed a class action in state court in Houston, Texas against Enron, its directors and Dynegy, seeking to enjoin the merger between Enron and Dynegy. The petition alleges that Enron's directors breached their fiduciary duties to Enron's shareholders by agreeing to sell Enron for inadequate consideration, for improper purposes and without an adequate investigation of the alternatives available to Enron. The shareholder seeks to enjoin the merger. Enron intends to vigorously defend this lawsuit.

Although the outcome of these various lawsuits cannot be determined, the resolution of these matters could well have material impact on Enron's financial condition and/or results of operations. The cost of any resolution is not currently estimable. In addition, as explained in Note 2 (see "Merger with Dynegy and Related Equity Financing"), the completion of the merger with Dynegy is conditioned on the absence of any event after November 9, 2001 that would have a material adverse effect on Enron. Pursuant to the merger agreement, if Enron's liabilities and expenses from and after November 9, 2001 associated with all pending or threatened litigation matters, in the reasonable judgment of Dynegy exceed, or are reasonably likely to exceed, $2 billion in the aggregate (net of proceeds of insurance and litigation reserves reflected in Enron's financial statements), the amount of such excess over $2 billion will be taken into account in determining whether a material adverse effect on Enron has occurred, and, in any event, if the amount of such excess exceeds, or is reasonably likely to exceed, $1.5 billion, a material adverse effect on Enron will be deemed to have occurred.
OTHER LITIGATION

Intratex. In 1995, a number of parties (the Plaintiffs) filed suit in Harris County District Court in Houston, Texas, against Intratex Gas Company (collectively, the Enron Defendants), each of which is a wholly-owned subsidiary of Enron. The Plaintiffs were either sellers or royalty owners under numerous gas purchase contracts with Intratex, many of which have terminated. Early in 1996, the case was severed by the Court into two matters to be tried (or otherwise resolved) separately. In the first matter, the Plaintiffs alleged that the Enron Defendants committed fraud and negligent misrepresentation in connection with the "Panhandle program," a special marketing program established in the early 1980s. This case was tried in October 1996 and resulted in a verdict for the Enron Defendants. In the second matter, the Plaintiffs allege that the Enron Defendants violated state regulatory requirements and certain gas purchase contracts by failing to take the Plaintiffs' gas ratably with other producers' gas at certain times between 1978 and 1988. The trial court certified a class action with respect to ratability claims. On March 9, 2000, the Texas Supreme Court ruled that the trial court's class certification was improper and remanded the case to the trial court. The case was then severed again into two lawsuits asserting two separate theories of recovery. The trial court granted summary judgment in favor of the Enron Defendants in one of the lawsuits. The Plaintiffs have appealed. The Enron Defendants deny the Plaintiffs' claims and have asserted various affirmative defenses, including the statute of limitations. The Enron Defendants believe that they have strong legal and factual defenses, and intend to vigorously contest the claims. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

San Juan Gas. On November 21, 1996, an explosion occurred in the Humberto Vidal Building in San Juan, Puerto Rico. The explosion resulted in fatalities, bodily injuries and damage to the building and surrounding property. San Juan Gas Company, Inc. (San Juan Gas), an Enron affiliate, operated a propane/air
distribution system in the vicinity, but did not provide service to the building. Enron, San Juan Gas, four affiliates and their insurance carriers were named as defendants, along with several third parties, including The Puerto Rico Aqueduct and Sewer Authority, Puerto Rico Telephone Company, Heath Consultants Incorporated, Humberto Vidal, Inc. and their insurance carriers, in numerous lawsuits filed in U.S. District Court for the District of Puerto Rico and the Superior Court of Puerto Rico. These suits seek damages for wrongful death, personal injury, business interruption and property damage allegedly caused by the explosion. After nearly four years without determining the cause of the explosion, all parties agreed not to litigate further that issue, but to move these suits toward settlements or trials to determine whether each plaintiff was injured as a result of the explosion and, if so, the lawful damages attributable to such injury. The

28

PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

defendants agreed on a fund for settlements or final awards. Numerous claims have been settled and ten cases involving 18 plaintiffs were scheduled for trial in the United States District Court beginning on December 10, 2001. Five of these cases involving 11 plaintiffs have been resolved. No cases have yet been scheduled for trial in the Superior Court. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Trojan Investment Recovery. In early 1993, PGE ceased commercial operation of the Trojan nuclear power generating facility. The Oregon Public Utility Commission (OPUC) granted PGE, through a general rate order, recovery of, and a return on, 87 percent of its remaining investment in Trojan.

The OPUC's general rate order related to Trojan has been subject to litigation in various state courts, including rulings by the Oregon Court of Appeals and petitions to the Oregon Supreme Court filed by parties opposed to
the OPUC's order, including the Utility Reform Project (URP) and the Citizens Utility Board (CUB).

In August 2000, PGE entered into agreements with the CUB and the staff of the OPUC to settle the litigation related to PGE's recovery of its investment in the Trojan plant. Under the agreements, the CUB agreed to withdraw from the litigation and to support the settlement as the means to resolve the Trojan litigation. The OPUC approved the accounting and ratemaking elements of the settlement on September 29, 2000. As a result of these approvals, PGE's investment in Trojan is no longer included in rates charged to customers, either through a return on or a return of that investment. Collection of ongoing decommissioning costs at Trojan is not affected by the settlement agreements or the September 29, 2000 OPUC order. With the CUB's withdrawal, the URP is the one remaining significant adverse party in the litigation. The URP has indicated that it plans to continue to challenge the settlement and the original OPUC order allowing PGE recovery of and a return on its investment in Trojan. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Azurix Litigation. In October 2000, several class actions were filed against Enron, Azurix and several of Enron's officers and directors, alleging that some or all of the defendants violated Section 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and Sections 11, 12 and 15 of the Securities Act of 1933. The plaintiffs alleged that defendants made misrepresentations and omissions related to Azurix's performance between June 9, 1999 and August 8, 2000. The lawsuits were consolidated into one lawsuit in the United States District Court for the Southern District of Texas. The plaintiffs seek rescission and compensatory damages, expert fees and attorney's fees. The defendants have moved to dismiss this lawsuit. Enron intends to vigorously defend this lawsuit. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

OTHER CONTINGENCIES
Environmental Matters. Enron is subject to extensive federal, state and local environmental laws and regulations. These laws and regulations require expenditures in connection with the construction of new facilities, the operation of existing facilities and for remediation at various operating sites. The implementation of the Clean Air Act Amendments is expected to result in increased operating expenses. These increased operating expenses are not expected to have a material impact on Enron's financial position or results of operations.

Enron's natural gas pipeline companies conduct soil and groundwater remediation on a number of their facilities. Enron does not expect to incur material expenditures in connection with soil and groundwater remediation.

Enron has received a request for information from the Environmental Protection Agency (EPA) asking for data regarding certain spills and discharges since 1998 on oil pipelines operated by Enron and its subsidiaries. EOTT Energy Partners, L.P. (EOTT), an unconsolidated affiliate of Enron, is the only entity that has extensive domestic oil pipeline operations, and Enron's response will include information on EOTT pursuant to the request. The responsive information was originally to be filed with the EPA on or prior to November 7, 2001. In October 2001, Enron received an extension from the EPA to file the responsive information on or before January 31, 2002. Enron cannot predict the outcome of the EPA inquiry but believes that the ultimate outcome will not have a material adverse effect on its financial position or results of operations.

Developments in the California Power Market. During 2000, prices for wholesale electricity in California significantly increased as a result of a combination of factors, including higher natural gas prices, reduction in available hydroelectric generation resources, increased demand, over-
reliance on
the spot market for electricity and limitations on supply. California's
regulatory regime instituted in 1996 permitted wholesale price increases
but
froze retail prices below market levels. The resulting disparity between
costs
of supply and customer revenues caused two of California's public
utilities,
Pacific Gas & Electric Company (PG&E) and Southern California Edison
Company
(SCE), to accrue substantial unrecovered wholesale power costs and
certain
obligations related to the difference between third party power purchase
costs
and frozen rates charged to retail customers. PG&E and SCE have
defaulted on or
are challenging payments owed for certain outstanding obligations,
including
wholesale power purchased through the California Power Exchange (the
Power
Exchange), from the California Independent System Operator (the
Independent
System Operator), and from qualifying facilities. In addition, PG&E and
the
Power Exchange each have filed a voluntary petition for bankruptcy.

Various legislative, regulatory and legal remedies to the energy
situation in California have been implemented or are being pursued, and
may
result in restructuring of markets in California and elsewhere.
Additional
initiatives are likely at the Federal, state and local level, but it is
not
possible to predict their outcome at this time.

Enron has entered into a variety of transactions with California
utilities, the Power Exchange, the Independent System Operator, and
users of
energy in California, and other third parties, and is owed amounts by
certain of
these entities. Enron has established reserves related to such
activities and
believes that the combination of such reserves in accounts receivables
and other
credit offsets with such parties are adequate to cover its exposure to
developments in the California power market. Due to the uncertainties
involved,
the ultimate outcome of the California power situation cannot be
predicted, but
Enron believes these matters will not have a material adverse impact on
Enron's
financial position or results of operations.

30

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
India. Enron indirectly owns 50% of the net voting interest in Dabhol Power Company (Dabhol), which owns a 740 megawatt power plant and is constructing an additional 1,444 megawatt power plant together with an LNG regasification facility (collectively Phase II) in India. Enron accounts for its investment in Dabhol under the equity method and the debt of Dabhol is non-recourse to Enron. As of September 30, 2001, Enron's investment in and advances to Dabhol and related activities was $1.2 billion. This amount is included in "non-core businesses" as discussed in Note 2.

Dabhol has been in dispute with the Maharashtra State Electricity Board (MSEB), the purchaser of power from Dabhol, and the Government of Maharashtra (GOM) and the federal government of India (GOI), the guarantors of payments by the MSEB pursuant to the terms and conditions of the power purchase agreements (PPA) and the other project documents. The contract disputes relate principally to (a) the failure by the MSEB to pay certain capacity and energy payments under the PPA, and the failure of the GOM and GOI to satisfy certain guarantee obligations under the project documents and (b) MSEB's statements that MSEB has "rescinded" the PPA and MSEB is therefore no longer bound by the PPA. As a result of such disputes, the 740 megawatt power plant is not being dispatched by MSEB, the Phase II lenders have stopped funding the continued construction of Phase II, the construction contractors have terminated the construction contracts for non-payment and Dabhol has suspended all construction activities. Additionally, the lenders to Dabhol have assumed control of Dabhol's bank accounts in order to monitor the use of its remaining available funds. There is no assurance that Dabhol will be able to resolve the disputes with MSEB, GOM and GOI to its favor and to successfully collect on and to enforce any judgment or settlement. However, Dabhol believes that the MSEB's actions are in clear violation of the terms of the PPA, and Dabhol intends to pursue all available legal remedies under the project documents which would entitle Enron to receive an amount in excess of its investment.

On November 5, 2001, Dabhol delivered notice stating its intent to sell and transfer the power plant and the LNG regasification facility to MSEB pursuant to the provisions of the PPA. Most recently, certain of the Indian
financial institutions providing loans to the project have obtained
court orders
temporarily preventing Dabhol from terminating the PPA. These same
lenders are
seeking broader orders requiring Dabhol to restart the power plant
pending the
resolution of disputes between Dabhol and MSEB. In addition, the India
Commissioner of Customs has recently passed orders adversely altering
the custom
duty rates applicable to substantial portions of the project and other
rulings
detrimental to the project. Dabhol intends to appeal these orders. Based
on the
latest developments, Enron cannot predict the outcome of this dispute.
However,
the ultimate outcome of these proceedings or negotiations may have a
material
adverse effect on Enron's financial position and results of operations.

7. SALE OF PORTLAND GENERAL

On October 5, 2001, Enron entered into an agreement with
Northwest
Natural Gas Company (NW Natural) for the sale of Portland General for
$1.9
billion, comprised of $1.55 billion in cash, $200 million in NW Natural
preferred stock and common stock purchase units, $50 million in NW
Natural
common stock and the assumption of Enron's $75 million balance on its
customer
benefits obligation, which was stipulated in its 1996 agreement to
purchase
Portland General. In addition to the purchase price, NW Natural will
assume
approximately $1.1 billion in Portland General debt and preferred stock.
The
proposed transaction, which is subject to customary regulatory
approvals, is
expected to close by the fourth quarter of 2002; however, no assurances
can be

<PAGE>

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

given that such regulatory approvals will be obtained. Enron currently
believes
that the after-tax gain on the sale of Portland General will not be
material.
However, certain regulatory and other contingencies could negatively
impact
Enron's current estimate. Enron's carrying amount of Portland General as
of
September 30, 2001 was approximately $1.6 billion. Income before
interest,
minority interest and income taxes for Portland General was $108 million
and
$241 million for the nine month periods ended September 30, 2001 and
2000, respectively.

8. UNCONSOLIDATED EQUITY AFFILIATES

Summarized below is a description related to two of Enron's
unconsolidated equity affiliates for which Enron has committed to issue
equity
to satisfy obligations of these equity affiliates. As discussed in Note
2,
Enron's current common share stock price, liquidity situation and credit
ratings
may significantly impact Enron's ability to satisfy these obligations
solely
with equity issuances.

WHITewing ASSOCIATES L.P. Whitewing is an entity formed by Enron
and
various investors, investing through an entity named Osprey, to acquire
and own
energy-related assets and other investments. Osprey is capitalized with
approximately $2.4 billion in debt and $220 million in equity. The
Osprey debt
is supported by the assets within Whitewing, which include Enron
Mandatory
Convertible Junior Preferred Stock, Series B (which is convertible into
50
million shares of Enron common stock), and a contingent obligation of
Enron to
issue additional shares, if needed, to retire such debt obligation. In the
event
that the sale of equity is not sufficient to retire such obligations, Enron is
liable for the shortfall.

At November 16, 2001, Whitewing held assets with a book value of
approximately $4.7 billion. This includes approximately $1.3 billion in
energy
related projects in Europe and South America, including European power
plants,
and an electric distribution company in Brazil, approximately $600
million of
merchant investments, approximately $600 million in demand notes due
from Enron
and other assets of $100 million. The merchant portfolio includes both
private
and publicly traded entities and consists of oil and gas investments, power
generation and energy investments and technology related and other
investments.
In addition, Whitewing holds Mandatory Convertible Junior Preferred
Stock,
Series B, mentioned above, and a contingent obligation of Enron to issue
additional shares, if needed, which together have a combined book value of
approximately $2.1 billion. This contingent obligation is in the form of a
derivative instrument. As such, both Enron and Whitewing account for
this contingent obligation at fair value. As a result, Enron recognizes losses associated with this obligation as a reduction of "Revenues" in the accompanying consolidated income statement. However, the loss is offset as Enron recognizes its share of Whitewing's earnings through "Equity in Earnings of Unconsolidated Affiliates" in the accompanying consolidated income statement. As of September 30, 2001, the amount due Whitewing under such derivative totaled approximately $1.0 billion and is included in "Other Liabilities" in the accompanying consolidated balance sheet. Such amount has increased by approximately $600 million as a result of the decline in Enron's common stock price subsequent to September 30, 2001 through November 16, 2001. Based on the subsequent decline in the Enron stock price through November 16, 2001, there would currently exist an approximate $700 million pre-tax charge to earnings due to the shortfall in the recovery of Enron's book investment. Enron is currently evaluating the fair value of Whitewing's other assets mentioned above in conjunction with the restructuring plan discussed in Note 2.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM I. FINANCIAL STATEMENTS - (CONTINUED)

ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

which will impact the amount of any writedown of Enron's investment in Whitewing, possibly as early as the fourth quarter.

ATLANTIC WATER TRUST. Atlantic Water Trust is an entity formed by Enron and unrelated institutional investors, investing through an entity named Marlin, for the purpose of acquiring and holding an interest in Azurix Corp. (Azurix). The primary asset of Azurix is Wessex Water Services Ltd. (Wessex), a regulated water utility in the UK. Atlantic Water Trust currently owns 67% of Azurix, with Enron owning the remaining 33%. Marlin was capitalized with approximately $915 million in debt and $125 million in equity. The Marlin debt is supported by the assets of Atlantic Water Trust and Enron's contingent obligation to cause the sale of Enron equity, if needed, in an amount sufficient to retire such
obligations. In the event that the sale of equity is not sufficient to retire such obligations, Enron is liable for the shortfall.

DESCRIPTION OF TRIGGER EVENTS. Osprey and Marlin's debt obligations contain certain "Note Trigger Events" to protect the note holders, including (i) an Enron senior unsecured debt rating below investment grade by any of the three major credit rating agencies concurrent with an Enron stock closing price of $59.78 per share or below in the case of Osprey and $34.13 per share or below in the case of Marlin; (ii) a cross default to Enron senior obligations in excess of $50 million and $100 million for Osprey and Marlin, respectively; and (iii) the requirement that an amount sufficient to redeem the notes be deposited with a trustee 120 days prior to maturity dates of January 15, 2003 and July 15, 2003 for Osprey and Marlin, respectively. As of November 16, 2001 the Enron stock closing price was $9.00 per share.

In the event a Note Trigger Event was to occur, Enron has 21 days to file a registration statement for the issuance of equity to repay the notes and such registration statement has 90 days from the Note Trigger Event to become effective. Any Enron registration statement filed cannot become effective until Enron files its restated audited consolidated financial statements which is not expected until completion of the Special Committee investigation. In the event that Enron does not file its registration statement or the registration statement is not effective during the respective time requirements, Enron must pursue a private placement of equity, if permitted. If Enron cannot timely sell equity in an amount sufficient to repay the notes, Enron is obligated to pay the difference in cash.

In the event that Enron fails to pay any debt obligations when due, including when such obligations may be accelerated, or is unable to refinance or obtain a waiver of or amendment to such obligations, a series of events would begin which could impact Enron's compliance with the terms of its Revolving Credit Agreements and certain other obligations, including bank debt facilities.

Either as a result of the restructuring plan discussed in Note 2 or to raise cash to repay Enron's obligations discussed above, Enron may sell the
assets of Whitewing and/or Atlantic Water Trusts for amounts below their carrying values. The net proceeds from the sale of such assets can be used to repay Enron's obligations discussed above. Accordingly, Enron may be required to record asset writedowns, possibly as early as the fourth quarter of 2001.

33

<PAGE>

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)

ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. MINORITY INTERESTS

Enron consolidates a limited partnership (the Limited Partnership), for which the consolidated third party's ownership interest is reflected in minority interests on Enron's balance sheet in the amount of $691 million at September 30, 2001. The Limited Partnership assets include a $690 million note payable from Enron and certain merchant investments, both domestic and international.

Enron anticipates the receipt of approximately $250 million from the sale of one of the Limited Partnership's investments, a local gas distribution company in Brazil, upon the closing of the sale which is pending certain regulatory and other approvals. Enron may be required to use the net proceeds upon the closing of the sale, or a portion thereof, to repay a portion of the note payable.

The November 12, 2001 downgrade in Enron's senior unsecured debt rating to BBB- by Standard & Poor's has caused a ratings event related to the Limited Partnership. This ratings event started a nine business day period during which Enron has the right, until November 26, 2001, to post an unsecured letter of credit equal to Enron's note payable, to repay the note payable with the Limited Partnership investing such proceeds in permitted investments, or to purchase the investors' interest in the Limited Partnership. To the extent that Enron does not satisfy this requirement by November 27, 2001, the investors have the right to immediately begin to liquidate the Limited Partnership assets. Additionally, as a result of the rating downgrade, the investors, subject to certain actions,
are able to accelerate and assign the note payable. Consistent with the restructuring plan discussed in Note 2, Enron is currently working with the lenders to develop a mutually acceptable amendment or waiver to the transaction documents in order to avoid an early Enron payment obligation.

Either as a result of the restructuring plan discussed in Note 2 or to raise cash to repay Enron's obligation discussed above, Enron may sell the Limited Partnership assets for amounts below their carrying values. The net proceeds from the sale of such assets can be used to repay Enron's obligation. Accordingly, Enron may be required to record asset writedowns, possibly as early as the fourth quarter of 2001.

It is not possible to predict whether Enron will be able to favorably complete the actions described above. In the event that Enron fails to pay any debt obligations when due, including when such obligations may be accelerated, or is unable to refinance or obtain a waiver of its obligations, a series of events would begin which could impact Enron's compliance with the terms of its Revolving Credit Agreements and certain other obligations, including bank debt facilities.

34

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. EARNINGS PER SHARE

The computation of basic and diluted earnings per share is as follows (in millions, except per share amounts):

<TABLE>
<TABLE>

<TABLE>

< TABLE>
< CAPTION>

Nine Months Ended
Quarter September 30, Third
2000(b) 2001(b) 2000(b) 2001

2000(b) 2001(b) 2000(b)
Numerator:

**Basic**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (loss) before cumulative effect of accounting changes</td>
<td>$(644)</td>
</tr>
<tr>
<td>Preferred stock dividends:</td>
<td></td>
</tr>
<tr>
<td>Second preferred stock</td>
<td>(4)</td>
</tr>
<tr>
<td>Series B Preferred Stock</td>
<td>(16)</td>
</tr>
</tbody>
</table>

Income (loss) available to common shareholders before cumulative effect of accounting changes: $(664)

Cumulative effect of accounting changes:

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>145</td>
</tr>
<tr>
<td>735</td>
</tr>
<tr>
<td>19</td>
</tr>
</tbody>
</table>

Income (loss) available to common shareholders: $(664)

Diluted

Income (loss) available to common shareholders before cumulative effect of accounting changes: $(664)

Effect of assumed conversion of dilutive securities(a):

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>145</td>
</tr>
<tr>
<td>735</td>
</tr>
<tr>
<td>13</td>
</tr>
<tr>
<td>49</td>
</tr>
</tbody>
</table>

Income (loss) before cumulative effect of accounting changes: $(664)

Cumulative effect of accounting changes:

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>145</td>
</tr>
<tr>
<td>797</td>
</tr>
<tr>
<td>19</td>
</tr>
</tbody>
</table>

Income (loss) available to common shareholders after assumed conversions: $(664)

Denominator:

Denominator for basic earnings per share - weighted-average shares: 761

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>729</td>
</tr>
<tr>
<td>753</td>
</tr>
<tr>
<td>719</td>
</tr>
</tbody>
</table>
Effect of assumed conversion of dilutive securities (a):

<table>
<thead>
<tr>
<th>Preferred stock</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Second preferred stock</td>
<td>-</td>
</tr>
<tr>
<td>Series B Preferred Stock</td>
<td>-</td>
</tr>
<tr>
<td>Stock options</td>
<td>-</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dilutive potential common shares</th>
<th>129</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions</td>
<td>761</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>858</th>
<th>806</th>
<th>848</th>
</tr>
</thead>
</table>

**Basic earnings (loss) per share:**

- **Before cumulative effect of accounting changes:**
  - $0.39
  - $0.19
  - $1.02

- **Cumulative effect of accounting changes:**
  - 0.03

**Basic earnings (loss) per share:**

- $0.39
- $0.22
- $1.02

**Diluted earnings (loss) per share:**

- **Before cumulative effect of accounting changes:**
  - $0.35
  - $0.18
  - $0.94

- **Cumulative effect of accounting changes:**
  - 0.02

**Diluted earnings (loss) per share:**

- $0.35
- $0.20
- $0.94

(a) For the three months ended September 30, 2001, the dividends and conversion of the second preferred stock and the Series B Preferred Stock, stock options and equity instruments have been excluded from the computation because they are anti-dilutive. For the nine months ended September 30, 2001, the dividends and conversion of the second preferred stock and the
Series B Preferred Stock have been excluded from the computation because they are anti-dilutive.

(b) Restated (see Note 3).

---

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. COMPREHENSIVE INCOME

Comprehensive income (loss) includes the following (in millions):

<table>
<thead>
<tr>
<th>Nine Months Ended</th>
<th>2000(a)</th>
<th>2001(a)</th>
<th>2000(a)</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>September 30,</td>
<td></td>
<td></td>
<td>Third</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$303</td>
<td>$225</td>
<td>$797</td>
<td>$(644)</td>
</tr>
<tr>
<td>Other comprehensive income (loss) (net of tax):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td></td>
<td></td>
<td></td>
<td>48</td>
</tr>
<tr>
<td>(117)</td>
<td>(301)(b)</td>
<td>(286)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative instruments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td></td>
<td></td>
<td></td>
<td>25</td>
</tr>
<tr>
<td>Deferred gain on derivative instruments associated with hedges of future cash flows</td>
<td></td>
<td></td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Recognition in earnings of previously deferred losses related to derivative instruments used as cash flow hedges</td>
<td></td>
<td></td>
<td></td>
<td>(34)</td>
</tr>
<tr>
<td>SFAS 71 deferral of net gains to regulatory asset</td>
<td></td>
<td></td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Change in value of available-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

00200000000984
(b) Change primarily reflects the decline in value of the Brazilian real and the British Pound.

(c) Includes an after-tax gain of $10 million related to the discontinuation of a cash flow hedge on a forecasted transaction that became probable of not occurring.

The accumulated other comprehensive income at September 30, 2001 was a $1.5 billion reduction in Shareholders' Equity. Of this amount, $1.1 billion relates to currency translation impacts for assets in Brazil.

12. BUSINESS SEGMENT INFORMATION

As discussed in Note 2, management is in the process of dividing Enron into three fundamental groups of businesses - Core, Non-Core and Under Review. The following business segment information does not reflect the results of this on-going evaluation.

As discussed in Note 3, the Consolidated Financial Statements included herein have been adjusted to reflect the impacts of the anticipated restatements based on Enron's current understanding of the relevant facts. The following business segment information reflects the impact of such adjustments.

Enron's business is divided into reporting segments, defined as components of an enterprise about which financial information is available and evaluated regularly by the Office of the Chairman, which serves as the chief operating decision making group.
In August 2001, after Jeff Skilling resigned from his position as
CEO, Ken Lay, Chairman of the Board, assumed the additional responsibilities
of CEO. In addition, Greg Whalley and Mark Frevert were promoted to president
and chief operating officer and vice chairman, respectively, and joined Mr. Lay in the
Office of the Chairman. The Office of the Chairman serves as Enron's chief
operating decision maker in allocating resources to and assessing the performance of its business units. In connection with these events, Enron
reorganized the manner in which its business units report to the Office of the Chairman. Enron's new reporting segments are Wholesale - Americas,
Wholesale - Europe and Other Commodity Markets, Retail Services, Natural Gas Pipelines,
Portland General, Global Assets, Broadband Services and Corporate and Other.
Year 2000 results in the following table have been restated to reflect this change.

Additionally, beginning in 2001, the commodity-related risk management
activities of Retail Services' North American customer contracts were transferred to the Americas segment, consolidating all North American energy commodity risk management activities within one segment. In 2001, Retail Services' business includes origination of new commodity and energy asset management and services contracts, execution of energy asset management and services activity and management of customer relationships. Year 2000 results in the following tables have been updated to reflect this change.

37

PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th>Natural</th>
<th>Gas</th>
<th>Americas(c)</th>
<th>Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Services(c)</td>
<td>Pipelines</td>
<td></td>
</tr>
</tbody>
</table>

Europe and Other

Natural

Retail
(In Millions)
Services(c)
Three Months Ended
September 30, 2001

Unaffiliated revenues(a) $28,581 $16,401
$ 504 $ 135
Intersegment revenues(b) 371 7
(3) 3

Total revenues $28,952 $16,408
$ 501 $ 138

Income (loss) before interest, minority interests and income taxes $ 717 $ (21)
$ 13 $ 85

Nine Months Ended
September 30, 2001

Unaffiliated revenues(a) $83,059 $49,023
$1,691 $ 530
Intersegment revenues(b) 1,249 (555)
46 4

Total revenues $85,108 $48,466
$1,737 $ 534

Income (loss) before interest, minority interests and income taxes $1,960 $ 235
$ 99 $ 295

</TABLE>

<table>
<thead>
<tr>
<th>Broadband Services (in Millions)</th>
<th>Corporate and Other(d)</th>
<th>Portland General Total</th>
<th>Global Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td></td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
<td>Amount</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------</td>
<td>----------</td>
<td></td>
</tr>
<tr>
<td>Unaffiliated revenues(a)</td>
<td>$894</td>
<td>$422</td>
<td></td>
</tr>
<tr>
<td>$ (125)</td>
<td>$ 65</td>
<td>$46,877</td>
<td></td>
</tr>
<tr>
<td>Intersegment revenues(b)</td>
<td>11</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>- (391)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>$905</strong></td>
<td><strong>$424</strong></td>
<td></td>
</tr>
<tr>
<td>$ (125)</td>
<td>$(326)</td>
<td>$46,877</td>
<td></td>
</tr>
</tbody>
</table>

Income (loss) before interest, minority interests and income taxes

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (357)</td>
<td>$(818)</td>
<td>$(666)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ (17)</strong></td>
<td><strong>$ (268)</strong></td>
</tr>
</tbody>
</table>

Nine Months Ended
September 30, 2001

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaffiliated revenues(a)</td>
<td>$2,367</td>
<td>$1,131</td>
</tr>
<tr>
<td>$ (25)</td>
<td>$ 142</td>
<td>$138,710</td>
</tr>
<tr>
<td>Intersegment revenues(b)</td>
<td>136</td>
<td>3</td>
</tr>
<tr>
<td>(1)</td>
<td>(882)</td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>$2,503</strong></td>
<td><strong>$1,134</strong></td>
</tr>
<tr>
<td>$ (26)</td>
<td>$(740)</td>
<td>$138,710</td>
</tr>
</tbody>
</table>

Income (loss) before interest, minority interests and income taxes

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(494)</td>
<td>$(947)</td>
<td>$981</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 108</strong></td>
<td><strong>$ (275)</strong></td>
</tr>
</tbody>
</table>

</TABLE>
<table>
<thead>
<tr>
<th></th>
<th>Americas(c)</th>
<th>Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unaffiliated revenues(a)</td>
<td>$20,374</td>
<td>$7,566</td>
</tr>
<tr>
<td>$514</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intersegment revenues(b)</td>
<td>548</td>
<td>(407)</td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$20,922</td>
<td>$7,159</td>
</tr>
<tr>
<td>$535</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income (loss) before interest, minority interests and income taxes</strong></td>
<td>$549</td>
<td>$53</td>
</tr>
<tr>
<td>$27</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|                               |             |         |
| **Nine Months Ended**         |             |         |
| Unaffiliated revenues(a)      | $39,678     | $15,578 |
| $1,210                        |             |         |
| Intersegment revenues(b)      | 764         | (416)   |
| 59                            |             |         |
| **Total revenues**            | $40,442     | $15,162 |
| $1,269                        |             |         |
| **Income (loss) before interest, minority interests and income taxes** | $1,009 | $265 |
| $79                           |             |         |

|                               |             |         |
| **</TABLE>**                  |             |         |
| **TABLE>**                    |             |         |
| **</TABLE>**                  |             |         |
| **</CAPTION>**                |             |         |

<table>
<thead>
<tr>
<th></th>
<th>Portland</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Broadband</strong> (In Millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and Other(d)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>&lt;/TABLE&gt;</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>September 30, 2000(e)</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Unaffiliated revenues(a)</td>
<td>$663</td>
<td>$394</td>
</tr>
<tr>
<td>$162</td>
<td>$31</td>
<td>$29,834</td>
</tr>
<tr>
<td>Intersegment revenues(b)</td>
<td></td>
<td>66</td>
</tr>
<tr>
<td>(245)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>$729</strong></td>
<td><strong>$408</strong></td>
</tr>
<tr>
<td>$162</td>
<td>$(214)</td>
<td>$29,834</td>
</tr>
</tbody>
</table>

Income (loss) before interest, minority interests and income taxes

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (20)</td>
<td>$(106)</td>
<td>$679</td>
</tr>
</tbody>
</table>

Nine Months Ended September 30, 2000(e)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaffiliated revenues(a)</td>
<td>$1,442</td>
<td>$1,136</td>
</tr>
<tr>
<td>$335</td>
<td>$5</td>
<td>$59,887</td>
</tr>
<tr>
<td>Intersegment revenues(b)</td>
<td></td>
<td>115</td>
</tr>
<tr>
<td>(544)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>$1,557</strong></td>
<td><strong>$1,150</strong></td>
</tr>
<tr>
<td>$335</td>
<td>$(539)</td>
<td>$59,887</td>
</tr>
</tbody>
</table>

Income (loss) before interest, minority interests and income taxes

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (38)</td>
<td>$(154)</td>
<td>$1,808</td>
</tr>
</tbody>
</table>

(a) Unaffiliated revenues include sales to unconsolidated affiliates.

(b) Intersegment sales are made at prices comparable to those received from unaffiliated customers and in some instances are affected by regulatory considerations.

(c) The 2000 amounts have been changed to reflect the new segment presentation. In the prior year, Retail Services reported revenues and IBIT of $1,476 million and $30 million, respectively, for the third quarter of 2000. Updated full year 2000 revenues and IBIT were $1,766 million and $173 million, respectively. Operating results in 2001 include servicing charges from Americas for management of Retail Services' risk management.
activities. These servicing charges are reflective of the applicable level of risk management services provided and have been presented on a basis consistent with how such charges are reported internally.

(d) Includes consolidating eliminations.

(e) Restated (see Note 3).

<table>
<thead>
<tr>
<th>September 30, 01</th>
<th>December 31, 2000(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>$26,735</td>
</tr>
<tr>
<td>Europe and Other Commodity Markets</td>
<td>$31,131</td>
</tr>
<tr>
<td>Retail Services</td>
<td>14,756</td>
</tr>
<tr>
<td>Natural Gas Pipelines</td>
<td>1,476</td>
</tr>
<tr>
<td>Portland General</td>
<td>3,457</td>
</tr>
<tr>
<td>Global Assets</td>
<td>4,254</td>
</tr>
<tr>
<td>Broadband Services</td>
<td>7,593</td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>2,235</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$61,783</td>
</tr>
</tbody>
</table>

$64,926

(a) Restated (see Note 3).

The decrease in assets of the Americas segment is primarily related to
the decline in per unit commodity prices and the sale of five peaking power plants. The increase in assets of the Europe and Other Commodity Markets segment is due to the growth of the segment's commodity business.

13. DERIVATIVE INSTRUMENTS

On January 1, 2001, Enron recognized an after-tax non-cash gain of $19 million in earnings and deferred an after-tax non-cash gain of $25 million in "Accumulated Other Comprehensive Income" (OCI), a component of shareholders' equity, and reclassified $277 million from "Long-Term Debt" to "Price Risk Management Liabilities" to reflect the initial adoption of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 must be applied to all derivative instruments and requires that such instruments be recorded in the balance sheet either as an asset or a liability measured at its fair value through earnings, with special accounting permitted for certain qualifying hedges as described in the following paragraphs.

In the ordinary course of business, Enron enters into derivative instruments, as defined in SFAS No. 133, as part of its normal risk management operations, which are subject to parameters established by Enron's Board of Directors. The adoption of SFAS No. 133 has no impact on the way Enron accounts for its risk management business activities.

On a much more limited basis, Enron's other businesses enter into derivative instruments, such as forwards, swaps and other contracts, to hedge certain non-trading risks, including interest rate risk, commodity price risk and foreign currency exchange rate risk. Enron primarily uses cash flow hedges, for which Enron's objective is to provide protection against variability in cash flows due to an associated variable risk. Enron accounts for such hedging activity by initially deferring the gain or loss related to the fair value changes in derivative instruments in OCI. The deferred change in fair value is then reclassified into income concurrently with the recognition in income of the cash flow item hedged. The net after-tax amount expected to be reclassified from OCI within the next 12 months is approximately $5 million. Enron recognized a loss of approximately $13 million related to ineffectiveness in cash flow.
hedges. Enron has also entered into a limited number of fair value hedges to protect the fair value of

certain liabilities from variability caused by fluctuations in either interest rates or foreign currency exchange rates. Enron accounts for these hedges by recognizing the fair value of both the derivative instrument and the hedged item into income concurrently. There was no material ineffectiveness in fair value hedges during the first nine months of 2001. Certain of Enron's unconsolidated affiliates entered into net investment hedges to protect against the foreign currency exposure related to foreign operations. Enron recorded an increase of approximately $15 million in OCI related to such hedges in 2001. Enron also holds a limited number of derivative instruments in its non-risk management businesses, which do not meet the requirements of SFAS No. 133 for hedge accounting, but provide Enron with an economic hedge of an associated risk.

The maximum amount of time over which cash flow exposure in forecasted transactions is hedged, excluding hedges of variable interest rate risk on existing financial instruments, is approximately 20 years. Derivative contracts are entered into with counterparties who are equivalent to investment grade. Accordingly, Enron does not anticipate any material impact to its financial position or results of operations as a result of nonperformance by the third parties on derivative instruments related to non-risk management business activities.

In August 2001, the OPUC issued a general rate order that, among other things, excluded all SFAS No. 133 mark-to-market valuations for determining net variable power costs in setting PGE base rates. This action was further supported by an accounting order issued by the OPUC in June 2001 directing deferral as a regulatory asset or liability under SFAS 71 the effects of SFAS 133 mark-to-market on contracts subject to regulation. As a result, subsequent
to August 2000, PGE began recording a regulatory asset or regulatory liability pursuant to SFAS 71 to fully offset the net effects of unrealized gains and losses in earnings and OCI.

PGE's net after-tax amount expected to be reclassified from OCI and to be fully offset by recording a regulatory asset or regulatory liability within the next 12 months is approximately $5 million.

14. NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). SFAS No. 142, which must be applied to fiscal years beginning after December 15, 2001, modifies the accounting and reporting of goodwill and intangible assets.

The pronouncement requires entities to discontinue the amortization of goodwill, reallocate all existing goodwill among its reporting segments based on criteria set by SFAS No. 142 and perform initial impairment tests by applying a fair-value-based analysis on the goodwill in each reporting segment. Any impairment at the initial adoption date shall be recognized as the effect of a change in accounting principle. Subsequent to the initial adoption, goodwill shall be tested for impairment annually or more frequently if circumstances indicate a possible impairment.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS - (CONCLUDED)
ENRON CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Under SFAS No. 142, entities are required to determine the useful life of other intangible assets and amortize the value over the useful life. If the useful life is determined to be indefinite, no amortization will be recorded.

For intangible assets recognized prior to the adoption of SFAS No. 142, the useful life should be reassessed. Other intangible assets are required to be tested for impairment in a manner similar to goodwill.
At September 30, 2001, Enron's goodwill related to consolidated entities was approximately $3.5 billion. Additionally, unconsolidated equity affiliates of Enron have approximately $1.9 billion of goodwill. Estimated annual amortization of such goodwill is approximately $195 million, of which approximately $65 million relates to unconsolidated equity affiliates. Enron is in the process of evaluating the application of SFAS No. 142 in light of recent events discussed in Note 2.

In August 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations." SFAS No. 143, which must be applied to fiscal years beginning after June 15, 2002, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Enron is in the process of evaluating the impact of SFAS No. 143 on the financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144, which must be applied to fiscal years beginning after December 15, 2001, addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. Enron is in the process of evaluating the impact of SFAS No. 144 on the financial statements.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
ENRON CORP. AND SUBSIDIARIES

EXPLANATORY NOTE

As explained in a November 8, 2001 Form 8-K filed by Enron Corp. (Enron) with the Securities and Exchange Commission (SEC), Enron will be filing restated consolidated financial statements for the fiscal years ended December 31, 1997 through 2000 and for the first and second quarters of 2001 but it has not yet done so. As a result, the previously issued financial statements for these periods and the audit reports covering the year-end financial statements
for
1997 through 2000 should not be relied upon. In addition, as discussed
in Note 2
to the Consolidated Financial Statements, Enron's Board of Directors has
formed
a Special Committee to conduct an independent investigation and review of
transactions between Enron and certain related parties. The Special
Committee
has retained the law firm of Wilmer, Cutler & Pickering (Wilmer, Cutler)
as its
counsel. Wilmer, Cutler has retained Deloitte & Touche LLP to provide
related
accounting advice to the law firm. The Special Committee began its
review on
October 26, 2001. Management believes that, based on information
currently
available to it, the consolidated financial statements set forth herein
were
compiled in accordance with generally accepted accounting principles and
fairly
depict the financial condition and results of operations of Enron, and
include
adjustments designed to capture the anticipated restatements.
Information
gathered during the Special Committee's investigation, however, may
impact the
unaudited results set forth herein, including the adjustments designed to
reflect the necessary restatements as well as the information set forth in the
November 9, 2001 Form 8-K. In addition, Enron has been advised by Arthur
Andersen LLP, Enron's independent auditors, that, due to their need to
complete
review procedures and the ongoing Special Committee investigation,
Arthur
Andersen LLP is unable at this time to finalize its review of Enron's
consolidated financial statements set forth herein in accordance with
established professional standards and procedures for conducting such
reviews,
as established by generally accepted auditing standards, which review is
required by Rule 10-01(d) of Regulation S-X.

RECENT EVENTS

As discussed in "Liquidity, Capital Resources and Outlook" below,
following Enron's announcement of its third quarter 2001 results on
October 16,
2001 there was a significant decrease in Enron's common share price and
subsequent decreases in the long-term credit ratings of Enron's debt.
This
situation resulted in the loss of investor confidence and significantly
affected
Enron's ability to raise capital. Additionally, on November 9, 2001,
Enron and
Dynegy Inc. (Dynegy) announced the execution of a definitive merger
agreement
between the two companies. As a result of the Dynegy merger agreement
and the
loss of investor confidence, Enron has initiated an action plan for
restructuring its businesses. The key aspects of the action plan involve
concentrating primarily on Enron's core businesses; (ii) taking aggressive steps to rationalize the existing cost structure; (iii) accelerating the process of divesting non-core businesses and assets; (iv) restructuring scheduled maturities of debt and other obligations; (v) completing the investigation by the Special Committee with respect to related party transactions; (vi) reviewing and strengthening Enron's corporate governance; and (vii) expanding certain disclosures with a focus on increased transparency. Management and the Board have not completed nor approved a restructuring plan. Such restructuring plan is currently being prepared and, therefore, Enron is unable to estimate the timing of implementation or the financial impacts. Enron's fourth quarter 2001 results of operations will likely be negatively impacted by severance, restructuring and other charges resulting from the repositioning of many of Enron's businesses.

In order to focus on Enron's core businesses and rationalize their cost structure, management is in the process of dividing Enron into three fundamental groups of businesses - Core, Non-Core and Under Review. For a description of each group of businesses, see "Liquidity, Capital Resources and Outlook" below.

The recent deterioration in Enron's credit rating has caused a negative impact on Enron's projected 2001 fourth quarter profitability. This is primarily the result of a reduced level of transaction activity by Enron's trading counterparties, particularly longer-term transactions. However, it is too early to determine the exact impact these events will have on Enron's fourth quarter 2001 operating results. Additionally, the fourth quarter of 2001 will likely be negatively impacted by severance, restructuring and other charges resulting from the repositioning of many of Enron's businesses consistent with the
restructuring plan as well as potential writedowns as discussed in
"Liquidity,
Capital Resources and Outlook - Unconsolidated Equity Affiliates" below.

RESULTS OF OPERATIONS - THIRD QUARTER 2001 VS. THIRD QUARTER 2000

The following review of Enron's results of operations should be
read in
conjunction with the Consolidated Financial Statements. The Consolidated
Financial Statements included herein have been adjusted to reflect the
anticipated impacts of the restatements discussed in Note 3. For the
impacts on
Enron's Consolidated Financial Statements for the years ended December
31, 1997
through 2000 and for the first and second quarters of 2001, see Note 3
to the
Consolidated Financial Statements. While these restatements reflect
Enron's
current understanding of the relevant facts, it is possible that the
Special
Committee's investigation will identify additional or different
information
concerning these matters and Enron cannot predict what impact the
information
gathered by the Special Committee may have on the financial information
included
in this report. As a result, Enron will not issue amendments to its
annual
reports on Forms 10-K for the years ended December 31, 1997 through
2000, or its
quarterly reports on Forms 10-Q for the quarterly periods ended March
31, 2001
and June 30, 2001 to reflect the anticipated restatements of Enron's
Consolidated Financial Statements until the Special Committee has
completed its
investigation.

CONSOLIDATED NET INCOME

Enron reported a loss of $644 million in the third quarter of
2001
compared to $303 million of earnings in the third quarter of 2000. The
significant decrease relates to losses on investing activities discussed in
"Corporate and Other", the impairments by Azurix Corp. discussed in
"Global
Assets" and charges recorded by Broadband Services. Enron's business is
divided
into eight reporting segments.

Wholesale - Americas. The Wholesale - Americas segment (Americas)
consists of Enron's gas and power market-making operations and merchant
energy
activities in North and South America.
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

Wholesale - Europe and Other Commodity Markets. The Wholesale -
Europe and Other Commodity Markets segment (Europe and Other) includes Enron's
European gas and power operations and Enron's other commodity businesses, such as
metals, coal, crude and liquids, weather, forest products and steel.

Retail Services. Retail Services is extending Enron's energy
expertise and capabilities to end-use retail customers in the industrial and
commercial business sectors to manage their energy requirements and reduce their
total energy costs.

Natural Gas Pipelines. The Natural Gas Pipelines segment includes
Enron's interstate natural gas pipelines, primarily Northern Natural Gas Company
(Northern), Transwestern Pipeline Company (Transwestern), Enron's 50% interest
in Florida Gas Transmission Company (Florida Gas) and Enron's interests

Portland General. This segment consists of Portland General
Electric, an
electric utility in the northwestern U.S.

Global Assets. The Global Assets segment includes energy-related
assets that are not part of Enron's wholesale or retail energy operations. Major assets
of this segment include Elektro, an electric utility in Brazil; Dabhol, a power
plant in India; natural gas pipelines in South America; Enron Renewable
Energy Corp. (EREC), which develops and constructs wind-generated power
projects; and Enron's investment in Azurix Corp.

Broadband Services. Enron's broadband services business
(Broadband
Services) provides customers with broadband services, including network
intermediation services.

Corporate and Other. Corporate and Other includes the operations
of Enron's methanol and MTBE plants as well as overall corporate activities of
Enron.

INCOME BEFORE INTEREST, MINORITY INTERESTS AND INCOME TAXES

The following table presents income (loss) before interest, minority
interests and income taxes (IBIT) for each of Enron's operating segments (in millions):

<TABLE>
<CAPTION>
Quarter

--------
2000

--------
2001

--------
<C>
Americas
$ 549
Europe and Other
53
Retail Services
27
Natural Gas Pipelines
83
Portland General
74
Global Assets
19
Broadband Services
(20)
Corporate and Other
(106)

--------
Income (loss) before interest and taxes
$(666)

--------
</TABLE>

WHOLESALE SERVICES BUSINESS

Enron's Wholesale Services business is comprised of two segments, Americas and Europe and Other (collectively Wholesale Services). Wholesale Services builds its business through the creation of networks involving selective asset ownership, contractual access to third-party assets and market-making activities. Each market in which it operates utilizes these

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

00200000001000
components in a slightly different manner and is at a different stage of
development. This network strategy has enabled Enron to establish a
leading
position in its markets. Activities may be integrated into a bundled product
offering for Enron's customers.

Wholesale Services manages its portfolio of contracts and assets
in order
to maximize value, minimize the associated risks and provide overall
liquidity.
In doing so, it uses portfolio and risk management disciplines,
including
offsetting or hedging transactions, to manage exposures to market price
movements (commodities, interest rates, foreign currencies and
equities).
Additionally, Wholesale Services manages its liquidity and exposure to
third-party credit risk through monetization of its contract portfolio or
third-party insurance contracts.

Additionally, Wholesale Services invests in debt and equity
securities of
energy-related businesses, which may also utilize its products and
services.
With these merchant investments, Enron's influence is much more limited
relative
to assets developed or constructed. Earnings from these activities,
which are
accounted for on a fair value basis and are included in revenues, result
from
changes in the market value of the securities. Wholesale Services uses
risk
management disciplines, including hedging transactions, to manage the
impact of
market price movements on its merchant investments.

AMERICAS

Significant components of Americas' results are as follows (in
millions):

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
</tr>
</tbody>
</table>

<S>
<C>
Revenues
28,952
Cost of sales
20,550

--------
PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

ENRON CORP. AND SUBSIDIARIES

Americas markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Third</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>2000</td>
<td></td>
</tr>
</tbody>
</table>

Physical Volumes (BBtue/d)(a):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas</td>
<td>26,659</td>
</tr>
<tr>
<td>Power(b)</td>
<td>31,507</td>
</tr>
<tr>
<td>17,777</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>58,166</td>
</tr>
</tbody>
</table>

Power Volumes Marketed (Thousand MWh)(c) 289,853

163,556
Financial Settlements (Notional) (Btue/d)
163,995

(a) Billion British thermal units equivalent per day.
(b) Represents electricity volumes, converted to Btue/d.
(c) Thousand megawatt-hours.

Gross margin of Americas, excluding the impact of a change in value of Enron's contingent obligation to Whitewing (Whitewing Obligation) discussed in Note 8 to the Consolidated Financial Statements, increased $260 million in the third quarter of 2001 as compared to the third quarter of 2000, primarily as a result of increased earnings from both gas and power marketing operations, partially offset by a decline in the value of merchant investments. Gas and power marketing operations benefited from price volatility in the third quarter of 2001. In the third quarter of 2001, the Whitewing Obligation resulted in a decrease in revenues of approximately $583 million with a corresponding increase in equity in earnings of unconsolidated affiliates.

Operating expenses decreased $23 million in the third quarter of 2001 as compared to the same period in 2000, primarily as a result of the sale of certain Houston Pipeline Company assets in the second quarter of 2001. Depreciation and amortization increased $32 million primarily as a result of increased amortization related to intangible assets acquired in the second quarter of 2001 and other assets and depreciation associated with computer-related equipment placed into service in 2001.

Equity in earnings, excluding the impact of the Whitewing Obligation, decreased $111 million in the third quarter of 2001 as compared to the same period of 2000 primarily as a result of the decline in the value of merchant investments held by unconsolidated equity affiliates. Other, net in the third quarter of 2000 included charges related to losses on transactions in foreign currencies, partially offset by interest income.
Europe and Other

Significant components of Europe and Other's results are as follows (in millions):

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Third</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>2000</td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$16,408</td>
</tr>
<tr>
<td>$7,159</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>16,174</td>
</tr>
<tr>
<td>6,900</td>
<td></td>
</tr>
</tbody>
</table>

| Gross margin | 234 |
| Operating expenses | 218 |
| 208 |       |
| Depreciation and amortization | 21 |
| 19 |       |
| Equity in earnings | (7) |
| (5) |       |
| Other, net | (9) |
| 26 |       |

Income (loss) before interest and taxes $ (21) $

Europe and Other markets and provides energy and other commodities as reflected in the following tables (including intercompany amounts):

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Third</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

00200000001004
2000

---

< ينا<

Physical Volumes (Btue/d)(a):

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas</td>
<td>3,595</td>
<td>9,338</td>
</tr>
<tr>
<td>Power(b)</td>
<td>1,080</td>
<td>11,306</td>
</tr>
<tr>
<td>Crude oil and liquids</td>
<td>5,754</td>
<td>9,410</td>
</tr>
</tbody>
</table>

---

Total

10,429

---

Power Volumes Marketed (Thousand MWh)(c)
9,932

---

Financial Settlements (Notional)(Btue/d)
48,179

---

Other Commodity Volumes:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil and liquids (MM Bbl)</td>
<td>157</td>
</tr>
<tr>
<td>Coal (thousand tons)</td>
<td>9,942</td>
</tr>
<tr>
<td>Weather (notional value $MM)</td>
<td>164</td>
</tr>
<tr>
<td>LNG (Btue)</td>
<td>105</td>
</tr>
<tr>
<td>Metals (thousand tons)</td>
<td>2,362</td>
</tr>
<tr>
<td>Forest products (thousand tons)</td>
<td>969</td>
</tr>
<tr>
<td>Steel (thousand tons)</td>
<td>101</td>
</tr>
</tbody>
</table>

</TABLE>

(a) Billion British thermal units equivalent per day.
(b) Represents electricity volumes, converted to Btue/d.
(c) Thousand megawatt-hours.

Gross margin of Europe and Other decreased $25 million in the third quarter of 2001 as compared to the third quarter of 2000, primarily as a result of lower earnings from European power marketing operations, an adjustment to reflect an increase in credit reserves in the crude oil and liquids
marketing business and the settlement of certain construction related receivables for less than book value subsequent to September 30, 2001 but prior to the filing date of the Form 10-Q (these amounts were not reflected in Enron's announcement of its third quarter 2001 results on October 16, 2001), partially offset by increased earnings from the European gas marketing operations and steel, coal and liquids marketing.

Operating expenses for Europe and Other increased $10 million in the third quarter of 2001 as compared to the same period of 2000 primarily due to the expansion into new markets and the growth of the European operations.

48

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

Other, net in the third quarter of 2001 included charges related to losses on transactions in foreign currencies partially offset by interest income. Other, net in the third quarter of 2000 primarily reflected interest income.

RETAIL SERVICES

Retail Services sells or manages the delivery of natural gas, electricity, liquids and other commodities to industrial and commercial customers located in North America and Europe. Retail Services also provides full energy management services. This integrated product includes the management of commodity delivery, energy information and energy assets, and price risk management activities.

Significant components of Retail Services' results are as follows (in millions):

<table>
<thead>
<tr>
<th>Quarter</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Third</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>-------------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>$535</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>406</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>129</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>115</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>10</td>
</tr>
<tr>
<td><strong>Equity losses and impairment of New Power Holdings, Inc.</strong></td>
<td>(76)</td>
</tr>
<tr>
<td><strong>(15)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Other, net</strong></td>
<td>38</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>$27</td>
</tr>
</tbody>
</table>

Revenues decreased $34 million in the third quarter of 2001 compared to the third quarter of 2000 primarily as a result of lower retail gas sales, partially offset by an increase in long-term energy contracts originated in 2001 and the monetization of interests in a merchant asset for a gain of $21 million. Gross margin increased $111 million in the third quarter of 2001 compared to the third quarter of 2000 due to long-term energy contracts originated in 2001 and the gain associated with the monetization of a merchant asset discussed above. Operating expenses increased $27 million primarily as a result of risk management support service expenses in 2001 and higher computer system-related expenditures. Equity losses for both periods reflect Retail Services' portion of losses of New Power Holdings, Inc. (NPW), formerly The New Power Company. In the third quarter of 2001, Retail Services recorded a $58 million charge which is included in equity losses to reduce its carrying value in its investment in NPW. Other, net in the third quarter of 2000 consisted primarily of gains associated with Retail Services' monetization of a portion of its interest in NPW.
PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

NATURAL GAS PIPELINES

The following table summarizes total volumes transported for each of
Enron’s interstate natural gas pipelines.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Third</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2001</td>
</tr>
</tbody>
</table>

| Total Volumes Transported (BBlu/d) (a) | 2,770 |
| Northern Natural Gas                   | 2,770 |
| 3,009                                   | 2,770 |
| Transwestern Pipeline                   | 1,823 |
| 1,746                                   | 1,927 |
| Florida Gas Transmission                | 1,927 |
| 1,649                                   | 2,295 |
| Northern Border Pipeline                | 2,295 |

(a) Reflects 100% of each entity's throughput volumes.

Significant components of Natural Gas Pipelines' results are as
follows (in millions):

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Third</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2001</td>
</tr>
</tbody>
</table>

| Total Volumes Transported (BBlu/d) (a) | 2,770 |
| Northern Natural Gas                   | 2,770 |
| 3,009                                   | 2,770 |
| Transwestern Pipeline                   | 1,823 |
| 1,746                                   | 1,927 |
| Florida Gas Transmission                | 1,927 |
| 1,649                                   | 2,295 |
| Northern Border Pipeline                | 2,295 |
Net revenues  $ 136
$ 132
Operating expenses  74
74
Depreciation and amortization  17
17
Equity in earnings  18
28
Other, net  22
14

---------

IBIT  $ 83

---------

Revenues, net of cost of sales (net revenues) of Natural Gas Pipelines increased $4 million in the third quarter of 2001 compared to the third quarter of 2000 primarily due to higher transportation rates and volumes at Transwestern. Equity in earnings decreased $10 million in the third quarter of 2001 as compared to the same period in 2000 primarily due to lower operating results from Florida Gas and the monetization of Enron's investment in EOTT. In 2001, other, net consisted primarily of a gain related to the expiration of an Enron guarantee to fund the EOTT partnership. Other, net for the third quarter of 2000 included a gain related to the sale of compressor-related equipment.
Electricity Sales (Thousand MWh) (a)

<table>
<thead>
<tr>
<th>Category</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>1,432</td>
</tr>
<tr>
<td>Commercial</td>
<td>1,870</td>
</tr>
<tr>
<td>Industrial</td>
<td>1,207</td>
</tr>
<tr>
<td></td>
<td>4,509</td>
</tr>
</tbody>
</table>

Total Retail

Wholesale | 4,062

Total Electricity Sales | 8,571

Average Billed Revenue (cents per kWh)
9.51

Resource Mix

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>16%</td>
</tr>
<tr>
<td>Combustion Turbine</td>
<td>16</td>
</tr>
<tr>
<td>Hydro</td>
<td>4</td>
</tr>
</tbody>
</table>

Total Generation

<table>
<thead>
<tr>
<th>Source</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Purchases</td>
<td>58</td>
</tr>
<tr>
<td>Secondary Purchases</td>
<td>6</td>
</tr>
</tbody>
</table>

Total Resources 100%

Average Variable Power Cost (Mills/kWh) (b) 119.3

Retail Customers (end of period, thousands) 732

(a) Thousand megawatt-hours.
(b) Mills (1/10 cent) per kilowatt-hour.

Significant components of Portland General's results are as follows (in
<table>
<thead>
<tr>
<th>Quarter</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
</tr>
<tr>
<td>&lt;S&gt;</td>
<td></td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>905</td>
</tr>
<tr>
<td>$ 729</td>
<td></td>
</tr>
<tr>
<td>Purchased power and fuel</td>
<td>822</td>
</tr>
<tr>
<td>522</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>207</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>68</td>
</tr>
<tr>
<td>85</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>32</td>
</tr>
<tr>
<td>59</td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>-</td>
</tr>
<tr>
<td>11</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income (loss) before interest and taxes</th>
<th>$ (17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 74</td>
<td></td>
</tr>
</tbody>
</table>

Net revenues decreased $124 million in the third quarter of 2001 compared to the third quarter of 2000. The decrease was due to increased power costs resulting from general market conditions, including lower hydroelectric generation. Portland General entered into power contracts in prior periods to ensure adequate supply for the recent quarter at prices that were significantly higher than actual settled prices during the third quarter of 2001. Although the rate mechanism in place anticipated and substantially mitigated the effect of the higher purchased power costs, only the amount in excess of a defined baseline was recoverable from ratepayers. Increased power cost recovery was incorporated into Portland General's new fifteen-month rate structure, which became effective October 1, 2001 and included an average 40 percent rate increase.
PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

Operating expenses decreased primarily as a result of lower maintenance costs and lower regulatory and overhead expenses. Depreciation and amortization decreased in 2001 primarily as a result of a favorable energy efficiency rate mechanism adjustment, partially offset by increased regulatory amortization.
Third quarter 2001 other, net included the impact of a decline in the value of investments. Other, net in 2000 consisted primarily of a gain on the sale of a generation-related asset.

On October 8, 2001, Enron entered into an agreement with Northwest Natural Gas Company (NW Natural) for the sale of Portland General for $1.9 billion, comprised of $1.55 billion in cash, $200 million in NW Natural preferred stock and common stock purchase units, $50 million in NW Natural common stock and the assumption of Enron's $75 million balance on its customer benefits obligation, which was stipulated in its 1996 agreement to purchase Portland General. In addition to the purchase price, NW Natural will assume approximately $1.1 billion in Portland General debt and preferred stock. The proposed transaction, which is subject to customary regulatory approvals, is expected to close by the fourth quarter of 2002. Enron currently believes that the after-tax gain on the sale of Portland General will not be material. However, certain regulatory and other contingencies could negatively impact Enron's current estimate. Enron's carrying amount of Portland General as of September 30, 2001 was $1.6 billion. Income before interest, minority interest and income taxes for Portland General was $108 million and $241 million for the nine month periods ended September 30, 2001 and 2000, respectively.

GLOBAL ASSETS

Significant components of Global Assets' results are as follows (in millions):

<TABLE>
</TABLE>

<CAPTION>
<table>
<thead>
<tr>
<th>Quarter</th>
<th>Third</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2001</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
</tr>
<tr>
<td>$ 408</td>
<td>$ 424</td>
</tr>
<tr>
<td>286</td>
<td>107</td>
</tr>
<tr>
<td>107</td>
<td>46</td>
</tr>
<tr>
<td>22</td>
<td>(283)</td>
</tr>
<tr>
<td>9</td>
<td>10</td>
</tr>
</tbody>
</table>

---

Income (loss) before interest and taxes

$ 19

$(268)

---

Revenues increased $16 million in the third quarter of 2001 compared to the third quarter of 2000 due to an increase in project revenues at EREC, partially offset by a decrease in revenues from Elektro which had curtailed power sales due to the reduction in available hydro-generated power. Cost of sales increased $42 million in the third quarter of 2001 compared to the third quarter of 2000 due to an increase in costs at EREC, partially offset by a decrease in costs at Elektro. Operating expenses decreased due to reduced developmental activities partially offset by higher costs in EREC's European operations.

Equity in earnings (losses) for the third quarter of 2001, reflect the recognition of a loss of $287 million related to asset impairments by Atlantic Water Trust (the parent of Azurix Corp.), an equity method investment. These impairments primarily reflect Azurix's planned disposition of its North American and certain South American service-related businesses. See
"Unconsolidated Equity Affiliates" below for a discussion of Atlantic Water Trust.

BROADBAND SERVICES

Enron's network services intermediation business allows customers to manage unexpected fluctuation in the price, supply and demand of network-related requirements, including bandwidth and storage. The Enron Intelligent Network (the EIN), a nationwide fiber optic network, which connects 25 pooling points in North America, Europe and Japan, provides the infrastructure for Broadband Services' products.

Significant components of Broadband Services' results are as follows (in millions):

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Third</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2001</td>
</tr>
</tbody>
</table>

|$|<C>

<table>
<thead>
<tr>
<th>Revenues</th>
<th>$(125)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross margin</th>
<th>(133)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses</td>
<td>135</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>84</td>
</tr>
<tr>
<td>Equity in earnings</td>
<td>(4)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loss before interest and taxes</th>
<th>$(357)</th>
</tr>
</thead>
</table>

$ (20)
In the third quarter of 2001, Broadband Services recorded charges totaling $277 million due to the continued weak market conditions in the broadband and communications sectors. The charges related to the content services business ($160 million), costs associated with restructuring Broadband Services' business ($83 million) and the write down of the value of certain broadband-related long-lived assets and excess network equipment to net realizable value ($34 million). The amount related to the content services business included the write-off of the value of Broadband Services' investment in content services entities, the impairment of related assets and a valuation adjustment on a derivative instrument associated with the content systems business. The adjustment to the derivative instrument was reflected in revenue resulting in negative revenue for 2001. Gross margin for the third quarter 2001 also reflects continued weakness in market conditions which negatively impacted results of operations. Third quarter 2000 gross margin benefited from the significant increase in the market value of Broadband Services' merchant investments.

CORPORATE AND OTHER

Corporate and Other realized a loss before interest, minority interests and taxes of $818 million in the third quarter of 2001 compared to a loss of $106 million in the same period of 2000.

In September 2001, as a result of deterioration in the credit quality of the Raptor SPEs caused by a decline in NPW’s stock price, the increase in Raptor’s exposure under derivative contracts with Enron and the increasing dilutive effect on Enron’s earnings per share calculation, Enron acquired, for approximately $35 million, LJM’s interests in the Raptor SPEs which were created in 2000 to hedge certain of Enron’s merchant and other investments. See Notes 3 and 4 to the Consolidated Financial Statements. Enron recorded charges totaling $710 million ($462 million after tax) related to the acquisition of the Raptor SPEs and a charge of $48 million ($31 million after-tax) to write down Enron's investment in NPW warrants acquired in connection with the termination of the Raptor SPEs.
PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

INTEREST AND RELATED CHARGES, NET

Interest and related charges, net is reported net of interest
capitalized of $22 million and $3 million for the third quarter of 2001 and 2000,
respectively. The net expense decreased $58 million in the third quarter of 2001
as compared to the same period of 2000, primarily due to decreased debt
levels and lower interest rates resulting from general market conditions within
the U.S.

INCOME TAX EXPENSE

Income taxes decreased during the third quarter of 2001 as
compared with the same period of 2000 primarily as a result of pretax losses due to
charges related to the asset impairments by Azurix, the restructuring of
Broadband Services and the losses associated with the Raptor SPES. The projected
effective tax rate for 2001 is lower than the statutory rate mainly due to
differences between the book and tax basis of certain assets and stock sales.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 2001 VS.
NINE MONTHS ENDED SEPTEMBER 30, 2000

The following review of Enron's results of operations should be
read in conjunction with the Consolidated Financial Statements. The Consolidated
Financial Statements included herein have been adjusted to reflect the
anticipated impacts of the restatements discussed in Note 3 to the
Consolidated Financial Statements. For the impacts on Enron's Consolidated Financial
Statements for the years ended December 31, 1997 through 2000 and for
the first
and second quarters of 2001, see Note 3 to the Consolidated Financial
Statements. While these restatements included herein reflect Enron's
current
understanding of the relevant facts, it is possible that the Special
Committee's
investigation will identify additional or different information
concerning these
matters and Enron cannot predict what impact the information gathered by
the
Special Committee may have on the financial information included in this
report.
As a result, Enron will not issue amendments to its annual reports on
Forms 10-K
for the years ended December 31, 1997 through 2000, or its quarterly
reports on
Forms 10-Q for the quarterly periods ended March 31, 2001 and June 30,
2001 to
reflect the anticipated restatements of Enron's Consolidated Financial
Statements until the Special Committee has completed its investigation.

CONSOLIDATED NET INCOME

Enron reported net income of $225 million for the first nine months
of 2001
compared to $797 million during the same period in 2000. The significant
decrease relates to losses on investing activities discussed in
Corporate and
Other, the impairments by Azurix Corp. discussed in Global Assets and
charges
recorded by Broadband Services.

INCOME BEFORE INTEREST, MINORITY INTERESTS AND INCOME TAXES

The following table presents IBIT for each of Enron's operating
segments
(in millions):

<table>
<thead>
<tr>
<th></th>
<th>Nine Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September</td>
</tr>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td>2000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment</th>
<th>&lt;B&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>$1,960</td>
<td></td>
</tr>
<tr>
<td>$1,009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe and Other</td>
<td>235</td>
<td></td>
</tr>
<tr>
<td>265</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Services</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Gas Pipelines</td>
<td>295</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>2001</td>
</tr>
<tr>
<td>----------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Revenues</td>
<td>$40,442</td>
<td>$85,108</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>38,969</td>
<td>83,137</td>
</tr>
<tr>
<td>Gross margin</td>
<td>1,473</td>
<td>1,971</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>610</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>513</td>
<td>132</td>
</tr>
</tbody>
</table>

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

AMERICAS

Significant components of Americas' results are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Nine Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ended</td>
<td>September</td>
</tr>
<tr>
<td>30, 2000</td>
<td>2001</td>
</tr>
</tbody>
</table>

00200000001018
### Equity in earnings

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other, net</td>
<td>13</td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>IBIT</strong></td>
<td>$ 1,960</td>
</tr>
<tr>
<td>$ 1,009</td>
<td></td>
</tr>
</tbody>
</table>

#### Americas markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

#### Nine Months Ended September 30, 2000

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>52,429</td>
</tr>
</tbody>
</table>

#### Physical Volumes (BBlue/d)(a):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas</td>
<td>26,787</td>
</tr>
<tr>
<td>23,152</td>
<td></td>
</tr>
<tr>
<td>Power(b)</td>
<td>25,642</td>
</tr>
<tr>
<td>14,287</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
<tr>
<td>37,439</td>
<td></td>
</tr>
</tbody>
</table>

#### Power Volumes Marketed (Thousand MWh)(c)

<table>
<thead>
<tr>
<th></th>
<th>700,007</th>
</tr>
</thead>
<tbody>
<tr>
<td>391,459</td>
<td></td>
</tr>
</tbody>
</table>

#### Financial Settlements (Notional)(BBlue/d)

<table>
<thead>
<tr>
<th></th>
<th>228,900</th>
</tr>
</thead>
<tbody>
<tr>
<td>120,266</td>
<td></td>
</tr>
</tbody>
</table>

(a) Billion British thermal units equivalent per day.

(b) Represents electricity volumes, converted to BBlue/d.

(c) Thousand megawatt-hours.
Gross margin of Americas, excluding the impact of a change in value of Enron's contingent obligation to Whitewing (Whitewing Obligation) discussed in Note 8 to the Consolidated Financial Statements, increased $1,271 million in the first nine months of 2001 as compared to the first nine months of 2000, primarily as a result of increased earnings from both power and gas marketing operations. The sale of five peaking power plants in 2001 favorably impacted gross margin from power marketing. The power and gas intermediation businesses both benefited from price volatility in the 2001. Gross margin from merchant investments was lower in the first nine months of 2001 as compared to the same period of 2000 primarily due to a decline in the value of investments in 2001 and a significant increase in the value of power-related investments in 2000. The Whitewing Obligation resulted in a decrease in revenues of approximately $773 million with a corresponding increase in equity in earnings.

Operating expenses increased by $97 million in the first three quarters of 2001 compared to the same period in 2000 primarily due to the growth of Americas' commodity intermediation business. Depreciation and amortization increased $61 million primarily as a result of increased amortization related to intangible assets acquired in the second quarter of 2001 and other assets and depreciation associated with computer equipment placed into service in 2001.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

Equity in earnings, excluding the impact of the Whitewing Obligation, decreased $173 million in the first nine months of 2001 as compared to the same period of 2000 primarily as a result of the decline in the value of merchant investments held by unconsolidated equity affiliates combined with increases in the value of merchant investments during the first nine months of 2000.

EUROPE AND OTHER

Significant components of Europe and Other's results are as
follows (in millions):

<table>
<thead>
<tr>
<th>Revenues</th>
<th>$48,468</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>47,524</td>
</tr>
</tbody>
</table>

| Gross margin     | 944     |
| Operating expenses| 683     |
| Depreciation and amortization | 65     |
| Equity in earnings | 9      |
| Other, net       | 30      |

| IBIT             | $ 235   |

Europe and Other markets, transports and provides energy and other commodities as reflected in the following table (including intercompany amounts):

<table>
<thead>
<tr>
<th>Revenues</th>
<th>$3,456</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>3,210</td>
</tr>
</tbody>
</table>

| IBIT             | $ 200  |

Physical Volumes (Btue/d) (a):
  Gas  8,438
  Power (b)  7,798
  Crude Oil and Liquids  8,776
  Total  25,012

Power Volumes Marketed (Thousand MWh) (c)  212,906

Financial Settlements (Notional) (Btue/d)  64,672

Other Commodity Volumes:
  Crude Oil and Liquids (MM Bbl)  434
  Coal (thousand tons)  67,209
  Weather (notional value $MM)  779
  LNG (Btue)  17,664
  Metals (thousand tons)  6,904
  Forest Products (thousand tons)  2,094
  Steel (thousand tons)  887

(a) Billion British thermal units equivalent per day.
(b) Represents electricity volumes, converted to Btue/d.
(c) Thousand megawatt-hours.

Gross margin of Europe and Other increased $237 million in the first nine months of 2001 as compared to the first nine months of 2000, primarily as a result of increased earnings from European power and gas marketing operations and steel, coal and liquids marketing partially offset by lower earnings from...
PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

Enron's metals marketing operations, an adjustment to reflect an
increase in
credit reserves in the crude oil and liquids marketing business and the
settlement of certain construction related receivables for less than
book value
subsequent to September 30, 2001 but prior to the filing date of the
Form 10-Q
(these amounts were not reflected in Enron's announcement of its third
quarter
2001 results on October 16, 2001).

Operating expenses for Europe and Other increased $256 million in
the
first nine months of 2001 as compared to the same period of 2000 and
depreciation and amortization increased $15 million primarily due to the
expansion into new markets and the growth of the European operations.

Equity in earnings in the first nine months of 2001 increased as
compared
to the same period of 2000 primarily due to the earnings from an
affiliate
formed in 2001 to hold Enron's investment in forest product-related
assets.
Other, net in both 2001 and 2000 primarily consisted of interest income.

RETAIL SERVICES

Significant components of Retail Services' results are as follows
(in
millions):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nine Months</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td></td>
</tr>
<tr>
<td>Ended 30,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
</tr>
<tr>
<td>$1,269</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
</tr>
<tr>
<td>935</td>
<td></td>
</tr>
</tbody>
</table>

$1,737

1,084
Revenues increased $468 million in the first nine months of 2001 compared to the same period in 2000 primarily as a result of long-term energy contracts originated in 2001 and the growth of Retail Services' European operations. Gross margin increased $319 million in the first nine months of 2001 compared to the same period in 2000 due to long-term energy contracts originated in 2001 and the monetization of interests in a merchant asset for a gain of $21 million. Operating expenses increased $190 million primarily as a result of risk management support service expenses in 2001 and higher employee and computer system-related expenditures. Equity losses for both periods reflect Retail Services' portion of losses of NPW and in 2001 a charge of $58 million to reduce the carrying value of its investment in NPW. Other, net in 2001 and 2000 consisted primarily of gains associated with Retail Services' monetization of a portion of its interest in NPW.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

NATURAL GAS PIPELINES

The following table summarizes total volumes transported for each of Enron's interstate natural gas pipelines.
### Nine Months Ended September 30, 2000

<table>
<thead>
<tr>
<th>Total Volumes Transported (BBl/d) (a)</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Natural Gas</td>
<td>3,139</td>
<td>1,847</td>
</tr>
<tr>
<td>Transwestern Pipeline</td>
<td>1,847</td>
<td>1,578</td>
</tr>
<tr>
<td>Florida Gas Transmission</td>
<td>1,578</td>
<td>2,362</td>
</tr>
<tr>
<td>Northern Border Pipeline</td>
<td>2,362</td>
<td></td>
</tr>
</tbody>
</table>

(a) Reflects 100% of each entity's throughput volumes.

Significant components of Natural Gas Pipelines' results are as follows:

#### Nine Months Ended September 30, 2000

<table>
<thead>
<tr>
<th>Net revenues</th>
<th>$ 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses</td>
<td>236</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>51</td>
</tr>
<tr>
<td>Equity in earnings</td>
<td>48</td>
</tr>
<tr>
<td>Other, net</td>
<td>34</td>
</tr>
</tbody>
</table>
Revenues, net of cost of sales (net revenues) of Natural Gas Pipelines in the first nine months of 2001 were comparable to the prior period. In 2001, increased revenues generated by Transwestern from transportation and operational gas sales and increased storage revenues received by Northern, were offset by lower sales of gas storage inventory by Northern. Operating expenses, including depreciation expense, in the first nine months of 2001 increased primarily as a result of higher gas prices and other costs associated with the volumes transported by Transwestern and other pipeline expenses. Equity in earnings increased $3 million in the first nine months of 2001 compared to the same period in 2000 primarily due to higher operating results from BOTT and Florida Gas. In 2001, other, net consisted primarily of a gain related to the expiration of an Enron guarantee to fund the BOTT partnership. In 2000, other, net consisted of gains related to an energy commodity contract and the sale of compressor-related equipment.

PORTLAND GENERAL

Statistics for Portland General for the first nine months of 2001 and 2000 are as follows:

\begin{tabular}{l c}
\hline
 & \\

Nine Months & \\

September & \\

2001 & \\

\hline

\end{tabular}
Electricity Sales (Thousand MWh) (a)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>5,151</td>
</tr>
<tr>
<td>Commercial</td>
<td>5,475</td>
</tr>
<tr>
<td>Industrial</td>
<td>3,546</td>
</tr>
<tr>
<td><strong>Total Retail</strong></td>
<td><strong>14,172</strong></td>
</tr>
<tr>
<td>Wholesale</td>
<td>9,836</td>
</tr>
<tr>
<td><strong>Total Electricity Sales</strong></td>
<td><strong>24,008</strong></td>
</tr>
</tbody>
</table>

Average Billed Revenue (cents per kWh) 9.97

Resource Mix

<table>
<thead>
<tr>
<th>Fuel Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>15%</td>
</tr>
<tr>
<td>Combustion Turbine</td>
<td>17%</td>
</tr>
<tr>
<td>Hydro</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Total Generation</strong></td>
<td><strong>38%</strong></td>
</tr>
<tr>
<td>Firm Purchases</td>
<td>56%</td>
</tr>
<tr>
<td>Secondary Purchases</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Average Variable Power Cost (Mills/kWh) (b) 113.3

Retail Customers (end of period, thousands) 732

(a) Thousand megawatt-hours.
(b) Mills (1/10 cent) per kilowatt-hour.

Significant components of EBIT are as follows (in millions):
<table>
<thead>
<tr>
<th>Nine Months</th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
</tr>
</tbody>
</table>

<p>| Revenues     | $2,503    |
| $1,557       |           |
| Purchased power and fuel | 2,028 |</p>
<table>
<thead>
<tr>
<th>976</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>475</td>
</tr>
<tr>
<td>581</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>229</td>
</tr>
<tr>
<td>239</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>138</td>
</tr>
<tr>
<td>152</td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>-</td>
</tr>
<tr>
<td>51</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-----------</td>
</tr>
<tr>
<td>IBIT</td>
<td>$ 108</td>
</tr>
<tr>
<td>$ 241</td>
<td></td>
</tr>
</tbody>
</table>

Net revenues decreased $106 million in the first nine months of 2001 compared to the same period in 2000. The decrease was due to increased power costs resulting from general market conditions, including lower hydroelectric generation. Portland General entered into power contracts in prior periods to ensure adequate supply for the recent quarter at prices that were significantly higher than actual settled prices during the third quarter of 2001. Although the rate mechanism in place anticipated and substantially mitigated the effect of the higher purchased power costs, only the amount in excess of a defined baseline was recoverable from ratepayers. Increased power cost recovery was incorporated into Portland General's new fifteen-month rate structure, which became effective October 1, 2001 and included an average 40 percent rate increase.
Operating expenses decreased primarily as a result of lower maintenance costs and lower regulatory and overhead expenses. Depreciation and amortization decreased in 2001 primarily as a result of a favorable energy efficiency rate mechanism adjustment, partially offset by increased regulatory amortization. In 2000, other, net consisted primarily of a gain on the sale of a generation-related asset and was favorably impacted by certain regulatory events.

GLOBAL ASSETS

Significant components of Global Assets' results are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30, 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$1,134</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>719</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>352</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>134</td>
</tr>
<tr>
<td>Equity in earnings (losses)</td>
<td>(240)</td>
</tr>
<tr>
<td>Other, net</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Income (loss) before interest and taxes</td>
<td>$ (275)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 117</td>
</tr>
</tbody>
</table>
Revenues decreased $16 million in the first nine months of 2001 compared to the same period in 2000 due to a decrease in revenues from Elektro which had curtailed power sales due to the reduction in available hydro-generated power, partially offset by an increase in project revenues at EREC. Cost of sales increased $50 million in the first nine months of 2001 compared to the same period in 2000 due to an increase in costs at EREC, partially offset by a decrease in costs at Elektro. Operating expenses decreased due to reduced developmental activities, partially offset by higher costs in EREC's European operations.

Equity in earnings (losses) for the nine months ended September 30, 2001 reflects the recognition in the third quarter 2001 of a loss of $287 million related to asset impairments by Atlantic Water Trust (the parent of Azurix Corp.), an equity method investment. These impairments primarily reflect Azurix's planned disposition of its North American and certain South American service-related businesses. See "Unconsolidated Equity Affiliates" below for a discussion of Atlantic Water Trust. Equity earnings in 2000 consisted of a gain from the monetization of a power plant by an equity method affiliate.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

BROADBAND SERVICES

Significant components of Broadband Services' results are as follows (in millions):

<table>
<thead>
<tr>
<th></th>
<th>Nine Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

002000000001030
<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$335</td>
<td>$(26)</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>64</td>
<td>59</td>
</tr>
<tr>
<td>Gross margin</td>
<td>271</td>
<td>(85)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>249</td>
<td>290</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>63</td>
<td>114</td>
</tr>
<tr>
<td>Equity in earnings</td>
<td>1</td>
<td>(1)</td>
</tr>
<tr>
<td>Other, net</td>
<td>2</td>
<td>(4)</td>
</tr>
<tr>
<td>Loss before interest and taxes</td>
<td>$ (38)</td>
<td>$(494)</td>
</tr>
</tbody>
</table>

In the third quarter of 2001, Broadband Services recorded charges totaling $277 million due to the continued weak market conditions in the broadband and communications sectors. The charges related to the content services business ($160 million), costs associated with restructuring Broadband Services' business ($83 million) and the write down of the value of certain broadband-related long-lived assets and excess network equipment to fair value less estimated costs to sell ($34 million). The amount related to the content services business included the write-off of the value of Broadband Services' investment in content services entities, the impairment of related assets and a valuation adjustment on a derivative instrument associated with the content systems business. The cumulative adjustments to the derivative instrument were reflected in revenues resulting in negative revenues for 2001. Gross margin for the nine months ended September 30, 2001 also reflects continued weaknesses in market conditions which negatively impacted results of operations. Gross margin for 2000 primarily reflects earnings from sales of excess dark fiber, an increase in the market value of Broadband Services' merchant investments and an increase in the value of the derivative instrument associated with the content.
systems business.

CORPORATE AND OTHER

Corporate and Other realized a loss before interest, minority interests and taxes of $947 million in the first nine months of 2001 compared to a loss of $154 million for the same period in 2000.

In September 2001, as a result of deterioration in the credit quality of the Raptor SPEs caused by a decline in NPW's stock price, the increase in Raptor's exposure under derivative contracts with Enron and the increasing dilutive effect on Enron's earnings per share calculation, Enron acquired, for approximately $35 million, LJM's interests in the Raptor SPEs which were created in 2000 to hedge certain of Enron's merchant and other investments. See Notes 3 and 4 to the Consolidated Financial Statements. Enron recorded charges totaling $710 million ($462 million after tax) related to the acquisition of the Raptor SPEs and a charge of $48 million ($31 million after-tax) to write down Enron's investment in NPW warrants acquired in connection with the termination of the Raptor SPEs.

INTEREST AND RELATED CHARGES, NET

Interest and related charges, net, is reported net of interest capitalized of $45 million and $28 million for the first nine months of 2001 and 2000, respectively. Net expense decreased $13 million in the first nine months of 2001 as compared to the same period of 2000, primarily due to lower interest rates resulting from general market conditions within the U.S.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

INCOME TAX EXPENSE

Income taxes decreased during the first three quarters of 2001 as compared with the same period of 2000 primarily as a result of pretax losses related to the asset impairments recorded by Azurix Corp., the restructuring of Broadband Services and the losses associated with the Raptor SPEs. The projected
effective tax rate for 2001 is lower than the statutory rate mainly due
to differences between the book and tax basis of certain assets and stock
sales.

Enron recorded tax benefits in shareholders' equity related to
stock options exercised by employees of approximately $174 million in the
first nine months of 2001.

CUMULATIVE EFFECT OF ACCOUNTING CHANGES

On January 1, 2001, Enron recognized an after-tax non-cash gain
of $19 million in earnings and deferred an after-tax non-cash gain of $25
million in "Accumulated Other Comprehensive Income," a component of shareholders'
equity, and reclassified $277 million from "Long-Term Debt" to "Other
Liabilities" to reflect the initial adoption of Statement of Financial Accounting
Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No.
133). SFAS No. 133 must be applied to all derivative instruments and requires
that such instruments be recorded in the balance sheet either as an
asset or a
liability measured at its fair value through earnings, with special
accounting
permitted for certain qualifying hedges.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB)
issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other
Intangible Assets" (SFAS No. 142). SFAS No. 142, which must be applied to fiscal
years beginning after December 15, 2001, modifies the accounting and reporting
of goodwill and intangible assets.

The pronouncement requires entities to discontinue the
amortization of
goodwill, reallocate all existing goodwill among its reporting segments
based on
criteria set by SFAS No. 142 and perform initial impairment tests by
applying a
fair-value-based analysis on the goodwill in each reporting segment. Any
impairment at the initial adoption date shall be recognized as the
effect of a
change in accounting principle. Subsequent to the initial adoption,
goodwill
shall be tested for impairment annually or more frequently if
circumstances
indicate a possible impairment.

Under SFAS No. 142, entities are required to determine the useful
life of
other intangible assets and amortize the value over the useful life. If the useful life is determined to be indefinite, no amortization will be recorded.
For intangible assets recognized prior to the adoption of SFAS No. 142, the useful life should be reassessed. Other intangible assets are required to be tested for impairment in a manner similar to goodwill.

At September 30, 2001, Enron's goodwill related to consolidated entities was approximately $3.5 billion. Additionally, unconsolidated equity affiliates of Enron have an additional approximately $1.9 billion of goodwill. Estimated annual amortization of such goodwill is approximately $195 million, of which approximately $65 million relates to unconsolidated equity affiliates. Enron is in the process of evaluating the application of SFAS No. 142 in light of the recent events discussed above.

In August 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations." SFAS No. 143, which must be applied to fiscal years beginning after June 15, 2002, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Enron is in the process of evaluating the impact of SFAS No. 143 on the financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144, which must be applied to fiscal years beginning after December 15, 2001, addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. Enron is in the process of evaluating the impact of SFAS No. 144 on the financial statements.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

FINANCIAL CONDITION
CASH FLOWS

<table>
<thead>
<tr>
<th>Nine Months</th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>2001</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
</tr>
<tr>
<td>30,</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,596</td>
<td>541</td>
</tr>
<tr>
<td>127</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>(1,366)</td>
<td>1,880</td>
</tr>
</tbody>
</table>

Cash provided by (used in):

<table>
<thead>
<tr>
<th>Operating activities excluding net margin deposit activity</th>
<th>$1,596</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net margin deposit activity</td>
<td>(2,349)</td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>(753)</td>
<td>$</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(1,366)</td>
<td></td>
</tr>
<tr>
<td>Financing activities</td>
<td>1,880</td>
<td>$</td>
</tr>
<tr>
<td>3,873</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cash used in operating activities totaled $753 million in the first nine months of 2001 as compared to cash provided by operating activities of $127 million in the same period last year. Cash used in operating activities in the first nine months of 2001 reflects cash provided by operations and price risk management activities, offset by net cash used related to margin deposit activity. Excluding net margin deposit activity, cash provided by operating activity was $1,596 million. Enron received significant cash deposits as credit collateral during the fourth quarter of 2000 resulting from volatility in the power and gas markets. During the first nine months of 2001, net deposits of $2,349 million were returned as general price levels in the commodity prices have declined. Net cash provided by operating activities in the first nine months of 2000 primarily reflects earnings and proceeds from the sale of merchant assets and investments, partially offset by cash used in acquiring...
merchant assets and investments and working capital requirements.

Cash used in investing activities totaled $1,366 million in the first
nine months of 2001 as compared to $3,580 million in the same period of
2000. Cash used in the first nine months of 2001 reflects investments in
unconsolidated equity affiliates and capital expenditures. Investments in
unconsolidated equity affiliates in 2001 include the acquisition of a
company whose assets include a newsprint mill and related assets, a power
generation related entity and the purchase of all publicly traded shares of Azurix
Corp.
Capital expenditures in 2001 related to Wholesale Services' energy
network.

Cash provided by financing activities totaled $1,880 million in the first
nine months of 2001 as compared to $3,873 million during the same period of
2000. The first nine months of 2001 include the net issuances of short-
and long-term debt of $2,522, partially offset by payments of dividends.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

LIQUIDITY, CAPITAL RESOURCES AND OUTLOOK

Following Enron's announcement of its third quarter 2001 results on
October 16, 2001, there was a significant decrease in Enron's common
share price and subsequent decreases in the credit ratings of Enron's long-term debt
to BBB- and Baa3 (the lowest level of investment grade) with a warning that further
downgrades were possible. This situation resulted in a loss of investor
confidence and significantly affected Enron's ability to raise capital.

Maintaining an investment grade credit rating is a critical element in
maintaining liquidity for Enron's wholesale business which, together with the
natural gas pipeline operations and the retail business, comprise
Enron's core businesses discussed below. As a part of their standard contractual
arrangements, Enron and its trading counterparties regularly post cash
deposits or letters of credit to collateralize a portion of their trading
obligations. A
downgrade to below investment grade could lead to a substantial increase in the level of cash required for collateral and margin deposits with Enron's wholesale trading partners. Additionally, Enron and its subsidiaries have outstanding surety bonds and other instruments related to construction projects and other performance obligations. Under certain circumstances, the issuers of such sureties may request collateral.

LIQUIDITY ACTIONS. Enron has implemented a financial strategy to restore investor confidence and will continue its initiatives in this regard. Enron has taken the following steps to assure its customers and investors that it can fulfill its commitments in the ordinary course of business:

- Enron borrowed approximately $3.0 billion from its committed lines of credit to repay outstanding and expiring commercial paper obligations of approximately $1.9 billion and to provide immediate cash liquidity. This action to convert Enron's committed lines of credit to cash was done to eliminate any doubt as to their availability in the future;

- In an effort to further enhance short-term liquidity, on November 13, 2001, Enron (through its wholly-owned subsidiary) obtained $550 million in a new secured line of credit from JP Morgan Chase Bank (Chase) and Citicorp North America, Inc. (Citicorp), secured by Enron's Transwestern Pipeline Company assets. Enron anticipates obtaining $450 million in a new secured line of credit on or about November 20, 2001, from Chase and Citicorp secured by Northern's assets. These proceeds will be used to further supplement short-term liquidity and to retire maturing obligations;

- On November 13, 2001, Enron received a $1.5 billion equity infusion in the form of a preferred stock investment in Northern from Dynegy Inc. (Dynegy) in connection with the merger agreement signed between Enron and Dynegy;

- Enron anticipates the receipt of over $800 million in net proceeds from asset sales scheduled to close by year-end. However, the
of these sale transactions are pending certain regulatory and
other
approvals that will impact whether such transactions close and
the
ultimate timing of the closings. Of the net proceeds, $250
million, or
a portion thereof, may be required to repay an obligation that
may
downgrade
become a demand obligation due to a recent credit rating
discussed below and in "Impact of Recent Events" and "Minority
Interests" below.

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

Enron is engaged in discussions with various institutions about
investing
in Enron equity. Enron is diligently pursuing a program to raise an
incremental
$500 million to $1 billion of private equity from these sources in the
near
future. There can be no assurance, however, that such program will be
successful. Depending on the terms and amounts of such investments,
Enron may be
required to increase its authorized capital, which would require the
approval of
its shareholders.

RESTRUCTURING PLAN. As a result of the Dynegy merger agreement
and the
loss of investor confidence, Enron has initiated an action plan for
restructuring its business. The key aspects of the action plan involve
(i)
concentrating primarily on its core businesses; (ii) taking aggressive
steps to
rationalize the existing cost structure; (iii) accelerating the process of
divesting non-core businesses and assets; (iv) restructuring scheduled
maturities of debt and other obligations; (v) completing the
investigation by
the Special Committee and its advisors with respect to related party
transactions; (vi) reviewing and strengthening Enron's corporate
governance; and
(vii) expanding certain disclosures with a focus on increased
transparency.
Management and the Board have not completed nor approved a restructuring
plan.
Such restructuring plan is currently being prepared and, therefore,
Enron is
unable to estimate the timing of implementation or the financial
impacts.
Enron's fourth quarter 2001 results of operations will likely be negatively impacted by severance, restructuring and other charges resulting from the repositioning of many of Enron's businesses.

In order to focus on Enron's core businesses and rationalize their cost structure, management is in the process of dividing Enron into three fundamental groups of businesses - Core, Non-Core and Under Review. Following is a description of each group of businesses:

- Core Businesses are the consistent franchise businesses for which Enron has a distinct competitive advantage. These businesses, collectively, generate significant earnings and cash flows. These businesses include:
  - Gas and power businesses in North America and Europe;
  - Coal businesses in North America and Europe;
  - Retail businesses in North America and Europe; and
  - Natural gas pipeline businesses.

- Non-Core businesses are businesses that do not provide value to Enron's core businesses. These primarily are part of Enron's global assets and broadband services segments. Enron has approximately $8 billion invested in these businesses and the return from these investments is below acceptable rates. Accordingly, Enron is developing a plan to exit these businesses in an orderly fashion. Enron expects that the sale of these non-core businesses will generate cash proceeds that will be used to repay debt. Should the exit strategy, currently being prepared, result in a lower value than Enron's current carrying value, then Enron may be required to record related asset writedowns, possibly as early as the fourth quarter of 2001.

- Businesses Under Review are businesses that Enron believes have strong future prospects; however, under the restructuring program, Enron is in the process of looking closely at the capital requirements and near-term growth prospects of these businesses. These businesses are primarily Enron's wholesale businesses outside of power and gas, which include both energy-related and industrial markets activities. The in-
PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)

ENRON CORP. AND SUBSIDIARIES

depth assessment of each of these businesses will be completed very quickly to determine the resources Enron intends to expend in these areas.

IMPACT OF RECENT EVENTS. The recent deterioration in Enron's credit rating has caused a negative impact on Enron's projected 2001 fourth quarter profitability. This is primarily the result of a reduced level of transaction activity by Enron's trading counterparties, particularly longer-term transactions. It is too early to determine the impact these events will have on Enron's fourth quarter 2001 operating results. Additionally, the fourth quarter of 2001 will likely be negatively impacted by severance, restructuring and other charges resulting from the repositioning of many of Enron's businesses consistent with the restructuring plan, as well as potential writedowns as discussed in "Unconsolidated Equity Affiliates" below.

Enron has various financial arrangements which require Enron to maintain specified credit ratings. The November 12, 2001 downgrade in Enron's senior unsecured debt rating to BBB- by Standard & Poor's has caused a ratings event related to a $690 million note payable that, absent Enron posting collateral, will become a demand obligation on November 27, 2001. See "Minority Interests" below for a description of this obligation. Consistent with the restructuring plan discussed above, Enron is currently working with the lenders to develop a mutually acceptable amendment or waiver to the transaction documents in order to avoid an early Enron payment obligation.

In the event Enron loses its investment grade credit rating and Enron's stock price is below a specified price, a note trigger event would occur. This could require Enron to repay, refinance or cash collateralize additional facilities totaling $3.9 billion, which primarily consist of $2.4 billion of debt in Osprey Trust (Osprey) and $915 million of debt in Marlin Water Trust
(Marlin). For a description of the Marlin and Osprey Trusts, both of which are unconsolidated affiliates, and related debt obligations, see "Unconsolidated Equity Affiliates" below. In the event a Note Trigger Event occurs, Enron must either issue equity in an amount sufficient to repay the notes or Enron is obligated to pay the difference in cash.

In the event that Enron fails to pay any debt obligations when due, including when such obligations may be accelerated, or is unable to refinance or obtain a waiver of such obligations, a series of events would begin which could impact Enron's compliance with the terms of its Revolving Credit Agreements certain other obligations, including bank debt facilities.

It is not possible to predict whether any or all of the actions described above (including the sale of non-core businesses and assets and the refinancing or waiver of Enron obligations that may become immediately payable upon scheduled maturities or due to an acceleration event) will be adequate to maintain Enron's investment grade credit rating or enable Enron to refinance or otherwise restructure its debt obligations that become due. An adverse outcome with respect to any of these matters would likely have a material adverse impact on Enron's ability to continue as a going concern.

NEAR TERM MATURITIES OF DEBT AND OTHER SIGNIFICANT OBLIGATIONS.

As discussed above, a key aspect of Enron's restructuring plan is restructuring scheduled maturities of debt and the obligations discussed below in "Unconsolidated Equity Affiliates" and "Minority Interests." The following summarizes the maturities of debt and these obligations by quarter through 2002 as of November 16, 2001 (in millions), assuming no accelerations as a result of events of default:

67

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

<TABLE>
<TABLE>
<TABLE>
### Outstanding Balance

**Maturities**

<table>
<thead>
<tr>
<th>Remaining</th>
<th>September 30, 2002</th>
<th>November 16,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2Q</td>
<td>3Q</td>
</tr>
<tr>
<td>2001</td>
<td>1Q</td>
<td>2Q</td>
</tr>
<tr>
<td>Short-Term Debt</td>
<td>$6,434</td>
<td>$6,564(a)</td>
</tr>
<tr>
<td>$2,140(b)</td>
<td>$ 72</td>
<td>$2,125(c)</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>6,544</td>
<td>7,782</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>74</td>
</tr>
<tr>
<td>Unconsolidated Equity Affiliates(e)</td>
<td>-</td>
<td>1,819(e)</td>
</tr>
<tr>
<td>-</td>
<td>1,819(e)</td>
<td>-</td>
</tr>
<tr>
<td>Minority Interests(f)</td>
<td>691</td>
<td>690</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(a) Short-term debt includes $1,267 million related to Enron's zero coupon convertible senior notes that mature in 2021. Of this amount, $94 million is included as a maturity in the fourth quarter of 2001 which reflects the convertible redemption value of the notes at November 16, 2001 based on Enron's then current stock price. The remaining amount has been included as a maturity in the third quarter of 2002, assuming closing of the Dynegy merger as currently structured, at which time the holder of the notes may request Enron to repurchase the notes at issue price plus accrued original issue discount through repurchase date.

(b) Includes $1,026 million of demand notes payable to unconsolidated equity affiliates (including $616 million due to Whitewing, see (e) below) under long-term revolving credit agreements for cash management purposes which can be requested as needed by the unconsolidated equity affiliates.

(c) Includes $1.75 billion of amounts borrowed under the revolving credit agreements.

(d) Includes $550 million borrowed under the new secured lines of credit discussed above.
(e) As discussed in "Unconsolidated Equity Affiliates" below, in the event that Enron has not repaid its obligations to Osprey and Marlin prior to their respective maturity dates of January 15, 2003 and July 15, 2003, Enron is required to deposit an amount sufficient to redeem the notes 120 days prior to the maturity dates. As such, the $2.4 billion deposit requirement related to the Osprey obligation less $616 million of demand notes due to Whitewing included in short-term debt has been reflected as a scheduled maturity in the third quarter of 2002.

(f) As discussed below in "Minority Interests," absent Enron repaying the note, posting collateral or obtaining a waiver from the lenders, a $690 million note payable will become a demand obligation on November 27, 2001.

As discussed in "Liquidity Actions" above, on November 19, 2001, Enron closed a $450 million new secured line of credit which will mature in the fourth quarter of 2002.

**CASH LIQUIDITY.** As reflected on its Consolidated Balance Sheet as of September 30, 2001, Enron had $1.0 billion in cash and cash equivalents. Of this amount, $656 million related to domestic cash managed by Enron's corporate treasury department. At November 16, 2001, Enron had $1.2 billion of domestic cash managed by Corporate treasury. Cash inflows during this period primarily consisted of net collections from business operations and trade settlements, the borrowing from committed lines of credit, obtaining new secured lines of credit, the equity infusion from Dynegy and receipt of collateral deposits from trading partners. Cash outflows during this period primarily consisted of operating costs of business operations and trade settlements, repaying expiring commercial paper obligations and maturing short- and long-term debt and payment of collateral deposits to trading partners.

**CREDIT LINES.** As a result of Enron's loss of investor confidence discussed above, Enron exited the commercial paper market for its short-term liquidity needs and borrowed under its committed lines of credit (approximately $3.0 billion) to repay outstanding and expiring commercial paper obligations of approximately $1.9 billion and to provide additional cash liquidity. Of its $3.3 billion in committed credit lines, at November 16, 2001, Enron had
unused
commercial paper lines of credit of $103 million.

68

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

CREDIT RATINGS. Enron's credit ratings at September 30, 2001 and
the date
of this filing are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Moody's</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fitch</td>
</tr>
<tr>
<td>Standard &amp; Poor's</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>September 30, 2001</td>
<td>September 30, 2001</td>
</tr>
<tr>
<td>Debt Instrument</td>
<td>Current</td>
</tr>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td>Current</td>
</tr>
<tr>
<td>Senior unsecured debt</td>
<td>Baa1</td>
</tr>
<tr>
<td>BBB minus BBB plus</td>
<td>Baa3</td>
</tr>
<tr>
<td></td>
<td>BBB plus</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>Baa2</td>
</tr>
<tr>
<td>BBB minus BBB</td>
<td>Bal</td>
</tr>
<tr>
<td></td>
<td>BBB</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>P-2</td>
</tr>
<tr>
<td>A-3</td>
<td>Not Prime</td>
</tr>
<tr>
<td></td>
<td>A-2</td>
</tr>
</tbody>
</table>

Additionally, each of the above rating agencies have issued
warnings that
further downgrades are possible.

UNCONSOLIDATED EQUITY AFFILIATES. Summarized below is a
description
related to two of Enron's unconsolidated equity affiliates for which
Enron has
committed to issue equity to satisfy obligations of these equity
affiliates. As
discussed above, Enron's current common share stock price, liquidity
situation
and credit ratings may significantly impact Enron's ability to satisfy
these
obligations solely with equity issuances.

Whitewing Associates L.P. Whitewing is an entity formed by Enron
and
various investors, investing through an entity named Osprey, to acquire and own energy-related assets and other investments. Osprey is capitalized with approximately $2.4 billion in debt and $220 million in equity. The Osprey debt is supported by the assets within Whitewing, which include Enron Mandatorily Convertible Junior Preferred Stock, Series B (which is convertible into 50 million shares of Enron common stock), and a contingent obligation of Enron to issue additional shares, if needed, to retire such debt obligation. In the event that the sale of equity is not sufficient to retire such obligations, Enron is liable for the shortfall.

At November 16, 2001, Whitewing held assets with a book value of approximately $4.7 billion. This includes approximately $1.3 billion in energy related projects in Europe and South America, including European power plants, and an electric distribution company in Brazil, approximately $600 million of merchant investments, approximately $600 million in demand notes due from Enron and other assets of $100 million. The merchant portfolio includes both private and publicly traded entities and consists of oil and gas investments, power generation and energy investments and technology related and other investments. In addition, Whitewing holds Mandatorily Convertible Junior Preferred Stock, Series B, mentioned above, and a contingent obligation of Enron to issue additional shares, if needed, which together have a combined book value of approximately $2.1 billion. This contingent obligation is in the form of a derivative instrument. As such, both Enron and Whitewing account for this contingent obligation at fair value. As a result, Enron recognizes losses associated with this obligation as a reduction of "Revenues" in the accompanying consolidated income statement. However, the loss is offset as Enron recognizes its share of Whitewing’s earnings through "Equity in Earnings of Unconsolidated Affiliates" in the accompanying consolidated income statement. As of September 30, 2001, the amount due Whitewing under such derivative totaled approximately $1.0 billion and is included in "Other Liabilities" in the accompanying consolidated balance sheet. Such
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

amount has increased by approximately $600 million as a result of the
decline in
Enron's common stock price subsequent to September 30, 2001 through
November 16, 2001. Based on the subsequent decline in the Enron stock price through
November
16, 2001, there would currently exist an approximate $700 million charge to
earnings due to the shortfall in the recovery of Enron's book
investment. Enron
is currently evaluating the fair value of Whitewing's other assets
mentioned
above in conjunction with the restructuring plan discussed above which
will
impact the amount of any writedown of Enron's investment in Whitewing,
possibly
as early as the fourth quarter.

Atlantic Water Trust. Atlantic Water Trust is an entity formed by
Enron
and unrelated institutional investors, investing through an entity named
Marlin
Water Trust (Marlin), for the purpose of acquiring and holding an
interest in
Azurix Corp. (Azurix). The primary asset of Azurix is Wessex Water
Services Ltd.
(Wessex), a regulated water utility in the UK. Atlantic Water Trust
currently
owns 67% of Azurix, with Enron owning the remaining 33%. Marlin was
capitalized
with approximately $915 million in debt and $125 million in equity. The
Marlin
debt is supported by the assets of Atlantic Water Trust and Enron's
contingent
obligation to cause the sale of Enron equity to retire such obligations.
In the
event that the sale of equity is not sufficient to retire such
obligations,
Enron is liable for the shortfall.

Description of Trigger Events. Osprey and Marlin's debt
obligations
contain certain "Note Trigger Events" to protect the note holders,
including (i)
an Enron senior unsecured debt rating below investment grade by any of
the three
major credit rating agencies concurrent with an Enron stock closing
price of
$59.78 per share or below in the case of Osprey and $34.13 per share or
below in
the case of Marlin; (ii) a cross default to Enron senior obligations in
excess
of $50 million and $100 million for Osprey and Marlin, respectively; and
(ii)
the requirement that an amount sufficient to redeem the notes be
deposited with
a trustee 120 days prior to maturity dates of January 15, 2003 and July 15, 2003 for Osprey and Marlin, respectively. As of November 16, 2001 the Enron stock closing price was $9.00 per share.

In the event a Note Trigger Event was to occur, Enron has 21 days to file a registration statement for the issuance of equity to repay the notes and such registration statement has 90 days from the Note Trigger Event to become effective. Any Enron registration statement filed cannot become effective until Enron files its restated audited consolidated financial statements which is not expected until completion of the Special Committee investigation. In the event that Enron does not file its registration statement or the registration statement is not effective during the respective time requirements, Enron must pursue a private placement of equity, if permitted. If Enron does not sell equity in an amount sufficient to repay the notes, Enron is obligated to pay the difference in cash.

In the event that Enron fails to pay any debt obligations when due, including when such obligations may be accelerated, or is unable to refinance or obtain a waiver of such obligations, a series of events would begin which could impact Enron's compliance with the terms of its Revolving Credit Agreements and certain other obligations, including bank debt facilities.

PART I. FINANCIAL INFORMATION - (CONTINUED)
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED) ENRON CORP. AND SUBSIDIARIES

Either as a result of the restructuring plan discussed above or to raise cash to repay Enron's obligations discussed above, Enron may sell the assets of Whitewing and/or Atlantic Water Trusts for amounts below their carrying values. The net proceeds from the sale of such assets can be used to repay Enron's obligations discussed above. Accordingly, Enron may be required to record asset writedowns, possibly as early as the fourth quarter of 2001.

MINORITY INTERESTS. Enron consolidates a limited partnership (the Limited
Partnership), for which the consolidated third party's ownership interest is reflected in minority interests on Enron's balance sheet in the amount of $691 million at September 30, 2001. The Limited Partnership assets include a $690 million note payable from Enron and certain merchant investments, both domestic and international. Enron anticipates the receipt of approximately $250 million from the sale of one of the Limited Partnership's investments, a local gas distribution company in Brazil, upon the closing of the sale which is pending certain regulatory and other approvals.

The November 12, 2001 downgrade in Enron's senior unsecured debt rating to BBB- by Standard & Poor's has caused a ratings event related to the Limited Partnership. This ratings event started a nine business day period during which Enron has the right, until November 26, 2001, to post an unsecured letter of credit equal to Enron's note payable, to repay the note payable with the Limited Partnership investing such proceeds in permitted investments, or to purchase the investors' interest in the Limited Partnership. To the extent that Enron does not satisfy this requirement by November 27, 2001, the investors have the right to immediately begin to liquidate the Limited Partnership assets. Additionally, as a result of the rating downgrade, the investors, subject to certain actions, are able to accelerate and assign the note payable. Consistent with the restructuring plan discussed above, Enron is currently working with the lenders to develop a mutually acceptable amendment or waiver to the transaction documents in order to avoid an early Enron payment obligation.

Either as a result of the restructuring plan discussed above or to raise cash to repay Enron's obligation discussed above, Enron may sell the Limited Partnership assets for amounts below their carrying values. The net proceeds from the sale of such assets can be used to repay Enron's obligation. Accordingly, Enron may be required to record asset writedowns, possibly as early as the fourth quarter of 2001.

It is not possible to predict whether Enron will be able to favorably complete the actions described above. In the event that Enron fails to pay any debt obligations when due, including when such obligations may be accelerated, or is unable to refinance or obtain a waiver of its obligations, a series of
events would begin which could impact Enron's compliance with the terms of its Revolving Credit Agreements and certain other obligations, including bank debt facilities.

CAPITALIZATION

As discussed above in "Liquidity, Capital Resources and Outlook," since September 30, 2001, Enron has borrowed from committed lines of credit and new secured lines of credit and received an equity infusion from Dynegy. These events have increased Enron's debt as a percentage of total capitalization.

Total capitalization at September 30, 2001 was $25.9 billion. Debt as a percentage of total capitalization increased to 50.2% at September 30, 2001 as compared to 44.3% at December 31, 2000. The increase in the ratio reflects increased debt levels, including the issuance in January 2001 of $1.25 billion of notes payable and increased net short-term borrowings in 2001 and the transactions with LJM discussed in Note 4 to the Consolidated Financial Statements and the impact of the decline in value of certain foreign currencies.

FINANCIAL RISK MANAGEMENT

Enron's Wholesale segments, Americas and Europe and Other, offer price risk management services primarily related to commodities associated with the energy sector (natural gas, crude oil, natural gas liquids and electricity). Enron's other businesses also enter into forwards, swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production and other contractual commitments. Enron utilizes value at risk measures that assume a one-day holding period and a 95% confidence level.

Summarized below illustrates the value at risk for each component of
market risk (in millions):

```
<table>
<thead>
<tr>
<th></th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2001</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>30, December 31, 2000</td>
<td>2001</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Total Market Risk:</td>
<td></td>
</tr>
<tr>
<td>Commodity price</td>
<td>$60</td>
</tr>
<tr>
<td>$ 66</td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>1</td>
</tr>
<tr>
<td>- Foreign currency exchange rate</td>
<td>-</td>
</tr>
<tr>
<td>- Equity</td>
<td>59</td>
</tr>
<tr>
<td>59 Non-Trading Market Risk:</td>
<td></td>
</tr>
<tr>
<td>Commodity price</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Interest rate</td>
<td>7(a)</td>
</tr>
<tr>
<td>- Foreign currency exchange rate</td>
<td>9</td>
</tr>
<tr>
<td>- Equity</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>
```

(a) This increase is a result of contracts to hedge interest rate risks associated with Yen-denominated notes issued by Enron during 2000.

---

PART I. FINANCIAL INFORMATION - (CONTINUED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (CONTINUED)
ENRON CORP. AND SUBSIDIARIES

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This Report and the Form 10-K include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts contained in these documents are forward-looking statements. Forward-looking statements include, but are not limited to, statements relating to expansion opportunities for the Transportation Services, extension of Enron's
business model to new markets and industries, transaction volumes in the U.S. power market, commencement of commercial operations of new power plants and pipeline projects, completion of the sale of certain assets, growth in the demand for retail energy outsourcing solutions, completion of the merger with Dynegy and effectiveness of Enron's action plan for restructuring its businesses including restructuring scheduled maturities of debt and other obligations and other efforts to assure adequate liquidity. When used in this document, the words "anticipate," "believe," "estimate," "expects," "intend," "may," "project," "plan," "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Although Enron believes that its expectations reflected in these forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include Enron's ability to maintain an investment grade credit rating; Enron's ability to implement its action plan for restructuring its businesses outlined in this Form 10-Q; Enron's ability to complete its merger with Dynegy, as well as the sale of certain assets; developments in and the outcome of pending litigation including securities class action litigation; the effectiveness of Enron's risk management activities; willingness of counterparties to engage in financial risk management and other contracts with Enron without requiring collateral for obligations or increasing existing collateral requirements; the ability of counterparties to financial risk management instruments and other contracts with Enron to meet their financial commitments to Enron; and Enron's ability to access the capital markets and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and Enron's ability to maintain the credit ratings for its unsecured senior long-term debt obligations; success in marketing natural gas and power to wholesale customers; the ability of Enron to penetrate new retail natural gas and electricity markets (including energy outsourcing markets) in the United States and foreign jurisdictions; the timing, extent and market effects of
deregulation of energy markets in the United States, including the current energy market conditions in California, and in foreign jurisdictions; other regulatory developments in the United States and in foreign countries, including tax legislation and regulations; political developments in foreign countries; the extent of efforts by governments to privatize natural gas and electric utilities and other industries; the timing and extent of changes in commodity prices for crude oil, natural gas, electricity, foreign currency and interest rates; the timing and success of Enron's efforts to develop international power, pipeline and other infrastructure projects.

PART II. OTHER INFORMATION
ENRON CORP. AND SUBSIDIARIES

ITEM 1. Legal Proceedings

See Part I. Item 1, Note 6 to Consolidated Financial Statements entitled "Litigation and Other Contingencies," which is incorporated herein by reference.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits.


(b) Reports on Form 8-K

Current Report on Form 8-K filed November 8, 2001, containing information concerning (i) requirement of prior year financial statements to be restated, (ii) the Special Committee appointed by Enron's Board of Directors to review transactions between Enron and related parties and (iii) transactions between Enron and other Enron employees.

Current Report on Form 8-K filed November 13, 2001, containing information concerning credit facility commitment letters for Transwestern Pipeline Company and Northern Natural Gas Company.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENRON CORP.
(Registrant)

Date: November 19, 2001

By: Richard A. Causey
-------------------------
Richard A. Causey
Executive Vice President and Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

ITEM 6. Exhibits and Reports on Form 8-K
(a) Exhibits.

THIRD AMENDMENT TO EMPLOYMENT AGREEMENT

This Agreement, made and entered into on this ___ day of 
______, and made effective as of August 13, 2001, by and between ENRON 
CORP., (Company*) and KENNETH L. LAY ("Employee"), is an amendment to that 
certain Employment Agreement between the parties entered into and made effective on 
December 9, 1996 (the "Employment Agreement").

WHEREAS, the parties desire to amend the Employment Agreement 
as provided herein;

NOW, THEREFORE, for and in consideration of the covenants 
contained herein, and for other good and valuable considerations, the parties 
agree as follows:

1. entirety and 
Article 1, paragraph 1.2 shall be deleted in its 
the following inserted in its place:

"1.2 POSITION. During the term of employment 
under 
this Agreement, Company shall employ Employee in the 
position 
of Chairman of the Board, Chief Executive Officer, and 
parties 
President, or in such other executive positions as the 
mutually may agree."

2. entirety and 
Article 2, paragraph 2.1 shall be deleted in its 
the following inserted in its place:

"2.1 TERM. Unless sooner terminated pursuant 
to other 
provisions hereof, Company agrees to employ Employee 
for the 
period (the "Term") beginning on the Effective Date 
and ending 
December 31, 2005, and thereafter for such period, if 
any, as 
may be agreed upon in writing by Employee and 
Company."

3. entirety and 
Article 3, Section 3.1 is hereby amended in its 
the following is inserted in its place:
"3.1 BASE SALARY. During the period beginning Effective Date and ending on December 31, 1996, receive an annual base salary equal to $990,000, which increased to 1.2 million dollars on May 1, 1997 and increased to 1.3 million dollars on May 1, 1998 January 31, 2001. For the period beginning February 1, and ending August 12, 2001, Employee shall receive a annual base salary equal to $975,000. Effective August 2001, Employee’s minimum annual base salary shall be to $1,000,000.00.

Employee’s base salary shall be reviewed annually and increased annually and from time to time by the Board Directors (or the Compensation and Management Committee of such Board) in its sole discretion and, such change, Employee’s new level of base salary shall Employee’s base salary for purposes of this Agreement the effective date of any subsequent change. base salary shall be paid in equal installments in with Company’s standard policy regarding payment of compensation to executives; provided, however, that hereby irrevocable elects and agrees that any base payable to Employee pursuant to this paragraph 3.1 in of $1,000,000 during any taxable year of Company shall deferred under Company’s 1994 Deferral Plan. Any deferred under Company’s 1994 Deferral Plan pursuant paragraph 3.1 shall be subject to all of the terms and conditions of such plan, including, without time of payment provisions thereof."

Article 8, paragraph 8.14 shall be deleted in its entirety and the following inserted in its place:

4.
"8.14 AMENDMENT TO LOAN COMMITMENT AGREEMENT. Effective as of the Effective Date, the Loan Agreement shall be and is hereby amended as follows: date "December 31, 2005" shall be substituted for the "August 31, 1994" in each place such latter date appears in Sections 1.01 and 2.04 of the Loan Commitment Agreement; (ii) the date January 1, 2005 shall be substituted for the February 8, 1999" and "January 1, 1994" in each place such latter dates appear in Sections 2.01 and 2.03 of the Commitment Agreement; and (iii) all references to the Employment Agreement in the Loan Commitment Agreement shall be deleted and references to this Agreement shall be therefor."

This Agreement is the Third Amendment to the Employment Agreement, and the parties agree that all other terms, conditions and stipulations contained in the Employment Agreement shall remain in full force and effect and without any change or modification, except as provided herein.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

KENNETH L. LAY

ENRON CORP.

-------------------
------
Date: 
Name: 
Title: 
Date: 

</TEXT>
</DOCUMENT>
</SEC-DOCUMENT>
-----END PRIVACY-ENHANCED MESSAGE-----
### Queried Company Name (ENRON CORP) and Form ()
### between 2001 and 2001

Your search matched 30 of 1938053 documents.

<table>
<thead>
<tr>
<th>No. Company</th>
<th>Format</th>
<th>Form Type</th>
<th>Filing Date</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>4/A</td>
<td>10/23/2001</td>
<td>19615</td>
</tr>
<tr>
<td>2 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>424B3</td>
<td>10/12/2001</td>
<td>3159</td>
</tr>
<tr>
<td>3 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>4</td>
<td>10/10/2001</td>
<td>17831</td>
</tr>
<tr>
<td>4 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>424B3</td>
<td>09/26/2001</td>
<td>3961</td>
</tr>
<tr>
<td>5 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>SC 13D/A</td>
<td>09/07/2001</td>
<td>123419</td>
</tr>
<tr>
<td>6 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>424B3</td>
<td>08/17/2001</td>
<td>3965</td>
</tr>
<tr>
<td>7 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>U-57/A</td>
<td>08/14/2001</td>
<td>6948</td>
</tr>
<tr>
<td>8 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>10-Q</td>
<td>08/14/2001</td>
<td>101982</td>
</tr>
<tr>
<td>9 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>424B3</td>
<td>08/03/2001</td>
<td>7345</td>
</tr>
<tr>
<td>10 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>424B3</td>
<td>07/25/2001</td>
<td>195922</td>
</tr>
<tr>
<td>11 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>S-3/A</td>
<td>07/13/2001</td>
<td>217435</td>
</tr>
<tr>
<td>12 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>SC 13G/A</td>
<td>07/09/2001</td>
<td>8801</td>
</tr>
<tr>
<td>13 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>11-K</td>
<td>06/27/2001</td>
<td>84084</td>
</tr>
<tr>
<td>14 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>SC 13D/A</td>
<td>06/11/2001</td>
<td>28993</td>
</tr>
<tr>
<td>15 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>S-3</td>
<td>06/01/2001</td>
<td>674014</td>
</tr>
<tr>
<td>16 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>U-3A-2</td>
<td>05/31/2001</td>
<td>128179</td>
</tr>
<tr>
<td>17 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>10-Q</td>
<td>05/15/2001</td>
<td>78075</td>
</tr>
<tr>
<td>18 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>SC 13G</td>
<td>05/15/2001</td>
<td>36025</td>
</tr>
<tr>
<td>19 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>10-K</td>
<td>04/02/2001</td>
<td>712171</td>
</tr>
<tr>
<td>20 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>DEF 14A</td>
<td>03/27/2001</td>
<td>247157</td>
</tr>
<tr>
<td>21 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>PRE 14A</td>
<td>03/02/2001</td>
<td>246581</td>
</tr>
<tr>
<td>22 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>B-K</td>
<td>02/28/2001</td>
<td>194015</td>
</tr>
<tr>
<td>23 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>SC 13G/A</td>
<td>02/15/2001</td>
<td>11527</td>
</tr>
<tr>
<td>24 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>SC 13G</td>
<td>02/14/2001</td>
<td>12253</td>
</tr>
<tr>
<td>25 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>B-K</td>
<td>01/31/2001</td>
<td>10224</td>
</tr>
<tr>
<td>26 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>SC 13G</td>
<td>01/30/2001</td>
<td>14221</td>
</tr>
<tr>
<td>27 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>S-8</td>
<td>01/26/2001</td>
<td>50237</td>
</tr>
<tr>
<td>28 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>S-8</td>
<td>01/26/2001</td>
<td>49270</td>
</tr>
<tr>
<td>29 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>S-8</td>
<td>01/26/2001</td>
<td>98976</td>
</tr>
<tr>
<td>30 ENRON CORP/OR/</td>
<td>[text] [html]</td>
<td>SC 13D/A</td>
<td>01/18/2001</td>
<td>13901</td>
</tr>
</tbody>
</table>

http://www.sec.gov/cgi-bin/srch-edgar

http://www.sec.gov/cgi-bin/formlynx.pl?b?page=results&name=enron+corp&cik=&form_kn... 10/30/01
Enron manages efficient, flexible networks to reliably deliver physical products at predictable prices. In 2000 Enron used its networks to deliver a record amount of physical natural gas, electricity, bandwidth capacity and other products. With our networks, we can significantly expand our existing businesses while extending our services to new markets with enormous potential for growth.
# Financial Highlights

(Unaudited; in millions, except per share data)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$106,789</td>
<td>$40,112</td>
<td>$31,260</td>
<td>$20,273</td>
<td>$13,289</td>
</tr>
<tr>
<td><strong>Net income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating results</td>
<td>$1,266</td>
<td></td>
<td>608</td>
<td>515</td>
<td>493</td>
</tr>
<tr>
<td>Items impacting comparability</td>
<td>(287)</td>
<td>(64)</td>
<td>5</td>
<td>(410)</td>
<td>91</td>
</tr>
<tr>
<td>Total</td>
<td>$979</td>
<td>893</td>
<td>703</td>
<td>105</td>
<td>584</td>
</tr>
<tr>
<td><strong>Earnings per diluted common share:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating results</td>
<td>$1.47</td>
<td>1.18</td>
<td>1.00</td>
<td>0.87</td>
<td>0.91</td>
</tr>
<tr>
<td>Items impacting comparability</td>
<td>(0.35)</td>
<td>(0.08)</td>
<td>0.01</td>
<td>(0.71)</td>
<td>0.17</td>
</tr>
<tr>
<td>Total</td>
<td>$1.12</td>
<td>1.10</td>
<td>1.01</td>
<td>0.16</td>
<td>1.08</td>
</tr>
<tr>
<td>Dividends paid per common share</td>
<td>$0.50</td>
<td>0.50</td>
<td>0.48</td>
<td>0.46</td>
<td>0.43</td>
</tr>
<tr>
<td>Total assets</td>
<td>$65,503</td>
<td>33,381</td>
<td>29,350</td>
<td>22,552</td>
<td>16,137</td>
</tr>
<tr>
<td>Cash from operating activities (excluding working capital)</td>
<td>$3,016</td>
<td>2,228</td>
<td>1,873</td>
<td>276</td>
<td>742</td>
</tr>
<tr>
<td>Capital expenditures and equity investments</td>
<td>$3,314</td>
<td>3,085</td>
<td>3,364</td>
<td>2,092</td>
<td>1,463</td>
</tr>
<tr>
<td><strong>NYSE price range</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>$90 3/4</td>
<td>44  1/8</td>
<td>29  3/8</td>
<td>22  3/8</td>
<td>23  3/8</td>
</tr>
<tr>
<td>Low</td>
<td>41</td>
<td>28  3/8</td>
<td>19  3/8</td>
<td>17</td>
<td>17  3/8</td>
</tr>
</tbody>
</table>

**Notes:**

- **Revenue:**
  - $106,789 million
  - $40,112 million
  - $31,260 million
  - $20,273 million
  - $13,289 million

- **Net Income:**
  - Operating results: $1,266 million
  - Items impacting comparability: ($287) million
  - Total: $979 million

- **Earnings per Diluted Common Share:**
  - Operating results: $1.47
  - Items impacting comparability: ($0.35)
  - Total: $1.12

- **Dividends paid per common share:**
  - $0.50

- **Total Assets:**
  - $65,503 million
  - $33,381 million
  - $29,350 million
  - $22,552 million
  - $16,137 million

- **Cash from operating activities (excluding working capital):**
  - $3,016 million
  - $2,228 million
  - $1,873 million
  - $276 million
  - $742 million

- **Capital expenditures and equity investments:**
  - $3,314 million
  - $3,085 million
  - $3,364 million
  - $2,092 million
  - $1,463 million

- **NYSE Price Range:**
  - High: $90 3/4
  - Low: $41
  - Close: $93

---

**Additional Notes:**

- Cumulative total return (through December 31, 2000)
- S&P Error 500: 89%
- S&P Error 500: 129%
- S&P Error 500: 350%
- S&P Error 500: 383%

---

002000000001060
TO OUR SHAREHOLDERS

Enron's performance in 2000 was a success by any measure, as we continued to outdistance the competition and solidify our leadership in each of our major businesses. In our largest business, wholesale services, we experienced an enormous increase of 59 percent in physical energy deliveries. Our retail energy business achieved its highest level ever of total contract value. Our newest business, broadband services, significantly accelerated transaction activity, and our oldest business, the interstate pipelines, registered increased earnings. The company's net income reached a record $1.3 billion in 2000.

Enron has built unique and strong businesses that have tremendous opportunities for growth. These businesses — wholesale services, retail energy services, broadband services and transportation services — can be significantly expanded within their very large existing markets and extended to new markets with enormous growth potential. At a minimum, we see our market opportunities company-wide tripling over the next five years.

Enron is laser-focused on earnings per share, and we expect to continue strong earnings performance. We will leverage our extensive business networks, market knowledge and logistical expertise to produce high-value bundled products for an increasing number of global customers.

Competitive Advantages

Our targeted markets are very large and are undergoing fundamental changes. Energy deregulation and liberalization continue, and customers are driving demand for reliable delivery of energy at predictable prices. Many markets are experiencing tighter supply, higher prices and increased volatility, and there is increasing interdependence within regions and across commodities. Similarly, the broadband industry faces issues of overcapacity and capital constraint even as demand increases for faster, flexible and more reliable connectivity. Enron is in a unique position to provide the products and services needed in these environments. Our size, experience and skills give us enormous competitive advantages. We have:

• Robust networks of strategic assets that we own or have contractual access to, which give us greater flexibility and speed to reliably deliver widespread logistical solutions.
• Unparalleled liquidity and market-making abilities that result in price and service advantages.
• Risk management skills that enable us to offer reliable prices as well as reliable delivery.
• Innovative technology such as EnronOnline to deliver products and services easily at the lowest possible cost.

These capabilities enable us to provide high-value products and services other wholesale service providers cannot. We can take the physical components and repackage them to suit the specific needs of customers. We treat term, price and delivery as variables that are blended into a single, comprehensive solution. Our technology and fulfillment systems ensure execution. In current market environments, these abilities make Enron the right company with the right model at the right time.
The Astonishing Success of EnronOnline

In late 1999 we extended our successful business model to a web-based system, EnronOnline. EnronOnline has broadened our market reach, accelerated our business activity and enabled us to scale our business beyond our own expectations. By the end of 2000, EnronOnline had executed 548,000 transactions with a notional value of $336 billion, and it is now the world's largest web-based eCommerce system.

With EnronOnline, we are reaching a greater number of customers more quickly and at a lower cost than ever. It's a great new business generator, attracting users who are drawn by the site's ease of use, transparent, firm prices and the fact that they are transacting directly with Enron. In 2000 our total physical volumes increased significantly as a direct result of EnronOnline.

EnronOnline has enabled us to scale quickly, soundly and economically. Since its introduction, EnronOnline has expanded to include more than 1,200 of our products. It also has streamlined our back-office processes, making our entire operation more efficient. It has reduced our overall transaction costs by 75 percent and increased the productivity of our commercial team by five-fold on average. We are not sitting still with this important new business tool — in September 2000 we released EnronOnline 2.0, which added even more customer functionality and customization features and attracted more customers.

Enron Wholesale Services

The wholesale services business delivered record physical volumes of 51.7 trillion British thermal units equivalent per day (TBTue/d) in 2000, compared to 32.4 TBTue/d in 1999. As a result, wholesale services income before interest, minority interests and taxes (ISBIT) increased 72 percent to $2.3 billion. Over the past five years, as physical volumes have increased, wholesale ISBIT has grown at a compounded average annual rate of 48 percent, and we have had 20 consecutive quarters of year-over-year growth. We have established core wholesale businesses in both natural gas and power in North America and Europe, where we are market leaders.

In North America, we deliver almost double the amount of natural gas and electricity than the second tier of competitors. Our network of 2,500 delivery points provides price advantages, flexibility and speed-to-market in both natural gas and power. Natural gas, our most developed business, has seen substantial volume growth throughout the United States and Canada. In 2000 our physical natural gas volumes were up 77 percent to 24.7 billion cubic feet per day (Bcf/d). Physical power volumes were up 52 percent to 579 million megawatt-hours (MWh).

We are building a similar, large network in Europe. In 2000 we marketed 3.6 Bcf/d of natural gas and 53 million MWh in this market, a vast increase over 1999. As markets open, we tenaciously pursue the difficult, early deals that break ground for subsequent business. We are the only pan-European player, and we are optimizing our advantage to conduct cross-border transactions.

We are extending Enron's proven business approach to other markets, and integrating EnronOnline into all our businesses as an accelerator. Our growth rates are rising in areas such as metals, forest products, weather derivatives and coal. We expect these businesses to contribute to earnings even more significantly in 2001.

Enron Energy Services

Our retail unit is a tremendous business that experienced a break-out year in 2000. We signed contracts with a total value of $18.1 billion of customers' future energy expenditures, almost double the $8.5 billion signed in 1999. We recorded increasing positive earnings in all four quarters in 2000, and the business generated $103 million of recurring ISBIT.

Energy and facilities management outsourcing is
now a proven concept, and we’ve established a profitable deal flow, which includes extensions of contracts by many existing customers. Price volatility in energy markets has drawn fresh attention to our capabilities, increasing demand for our services. No other provider has the skill, experience, depth and versatility to offer both energy commodity and price risk management services, as well as energy asset management and capital solutions. In 2001 we expect to close approximately $30 billion in new total contract value, including business from our newest market, Europe.

Enron Broadband Services

We have created a new market for bandwidth intermediation with Enron Broadband Services. In 2000 we completed 321 transactions with 45 counterparts. We are expanding our broadband intermediation capabilities to include a broad range of network services, such as dark fiber, circuits, Internet Protocol service and data storage. Our opportunities are increasing commensurately.

Part of the value we bring to the broadband field is network connectivity — providing the switches, the network intelligence and the intermediation skills to enable the efficient exchange of capacity between independent networks. We operate 25 pooling points to connect independent third-parties — 18 in the United States, six in Europe and one in Japan. At least 10 more are scheduled to be completed in 2001.

Enron also has developed a compelling commercial model to deliver premium content-on-demand services via the Enron Intelligent Network. Content providers want to extend their established businesses and offer viewers at home an additional convenient way to choose and receive entertainment. Enron provides the wholesale logistical services that bridge the gap between content providers and last-mile distributors. Full-length movies-on-demand service has been successfully tested in four U.S. metropolitan markets.

Enron Transportation Services

The new name for our gas pipeline group accurately reflects a cultural shift to add more innovative customer services to our efficient pipeline operation. To serve our customers more effectively, we are increasingly incorporating the web into those relationships. Customers can go online to schedule nominations and handle inquiries, and they can transact for available capacity on EnronOnline. The pipelines continued to provide strong earnings and cash flow in 2000. Demand for natural gas is at a high in the United States, and we’re adding capacity to take advantage of expansion opportunities in all markets. New capacity is supported by long-term contracts.

Strong Returns

Enron is increasing earnings per share and continuing our strong returns to shareholders. Recurring earnings per share have increased steadily since 1997 and were up 25 percent in 2000. The company’s total return to shareholders was 89 percent in 2000, compared with a negative 9 percent returned by the S&P 500. The 10-year return to Enron shareholders was 1,415 percent compared with 383 percent for the S&P 500.

Enron hardly resembles the company we were in the early days. During our 15-year history, we have stretched ourselves beyond our own expectations.
We have metamorphosed from an asset-based pipeline and power generating company to a marketing and logistics company whose biggest assets are its well-established business approach and its innovative people.

Our performance and capabilities cannot be compared to a traditional energy peer group. Our results put us in the top tier of the world’s corporations. We have a proven business concept that is eminently scalable in our existing businesses and adaptable enough to extend to new markets.

As energy markets continue their transformation, and non-energy markets develop, we are poised to capture a good share of the enormous opportunities they represent. We believe wholesale gas and power in North America, Europe and Japan will grow from a $660 billion market today to a $1.7 trillion market over the next several years. Retail energy services in the United States and Europe have the potential to grow from $180 billion today to $765 billion in the not-so-distant future. Broadband’s prospective global growth is huge — it should increase from just $17 billion today to $1.4 trillion within five years.

Taken together, these markets present a $3.9 trillion opportunity for Enron, and we have just scratched the surface. Add to that the other big markets we are pursuing — forest products, metals, steel, coal and air-emissions credits — and the opportunity rises by $830 billion to reach nearly $4.7 trillion.

Our talented people, global presence, financial strength and massive market knowledge have created our sustainable and unique businesses.

EnronOnline will accelerate their growth. We plan to leverage all of these competitive advantages to create significant value for our shareholders.

Kenneth L. Lay
Chairman

Jeffrey K. Skilling
President and
Chief Executive Officer
In Volatile Markets,
EVERYTHING CHANGES BUT US

When customers do business with Enron, they get our commitment to reliably deliver their product at a predictable price, regardless of the market condition. This commitment is possible because of Enron’s unrivaled access to markets and liquidity. We manage flexible networks with thousands of delivery points, giving us multiple options and a distinct service advantage.

Our extensive daily market activity keeps us on top of price movements, so we can manage our customers’ price risk. We offer a multitude of predictable pricing options.

Market access and information allow Enron to deliver comprehensive logistical solutions that work in volatile markets or markets undergoing fundamental changes, such as energy and broadband. This core logistical capability led to our best year ever in 2000 because physical volumes drive our wholesale profits. We see ample opportunities for further volume growth in existing and new markets. Enron’s ability to deliver is the one constant in an increasingly complex and competitive world.
Extensive Market Networks
• Enron manages large, flexible networks of assets, contracts and services that provide unparalleled liquidity.
• Liquidity allows Enron to move products in and out of markets so it can maximize opportunity and margins.
• Because it has broad physical access, Enron reliably executes contracts.

Knowledgeable Pricing
• Enron's market activity captures massive amounts of pricing information.
• Pricing information helps Enron effectively manage its customers' price risk and its own.
• Enron allows customers to choose the optimal way to set a predictable price.

Technology Advantages
• Information systems quickly distribute real-time information.
• EnronOnline extends Enron's reach to increase volumes and market share.
• Enron's sophisticated systems track prices, register exposures and monitor customer credit.

Scalable Fulfillment
• EnronOnline integrates seamlessly into delivery fulfillment systems, reducing transaction costs.
• Existing systems scale readily as volumes increase.
• Standardized legal and tax compliance speed business.
• Systematic risk assessment and control protect Enron.
ENRON WHOLESALE SERVICES

Whole sale services is Enron's largest and fastest growing business, with sustainable growth opportunities in each of its markets. In 2000 income before interest, minority interests and taxes (IBIT) rose 72 percent to $2.3 billion, with record physical energy volumes of 51.7 trillion British thermal units equivalent per day (TBtueld) — a 59 percent increase over 1999.

For the past five years, wholesale services earnings have grown at an average compounded growth rate of 48 percent annually, and our competitive position is growing stronger. Customers transact with Enron because we offer products and services few others can match. With our flexible networks and unique capabilities in management and finance, we deliver the widest range of reliable logistical solutions at predictable prices.

Enron delivers more than two times the natural gas and power volumes as does its nearest energy marketing competitor. Our formidable lead comes from our willingness to enter markets early and serve as a market-maker to build liquidity and price transparency. Breakthrough technology applications, such as EnronOnline, accelerate our market penetration. These competitive advantages have made us the most successful energy marketer in the two largest deregulating energy markets, North America and Europe. We expect to achieve a similar leadership position as we extend our business approach to new regions, products and industries.

Our business has flourished with EnronOnline. Launched in November 1999, EnronOnline handled 548,000 transactions in 2000 with a gross notional value of $336 billion. EnronOnline is unquestionably the largest web-based eCommerce site in the world and dwarfs all other energy marketing web sites combined. By the fourth quarter of 2000, it accounted for almost half of Enron's transactions over all business units. EnronOnline has pushed productivity through the roof: Transactions per commercial person rose to 3,084 in 2000 from 672 in 1999. EnronOnline Version 2.0, launched in September 2000, has attracted more users with its additional functionality (see "EnronOnline" next page).

Enron North America

In North America, Enron's physical natural gas volumes increased 77 percent to 24.7 billion cubic feet per day (Bcf/d) in 2000 from 13.9 Bcf/d in 1999. Power deliveries increased 52 percent to 579 million megawatt-hours (MWh) from 381 million MWh the year before.

EnronOnline has been a runaway success in North America. It accounted for 74 percent of North American volume transacted in 2000, and created liquidity on a scale never seen before. It is a dynamic business accelerator. It took nearly a decade for Enron's daily gas transactions to reach 13.9 Bcf in 1999. Just 12 months later, EnronOnline had helped to practically double daily transactions to 24.7 Bcf.

EnronOnline magnifies the success of our existing business, which springs from the scale and scope of our established networks. We touch more parts of North America's energy system than any other merchant, with access to upwards of 2,500 distinct delivery points each day. The widespread delivery options and possibilities of our network give us a price and service advantage. Our networks and presence in nationwide energy markets also enable us to capture and distribute massive amounts of information about real-time market supply and demand, grid constraints and bottlenecks. When the market moves, we are able to conduct business while competitors are still fact-finding.

Our people also make a difference. We are able to attract the best and the brightest and place them in an entrepreneurial atmosphere in which they can thrive. With our intellectual capital, we develop premium high-margin structured products that draw on our liquidity and market knowledge. A good example is the gas-marketing services hub in Chicago we launched with People's Energy in March 2000. Known as Enovate, this venture optimizes People's 30 Bcf a year of Chicago-area storage capacity and related transportation. It played a role in increasing our gas volumes in the central United States by 156 percent, the largest increase in our 2000 North American physical volumes.

We continually assess the necessity of adding or owning assets in a region. Sometimes it is less expensive to own an asset than to replicate the asset in the market through contracting and market-making. We are developing generation plants to sell merchant power to high-demand markets, including proposed facilities in California, Florida, Texas, Louisiana and Georgia. But as liquidity increases, asset ownership may no longer be necessary. We plan to sell Houston Pipe Line Company, and Louisiana Resources Company is now held by BridgeLine Holdings, L.P., a joint venture in which Enron retains an interest. Additionally, in the second quarter of 2001 we expect to close the sale of two of the six electricity peaking generation units in operation. The result is the same earnings power with less invested capital.

Mexico's move toward liberalizing its energy markets should gain intensity and speed with its new government. Increased cross-border electricity transactions between Mexico and the United States seem inevitable. Our activities in Mexico seek to
optimize both the Mexican electricity market and cross-border activity between the two countries.

Enron also is active in South America, where we own and develop assets to help create an energy network.

Enron Europe:

We are rapidly extending Enron's market-making approach into the deregulating European markets, focusing on the U.K., the Continent and the Nordic region. The Continent is still in the early stages of liberalization. Although the European Union has mandated liberalization of the power and natural gas markets, each country is responding at its own pace. The velocity of transactions is rising on the Continent, however, and Enron expects to raise the level of liquidity to make the markets work.

Our business throughout Europe is growing rapidly. Natural gas and power volumes more than doubled to 10.3 trillion British thermal units equivalent per day (Tbtu/d) in 2000 from 4.1 Tbtu/d in 1999. We enjoy several competitive advantages in Europe: We are the only pan-European player; we have a proven business strategy: we entered the market early to build a presence; and we have attracted a talented and skilled local workforce.

Our cross-border capabilities are becoming increasingly important as markets interconnect. U.K. gas can now be transported to Belgium, and subsequently to the rest of the Continent, giving us the opportunity to develop innovative transactions on both sides of the border. The resulting increase in price volatility has nearly doubled U.K. gas prices, which, along with more volatile electricity prices ahead, has significantly improved demand for the U.K. risk management products we offer, both now and over the long term.

Just as in North America, EnronOnline is increasing Enron's reach and volumes in Europe and is a prime driver of liquidity. Its simple contracts, multi-currency capabilities, transparent and competitive prices and easy accessibility have won EnronOnline rapid acceptance.

In the U.K., power and gas volumes more than doubled, with power rising to 113 million MWh in 2000, and gas volumes climbing 119 percent to reach 3.2 Bcf/d. Several market factors are likely to create more business for us. The U.K.'s New Electricity Trading Agreements, which replace the existing U.K. power pool, are scheduled to be implemented by the second quarter of 2001. The agreements will result in increased price volatility, and Enron is well-positioned to help customers manage this risk. Additionally, lower power prices are shrinking profit margins for U.K. merchant power plants, which increasingly need to turn to market intermediaries, such as Enron, to hedge their fuel and power prices.

On the Continent, our power volumes increased to 50 million MWh in 2000 from 7 million MWh in 1999. We are transacting at all major country interconnections, benefiting from cross-border opportunities. We closed our first ever transaction in France and are an active player in Germany and Switzerland. We are beginning to partner with utilities to offer comprehensive portfolio management services, such as our agreement to purchase and distribute power jointly with Swiss Citypower AG, which controls 19 percent of the Swiss electricity market.

EnronOnline

EnronOnline successfully leverages Enron's core market-making capabilities, benefiting both our customers and Enron. The web-based system makes it easier to do business with Enron. It also accelerates the growth of Enron's existing businesses and facilitates quick and efficient entry into new markets.

In Spain, electricity demand is growing faster than anywhere else in Europe, and there are limited import and export capabilities. Enron is responding to this opportunity by developing a 1,200-megawatt plant in Arcos, south of Seville, that should close financing in 2001.

Continental gas liquidity is just starting to increase. Our volumes grew to 472 million cubic feet per day (MMcf/d) in 2000 from 53 MMcf/d in 1999. While the market is in its early stages, Enron has managed to increase weekly transactions from about 5 to 100 over the course of a year. In October we initiated the first gas supply deal in Germany to the local utilities of Heidelberg, Tuebingen and Bensheim. We also are delivering natural gas to some large users in the Netherlands and France.
We continue to set records in the Nordic region, where we are the largest power marketer. Electricity volumes increased nearly 150 percent to reach 77 million MWh in 2000 from 31 million MWh in 1999. Enron's Oslo office also is now the base of our European weather risk management business.

As more Nordic companies outsource energy supply and management, Enron's products and services — including advanced technology applications — are eagerly sought. In December Enron entered into a two-year portfolio management agreement with UPM-Kymmene Corp., one of the world's largest forest products companies. Enron will assist opportunities to support our market-making activities, including inside-the-fence power generation. Under consideration are a number of sites, which may be fueled by gas, liquefied natural gas or coal.

Enron Australia

Enron's market-making ability has been successfully extended to Australia, where Enron is a leading provider of logistical solutions in the country's power market. During 2000 we introduced weather risk management products in the region, offering temperature-based products for Sydney, Melbourne, Hong Kong, Tokyo and Osaka. The Sydney office also provides a strategic platform for the extension of Enron's coal, metals and broad-

Making Markets
Enron's networks of assets and contractual relationships allow us to make markets and offer real-time pricing for more than 1,200 products on EnronOnline. This tremendous market liquidity attracts customers and further increases Enron's volumes and market share.

Customer Relationships
EnronOnline provides customers with a more convenient way to discover prices and do business with Enron, which increases transaction volumes and attracts new customers. The system automatically taps into Enron's sophisticated customer-credit profiles to protect Enron from credit risk.

Information Systems
EnronOnline is fully integrated with Enron's proprietary information systems, which provide critical market information, process thousands of deals and help assess and manage market and other risks. As a result, Enron manages risks instantaneously even in the most volatile markets.

Scalability
Enron's well-tuned back-office systems, integrated with EnronOnline, has proven its ability to scale as Enron's total transactions have grown from an average of 650 a day at EnronOnline's November 1999 launch to an average of 7,900 a day by year-end 2000. As EnronOnline expands products and volumes, Enron's scalable back-office will continue to be a competitive advantage.

UPM-Kymmene in optimizing its Nordic power portfolio of approximately 14 terawatt hours.

Enron Japan

Enron Japan formally opened its Tokyo office in October 2000. Japan represents an enormous opportunity: its electricity rates are the highest in the world, and electricity consumption is second only to the United States. We have attracted top talent to develop wholesale and joint venture possibilities, and have introduced our first product for large electricity users — three- to five-year contracts that will reduce electricity bills immediately by up to 10 percent the first year, with the possibility of further reductions in subsequent years. Our first contracts were signed in early 2001.

Through joint ventures with several Japanese companies, Enron is exploring merchant plant businesses, as well as providing support for Enron's operations in the Asia-Pacific region.

Extending to New Markets

Enron's durable business approach, which has driven our success in the natural gas and electricity markets, is eminently applicable to other markets and geographical regions. While we are remaining focused on increasing earnings and opportunities in gas and power, we also are extending Enron's method to large, fragmented industries and products, where intermediation can make markets more efficient and responsive to customer needs. We expect these new businesses to contribute to earnings in 2001.

Enron Metals was launched in July 2000 when Enron acquired the world's leading merchant of nonferrous metals, MG plc. Together, MG and Enron are
a powerful team. Enron’s financial resources and eCommerce abilities add a new dimension to MG's widespread physical merchant skills and excellent customer relationships. The early results are right on target, with physical volumes up 31 percent in 2000.

Enron Metals opens an additional door to large energy customers. Cominco Ltd., a zinc producer and an Enron Metals customer in Vancouver, British Columbia, worked with Enron to halt zinc production for six weeks and sell its power into the Northwestern power market, where it was needed. Enron North America protected Cominco by structuring a fixed-price swap to guarantee the sale price of the power, and Enron Metals arranged to

Coal intermediation moved to a new level in 2000. The industry has been radically affected by the worldwide deregulation of the electricity industry. Like natural-gas-fueled generation, coal-burning generators require flexible terms and risk-management protection. Enron is able to provide unrivaled logistical support. Our coal business has led us to participate in sea and land logistics as well.

Weather has never been better for us. Our weather risk management business is up about five-fold to 1,629 transactions in 2000 from 321 transactions the year before. As in all of our markets, we bring cross-commodity capabilities to our weather products. For instance, we closed a three-

One Coal Contract Covers All Logistics

The process of sourcing and delivering coal to an electricity generator is a complicated process. Enron provides a single, comprehensive solution to manage all logistics and risk, whether the coal is sourced domestically or abroad. In some cases, we have reduced the customer’s cost of coal by as much as 10 percent.

Supply a portion of the zinc required to fulfill Cominco’s obligations. Cominco’s profit from the deal exceeded the annual profit it makes from producing zinc.

Enron Credit is a new business with strong market potential. Enron has leveraged its internal risk management processes and systems to create a real-time, market-based online credit evaluation system. The idea is simple. Existing credit ratings and scoring mechanisms are not market-based and cannot respond in real time to credit events. This means creditors must figure out their credit risk exposure on their own. Enron Credit posts the cost of credit as a simple interest rate for more than 10,000 companies on its web site, www.enroncredit.com. Enron Credit also gives corporations the ability to hedge their credit risk via a bankruptcy product.

year precipitation transaction that provides financial compensation linked to natural gas prices if precipitation falls below a pre-determined minimum. The weather unit worked with several other Enron groups to transfer Enron’s risk, ultimately transacting with 10 external companies in three markets (natural gas, weather products and insurance). The bundled end-product resulted in an effective hedge for the customer.

Crude oil. We now average crude deliveries of 7.5 TBarrels to 240 customers in 46 countries. We have introduced the first-ever 24x7 commodity market of a West Texas Intermediate crude product on EnronOnline, allowing our customers to respond to market-changing events at any time, day or night. We also concluded our biggest physical jet fuel contract, providing 100,000 barrels for one
year at the flexible and market-based prices that the customer needed.

LNG. Enron is establishing a liquefied natural gas (LNG) network to create merchant LNG opportunities and to bring more gas to areas of the world that need it. Our LNG-related assets in operation and development in the Caribbean and the Middle East form part of this network. We source surplus LNG from the Middle East and Asia and currently market it in the United States.

Forest Products. Enron has offered pulp, paper and lumber financial products for several years, and now we are marketing physical volumes. In 2000 we acquired Garden State Paper Co., which gives us access to 210,000 tons of newsprint a year and four recycling centers in key markets. In January 2001 we agreed to purchase a newsprint mill and related assets in Canada. With this acquisition, Enron will become the seventh-largest producer of newsprint in North America, giving us the physical liquidity necessary to quickly grow this business. Enron’s Clickpaper.com™ is powered by the EnronOnline platform but is totally customized for the forest products industry. It offers more than 100 financial and physical products and features news and information tailored specifically to forest products industry customers.

Steel. In some markets, such as steel, we believe we can run our network with minimal assets. The industry currently suffers from overcapacity, but lacks a market mechanism to efficiently market the surplus. We will offer a core commodity baseline product that can be indexed against almost all other products in this $330 billion industry. The outlook is promising—we have transacted our first steel swap. This year we will build liquidity, improve pricing efficiency and gain contractual access to the physical product to provide comprehensive logistical support.

Enron Global Assets

Enron Global Assets manages and optimizes Enron’s assets outside North America and Europe. Enron has a solid portfolio of asset-based businesses. However, with the higher returns available in the company’s other businesses, we expect to divest some interests in a number of these assets. The remaining asset businesses will continue to focus on performance and complementing our market-making and services businesses.

Enron Wind Corp.

The economics of wind power are more promising than ever, creating significant growth for Enron Wind. Technological advancements and lower costs associated with today’s larger, more efficient wind turbines have made wind power costs competitive with fossil fuel-generation for the first time. This cost competitiveness, together with government policies supporting renewable energy in most key markets and growing consumer demand for green energy, have fueled 30 percent annual growth over the past five years.

With focused efforts in the world’s three key wind power markets—Germany, Spain and the United States—Enron Wind completed 2000 with revenues of approximately $460 million. Strong growth in both the United States and Europe will account for a projected sales increase of approximately 100 percent in 2001.
ENRON ENERGY SERVICES

Enron Energy Services is the retail arm of Enron, serving business users of energy in commercial and industrial sectors. Our comprehensive energy outsourcing product has proven an exceptionally effective way for companies to reduce their costs, manage risks of energy price volatility, improve their energy infrastructure and focus resources on their core businesses.

Enron Energy Services recorded its first profitable quarter as expected at the end of 1999, and continued to grow rapidly through 2000, with increasing profits in all four quarters of 2000 and aggregate recurring income before interest and taxes (IBIT) of $103 million for the year. The value of our contracts in 2000 totaled more than $16 billion, increasing Enron Energy Services' cumulative contract value to more than $30 billion since late 1997.

This success reflects growing acceptance of Enron's energy outsourcing product -- acceptance that has meant an increasing rate of new contracting. Our retail energy success in 2000 also reflects our strong emphasis on contract execution and implementation and on excellence in customer service. Additionally, 2000 was marked by increased activity in Europe -- an untapped market for energy outsourcing.

We are positioned to dramatically increase our profitability in 2001. Retail energy earnings will be fueled by the rapid growth of our U.S. and European businesses and the strong execution and extension of existing contracts.

Market Volatility

The U.S. energy sector experienced unprecedented challenge and opportunity in 2000. In national terms, steady movement toward a functioning deregulated energy marketplace continues. More than half of the country's population is scheduled to be able to choose their electricity supplier by 2004. The ongoing energy crisis in California has focused everyone's attention on the complexities of incomplete deregulation, the risks of unreliable supply and the costs of unmanaged energy demand. Enron provides commercial and industrial energy customers with the solutions they need, bringing reliability and price-risk management to a market otherwise fraught with uncertainty.

The volatility of energy prices across the country has heightened the value of energy management and increased the demand for retail services. With our series of capabilities -- energy commodity and price risk management capabilities, energy asset management and capital solutions -- we remain the only firm with the skill, experience, depth and versatility to provide a comprehensive solution to address uncertain, rapidly changing markets.

Customer Relationships

The core of Enron's retail business is developing long-term, multi-year relationships with our customers. The value at contract signing is only a part of the potential value that can be realized when satisfied customers seek to add additional Enron services to their contracts.

Of the $16.1 billion in total contract value signed in 2000, approximately $3 billion came from expansions of existing contract relationships. For example, in 1998, we signed a five-year, $250 million contract with World Color Press, which later merged with Quebecor. In 2000, based on Quebecor

Measuring Performance

Companies can't improve what they can't measure. That's why Enron has developed a state-of-the-art Performance Measurement Center (PMC) that monitors, predicts and charges customer energy consumption. Powered by a flexible Internet-based link that connects customers' building controls to the PMC, and operated by a team of energy management professionals, the PMC is a unique resource, enabling genuinely proactive energy management.

World's satisfaction, the relationship was extended and expanded to a 10-year, $1 billion agreement including not only commodity supply, but also overall energy management, including the design and implementation of improvements in energy asset infrastructure in more than 60 facilities operated by Quebecor World.

We value our long-term customer relationships, and the health of these relationships can't be left to luck, instinct or vague impressions. Our Customer Satisfaction Program continually captures our performance against expectations and benchmarks those results. Further, it is designed to ensure identification and resolution -- including prompt escalation to the executive level if needed -- of any issue that might arise.
Medium-size Business Market

In the first three years of U.S. operation, Enron Energy Services has been squarely focused on Fortune 1000 customers. But U.K.-based Enron Direct has successfully penetrated the immense medium-size business market, proving that we can sell energy to smaller enterprises in a truly open retail market.

Since gaining regulatory approval in February 1999 through the end of 2000, Enron Direct has acquired more than 130,000 gas and power customers, and continues to grow at a substantial rate. The profitability of these smaller accounts comes from Enron’s long-term price risk management capability and Enron Direct’s low-cost sales channels. Our high expectations for medium-size businesses are

**SENSIBLE INVESTMENTS**

PMc data identify opportunities to improve efficiency through equipment upgrades or through changes in processes, without adversely affecting a client’s operations. The PMC’s sophisticated modeling systems calculate a cost-benefit analysis for every potential investment in energy assets. This analysis includes a real-time correlation with the price of commodities—-to help companies not only make decisions but also to show them that there are decisions to be made.

**REDUCING PEAK DEMAND**

The cost of energy varies widely over the course of the day. The PMC uses real-time pricing information, and the stream of data coming from the customer site, to automatically and remotely reduce customers’ low-priority energy use when the price of energy is highest—ensuring that the customer gets maximum benefit for every dollar spent on energy.

**DIAGNOSTIC MEASUREMENTS**

Most energy users don’t realize something is wrong until the energy bill comes, and then it is much too late. But with the Enron PMC, real-time monitoring means that unusual changes in energy demand are tracked instantaneously, enabling Enron and the customer to identify and address problems before energy costs get out of hand.

**MINIMIZING DOWNTIME**

When repairs are needed, PMC personnel can help control the costs of vendor calls and on-site repairs through diagnostic data, and through best-practice management of a network of thousands of service providers. We work with service providers to categorize and analyze the actual cost of repairs. With Enron’s expertise and scale, we can improve response times, reduce downtime and cut the cost of repairs and maintenance.

reflected by the rapid expansion of the European operation. Enron Directo already is active in Madrid, Spain, and similar businesses will be launched in other countries as well.

It is our strong belief that Enron is uniquely positioned to benefit both in the United States and Europe from the world’s steady shift toward deregulated energy markets. We will continue to provide sensible market solutions for the effective management of energy costs, and will continue to build a dynamic global retail business to drive company profits and sustain our reputation for innovation.
ENRON BROADBAND SERVICES

Enron Broadband Services made excellent progress executing its business plan in 2000. The build-out of Enron's 18,000-mile global fiber network is near completion, bandwidth intermediation transaction volume is growing exponentially, and we are testing the first commercially sound premium content-on-demand service. Clearly, the Enron business model is working in the broadband market.

Enron Broadband Services' goals are to:

- Deploy the most open, efficient global broadband network, the Enron Intelligent Network.
- Be the world's largest marketer of bandwidth and network services.
- Be the world's largest provider of premium content delivery services.

The Enron Intelligent Network

We expect to be the first to provide broadband connectivity on a global basis through the Enron Intelligent Network (EIN). The EIN operates as a "network of networks," providing switching capacity between independent networks for low-cost scalability. We will continue to add pooling points, which physically interconnect third parties' networks and serve as reference points for bandwidth contracts. We currently operate 25 pooling points: 18 in the United States, and one each in Tokyo, London, Brussels, Amsterdam, Paris, Dusseldorf and Frankfurt. We expect to add at least 10 more in 2001.

EIN's embedded intelligence, provided by Enron's proprietary Broadband Operating System (BOS), gives Enron unique, powerful multi-layer network control. The Enron BOS enables the EIN to:

- Dynamically provision bandwidth in real time.
- Control quality and access to the network for Internet Service Providers.
- Control and monitor applications as they stream over the network to ensure quality and avoid congested routes.

The BOS automates the transaction process all the way from the initial request for capacity to provisioning, electronic billing and funds transfer. With the BOS, Enron has created the first scalable, fully integrated transaction processing platform for delivering bandwidth capacity.

Bandwidth Intermediation

We exceeded our expectations by delivering more than 72,000 terabytes of network services in 2000, demonstrating rapidly growing industry acceptance of our flexible services. We are creating the risk management building blocks to manage almost every element of the network in addition to bandwidth: dark fiber, circuits, Internet Protocol (IP) services (transporting data packets according to IP standards) and storage capacity.

To date we have transacted with 45 counterparties, including U.S. and international telecommunications carriers, marketers and resellers and network service providers. In 2001 we expect to deliver 570,000 terabytes as we grow both the breadth and the depth of our network and products. We offer 32 bandwidth-related products on EnronOnline.

Enron's ability to provide bandwidth-on-demand at specified service levels and guaranteed delivery enables customers to access capacity without necessarily building, buying or expanding their own networks. Our bundled intermediation package includes IP transport over land, under the sea, and via satellite, at both fixed and peak-usage terms. For example, we are working with i2 Technologies, a global provider of intelligent eBusiness solutions, to connect with customers in six cities, including four overseas. i2 has provisioned local-loop and long-haul capacity through Enron, and has low-cost access to our network's equipment as if it were its own, but it now has the flexibility to quickly add or discard capacity as day-to-day needs change.

Data storage is a $30 billion-per-year business, and we know customers would like to purchase it on an as-needed basis. In January 2001 we completed our first data storage transactions with a
leading provider of managed storage services, StorageNetworks, and a large retailer, Best Buy. Best Buy is buying off-site storage capacity to save money and gain flexibility to accommodate changing storage needs.

Content Services

In April 2000 Enron signed an agreement with a U.S. video rental retailer to deliver movies over the Enron Intelligent Network. The trial service is up and running in Seattle, Portland, Ore.; Salt Lake City and New York City. Additionally, we have established relationships with other high-visibility content providers. Over the next two or three years, we plan to deliver on-demand not only movies but sports, educational content, games, music and applications not yet imagined.

Market Innovator

Enron's innovative approach is as valuable in broadband as it is in energy. Our proven intermediation skills are creating new value for the industry and giving it a flexibility it has never enjoyed. We have combined our business model with readily available technologies to deliver premium content over the Enron Intelligent Network in a very compelling commercial model. We are not tied to any particular technology. We use the best solution at the best time for our customers, delivering the most reliable product at the lowest available cost in the marketplace.
ENRON TRANSPORTATION SERVICES

The Gas Pipeline Group formally changed its name in September 2000 to Enron Transportation Services to emphasize its ability to deliver innovative solutions to its customers. These emerging services augment our core competency: operating interstate pipelines safely and efficiently. In 2000 we continued our record of strong returns with consistent earnings and cash flow. Income before interest and taxes reached $391 million, up from $380 million in 1999. Cash flow from operations rose to $415 million in 2000 from $370 million in 1999. Throughout remained relatively unchanged in 2000 at 9.13

Purchasing Capacity Through EnronOnline

Enron Transportation Services has introduced several innovative customer services, including the use of EnronOnline. Northern Natural Gas, Transwestern Pipeline and Florida Gas Transmission are selling available firm and interruptible capacity on EnronOnline in addition to selling capacity through traditional methods. Customers already using EnronOnline to transact gas can now arrange transportation at the same time.

PRICE DISCOVERY
Knowledge helps customers make better decisions. Prices are fully transparent and instantly accessible, which allows buyers to know what their transportation costs will be when they are buying their gas.

OPTIMIZING THE ASSETS
When a pipeline is not totally subscribed, EnronOnline lets the market know it is available. Pipelines also can auction off highly desirable capacity by accepting sealed bids. EnronOnline gives Enron Transportation Services the ability to put more product in front of more of its customers than ever before.

billion cubic feet per day (Bcf/d), compared to 9.18 Bcf/d the previous year.

Together, our interstate pipelines span approximately 25,000 miles with a peak capacity of 9.8 Bcf/d. We transport 15 percent of U.S. natural gas demand. We connect to the major supply basins in the United States and Canada, and we continue to increase capacity from those basins to our major markets. We have added 840 million cubic feet per day (MMcfd) over the past two years, and nearly 1 Bcf/d is scheduled to enter service in the next three years. At the same time, our expense per MMcfd has declined by 26 percent from 1992 to today.

Enron Transportation Services pipelines have brought to market a variety of new products and services specifically tailored to address customer needs. Northern Natural Gas, for example, has used interruptible storage products that extend its capability to meet the growing demand for services to manage physical positions. Transwestern Pipeline Company is offering shippers increased service flexibility by accessing third-party storage. Across all pipelines, web-based applications have been introduced to allow customers to better manage transactions and allow the pipelines to maximize their capacity offerings. Northern Natural Gas, Transwestern Pipeline and Florida Gas Transmission began to sell available capacity on EnronOnline in 2000 to give customers the convenience of eCommerce transacting (see "Purchasing Capacity Through EnronOnline" on this page).

Northern Natural Gas

Northern Natural Gas, Enron’s largest pipeline, has approximately 16,500 miles of pipeline extending from the Permian Basin in Texas to the Great Lakes, providing extensive access to major utilities and industrials in the upper Midwest. The pipeline has market area peak capacity of 4.3 Bcf/d. It interconnects with major pipelines, including Great Lakes, Transwestern, El Paso, Northern Border and Trailblazer, to offer excellent northern, southern and western flow capabilities. Ninety-five percent of market area capacity is contracted through 2003.

Market area demand is expected to increase considerably with the development of approximately 2,000 megawatts of gas-fired generation over the next three years. The pipeline has developed innova-
tive and flexible services to meet the transportation, storage and balancing needs of power producers. It completed construction in October 2000 of a link to 445 megawatts of peaking power operated by Great River Energy in Minnesota. The link will transport up to 120 MMcf/d of gas.

Transwestern Pipeline

Transwestern operates approximately 2,500 miles of pipe with 1.7 Bcf/d of peak capacity. With pipeline originating in the San Juan, Permian and Anadarko Basins, Transwestern can move gas east to Texas or west to the California border. To respond to increased gas demand in California, Transwestern Pipeline added compressor facilities near Gallup, New Mexico, in May 2000 to increase mainline capacity by 140 MMcf/d to the California border. The new capacity is completely subscribed under long-term contracts. In 2000 the pipeline also added several major interconnects to tap into growing markets east of California.

The Transwestern system is fully subscribed for western deliveries through December 2005 and for eastern deliveries through December 2002. The system has the potential to quickly increase throughput capacity. An expansion project is expected to be filed this year and completed in 2002.

Florida Gas Transmission

Florida Gas Transmission serves the rapidly growing Florida peninsula and connects with 10 major pipelines. It has maintained a competitive position by staging expansions to keep pace with demand as it grows. With current peak capacity of 1.5 Bcf/d, Florida Gas Transmission will add 600 MMcf/d of capacity when its Phase IV and Phase V expansions are completed. The Fort Myers extension, part of a 200 MMcf/d Phase IV expansion, went into service on October 1, 2000, and the remainder is scheduled to go into service in May 2001. The 400-MMcf/d Phase V expansion has received preliminary approval from the Federal Energy Regulatory Commission and is expected to be completed in April 2002.

The 4,795-mile pipeline currently is evaluating supply connections to two proposed liquefied natural gas facilities.

Northern Border Partners, L.P.

Northern Border Partners, L.P. is a publicly traded partnership (NYSE: NBP), of which Enron is the largest general partner. Northern Border Partners owns a 70 percent general partner interest in Northern Border Pipeline, which extends 1,214 miles from the Canadian border in Montana to Illinois. The pipeline, a low-cost link between Canadian reserves and the Midwest market, has a peak capacity of 2.4 Bcf/d and is fully contracted under long-term agreements with an average term of six years. Its Project 2000 extension — 34 miles of pipe from Manhattan, Illinois, to a point near North Hayden, Indiana — will provide 544 MMcf/d to industrial markets in Indiana with a targeted in-service date of late 2001.

Late in 2000, Northern Border Pipeline settled its rate case, allowing it to switch from a cost-of-service tariff to a stated-rate tariff, which will provide rate certainty to customers, increase competitiveness and allow flexibility in services provided.

Northern Border Partners also owns interests in gathering systems in the Powder River and Wind River Basins in Wyoming, and recently signed a letter of intent to purchase Bear Paw LLC, which has extensive gathering and processing operations in the Powder River Basin and the Williston Basin. The partnership also owns Black Mesa Pipeline, a 273-mile cool-water slurry pipeline running from Kayenta, Arizona, to Mohave Power Station in Laughlin, Nevada.

Portland General Electric

The sale of Portland General Electric (PGE) to Sierra Pacific Resources has been delayed by the effect of recent events in California and Nevada on the buyer. In 2000 the Portland, Oregon-based electricity utility performed well in the face of regional wholesale price volatility. IBIT rose approximately 12 percent to $341 million. Total electricity sales reached 38.4 million megawatt-hours (MWh) compared to 31.9 million MWh in 1999. We will continue to drive performance while we pursue the utility's sale.
FINANCIAL REVIEW
Management's Discussion and Analysis of Financial Condition and Results of Operations

The following review of the results of operations and financial condition of Enron Corp. and its subsidiaries and affiliates (Enron) should be read in conjunction with the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Net income includes the following:

|--------------------------|-------|-------|-------|
| After-tax results before items | $1,266 | $957 | $698 | Net income includes the following:
| impacting comparability   |       |       |       |
| Items impacting comparability:  | (326) | -    | -    |
| Charge to reflect impairment by Azurix |       |       |       |
| Gain on TNPC, Inc. (The New Power Company), net | 39    | -    | -    |
| Gains on sales of subsidiary stock | 345   | 45   |       |
| MTBE-related charges       | (271) | (40) |       |
| Cumulative effect of accounting changes | (131) | -    | -    |
| Net income                 | $979  | $893 | $703  |

(1) See note for a 35% except where a specific tax rate applied.

Diluted earnings per share of common stock were as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>After-tax results before items impacting comparability</td>
<td>$1.47</td>
<td>$1.18</td>
<td>$1.00</td>
</tr>
<tr>
<td>Items impacting comparability:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge to reflect impairment by Azurix</td>
<td>(0.40)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain on The New Power Company, net</td>
<td>0.05</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains on sales of subsidiary stock</td>
<td>0.45</td>
<td>0.07</td>
<td></td>
</tr>
<tr>
<td>MTBE-related charges</td>
<td>(0.36)</td>
<td>(0.06)</td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>(0.17)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$1.12</td>
<td>$1.10</td>
<td>$1.01</td>
</tr>
</tbody>
</table>

(1) Restated to reflect the two-for-one stock split effective August 13, 1999.

Income Before Interest, Minority Interests and Income Taxes

The following table presents income before interest, minority interests and income taxes (IBIT) for each of Enron's operating segments (see Note 20 to the Consolidated Financial Statements):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation and Distribution:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation Services</td>
<td>391</td>
<td>380</td>
<td>351</td>
</tr>
<tr>
<td>Portland General</td>
<td>241</td>
<td>305</td>
<td>286</td>
</tr>
<tr>
<td>Wholesale Services</td>
<td>2,260</td>
<td>1,317</td>
<td>968</td>
</tr>
<tr>
<td>Retail Energy Services</td>
<td>165</td>
<td>(65)</td>
<td>(119)</td>
</tr>
<tr>
<td>Broadband Services</td>
<td>(60)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>65</td>
<td>128</td>
<td></td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>(615)</td>
<td>(4)</td>
<td>(32)</td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$2,482</td>
<td>$1,985</td>
<td>$1,582</td>
</tr>
</tbody>
</table>

Transportation and Distribution

Transportation Services. The following table summarizes total volumes transported by each of Enron's interstate natural gas pipelines:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Natural Gas</td>
<td>3,539</td>
<td>3,820</td>
<td>4,068</td>
</tr>
<tr>
<td>Transwestern Pipeline</td>
<td>1,657</td>
<td>1,462</td>
<td>1,606</td>
</tr>
<tr>
<td>Florida Gas Transmission</td>
<td>1,501</td>
<td>1,495</td>
<td>1,324</td>
</tr>
<tr>
<td>Northern Border Pipeline</td>
<td>2,443</td>
<td>2,405</td>
<td>1,770</td>
</tr>
</tbody>
</table>

(1) Billion British thermal units per day. Amounts reflect 100% of each entity's throughput volumes. Florida Gas and Northern Border Pipeline are unconsolidated equity affiliates.
Significant components of IBIT are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$650</td>
<td>$626</td>
<td>$640</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>280</td>
<td>264</td>
<td>276</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>67</td>
<td>66</td>
<td>70</td>
</tr>
<tr>
<td>Equity earnings</td>
<td>63</td>
<td>38</td>
<td>32</td>
</tr>
<tr>
<td>Other, net</td>
<td>25</td>
<td>46</td>
<td>25</td>
</tr>
<tr>
<td>Income before interest and taxes</td>
<td>$391</td>
<td>$380</td>
<td>$351</td>
</tr>
</tbody>
</table>

Revenues, net of cost of sales, of Transportation Services increased $24 million (4%) during 2000 and declined $14 million (2%) during 1999 as compared to 1998. In 2000, Transportation Services' interstate pipelines produced strong financial results. The volumes transported by Transwestern increased 13 percent in 2000 as compared to 1999. Northern's 2000 gross margin was comparable to 1999 despite an 8 percent decline in volumes transported. Net revenues in 2000 were favorably impacted by transportation revenues from Transwestern’s Gallup, New Mexico expansion and by sales from Northern’s gas storage inventory. The decrease in net revenue in 1999 compared to 1998 was primarily due to the expiration, in October 1998, of certain transition cost recovery surcharges, partially offset by a Northern sale of gas storage inventory in 1999.

Operating Expenses:

Operating expenses, including depreciation and amortization, of Transportation Services increased $17 million (5%) during 2000 primarily as a result of higher overhead costs related to information technology and employee benefits. Operating expenses decreased $16 million (5%) during 1999 primarily as a result of the expiration of certain transition cost recovery surcharges which had been recovered through revenues.

Equity Earnings:

Equity in earnings of unconsolidated equity affiliates increased $25 million and $6 million in 2000 and 1999, respectively. The increase in equity earnings in 2000 as compared to 1999 primarily relates to Enron's investment in the Florida Gas. The increase in earnings in 1999 as compared to 1998 was primarily a result of higher earnings from Northern Border Pipeline and EOTT.

Other Net:

Other net decreased $21 million in 2000 as compared to 1999 after increasing $21 million in 1999 as compared to 1998. Included in 2000 were gains related to an energy commodity contract and the sale of compressor-related equipment, while the 1999 amount included interest income earned in connection with the financing of an acquisition by EOTT. The 1998 amount included gains from the sale of an interest in an equity investment, substantially offset by charges related to litigation.

Portland General. Portland General realized IBIT as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$2,256</td>
<td>$1,379</td>
<td>$1,196</td>
</tr>
<tr>
<td>Purchased power and fuel</td>
<td>1,481</td>
<td>639</td>
<td>451</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>321</td>
<td>304</td>
<td>295</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>211</td>
<td>161</td>
<td>183</td>
</tr>
<tr>
<td>Other, net</td>
<td>76</td>
<td>50</td>
<td>19</td>
</tr>
<tr>
<td>Income before interest and taxes</td>
<td>$341</td>
<td>$305</td>
<td>$286</td>
</tr>
</tbody>
</table>

Revenues, net of purchased power and fuel costs, increased $55 million in 2000 as compared to 1999. The increase is primarily the result of a significant increase in the price of power sold and an increase in wholesale sales, partially offset by higher purchased power and fuel costs. Operating expenses increased primarily due to increased plant maintenance costs related to periodic outages. Depreciation and amortization increased in 2000 primarily as a result of increased regulatory amortization. Other, net in 2000 included the impact of an Oregon Public Utility Commission (OPUC) order allowing certain deregulation costs to be deferred and recovered through rate cases, the settlement of litigation related to the Trojan nuclear power generating facility and gains on the sale of certain generation-related assets.

Revenues, net of purchased power and fuel costs, decreased $55 million in 1999 as compared to 1998. Revenues increased primarily as a result of an increase in the number of customers served by Portland General. Higher purchased power and fuel costs, which increased 42 percent in 1999, offset the increase in revenues. Other income, net increased $31 million in 1999 as compared to 1998 primarily as a result of a gain recognized on the sale of certain assets.

In 1999, Enron entered into an agreement to sell Portland General Electric Company to Sierra Pacific Resources. See Note 2 to the Consolidated Financial Statements.

Statistics for Portland General are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity sales (thousand MWh)(a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>7,433</td>
<td>7,404</td>
<td>7,101</td>
</tr>
<tr>
<td>Commercial</td>
<td>7,627</td>
<td>7,392</td>
<td>6,781</td>
</tr>
<tr>
<td>Industrial</td>
<td>4,912</td>
<td>4,463</td>
<td>3,562</td>
</tr>
<tr>
<td>Total retail</td>
<td>19,872</td>
<td>19,259</td>
<td>17,444</td>
</tr>
<tr>
<td>Wholesale</td>
<td>18,548</td>
<td>12,612</td>
<td>10,889</td>
</tr>
<tr>
<td>Total electricity sales</td>
<td>38,420</td>
<td>31,871</td>
<td>28,331</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resource mix</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>11%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Combustion turbine</td>
<td>12%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Hydro</td>
<td>6%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Total generation</td>
<td>29%</td>
<td>32%</td>
<td>37%</td>
</tr>
<tr>
<td>Firm purchases</td>
<td>63%</td>
<td>57%</td>
<td>56%</td>
</tr>
<tr>
<td>Secondary purchases</td>
<td>8%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>Total resources</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average variable power cost (MWh/kWh)(b)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td>14.5</td>
<td>11.3</td>
</tr>
<tr>
<td>Firm purchases</td>
<td>34.9</td>
<td>23.2</td>
</tr>
<tr>
<td>Secondary purchases</td>
<td>123.6</td>
<td>19.7</td>
</tr>
<tr>
<td>Total average variable power cost</td>
<td>37.2</td>
<td>20.0</td>
</tr>
</tbody>
</table>

Retail customers (end of period, thousands): 325 719 204

(a) Thousand megawatt hours
(b) MWh/10c/kWh per average hour

Analysis:

Enron Transportation Services is expected to provide stable earnings and cash flows during 2001. The four major natural gas pipelines have strong competitive positions in their respective markets as a result of efficient operating practices, competitive rates and favorable market conditions. Enron Transportation Services expects to continue to pursue demand-driven expansion opportunities. Florida Gas expects to complete an expansion that will increase throughput by 188 million cubic feet per day (MMcfd) by mid-2001. Florida Gas has received preliminary approval from the Federal Energy Regulatory Commission for an expansion of 428 MMcfd, expected to be completed by early 2003, and is also pursuing an expansion of 150 MMcfd that is expected to be completed in mid-2003. Transwestern completed an expansion of 140 MMcfd in May 2000 and is pursuing an expansion of 50 MMcfd that is expected to be completed in 2001.
and an additional expansion of up to 150 MMcfd that is expected to be completed in 2002. Northern Border Partners is evaluating the development of a 325 mile pipeline with a range of capacity from 375 MMcfd to 500 MMcfd to connect natural gas production in Wyoming to the Northern Border Pipeline in Montana.

In 2001, Portland General anticipates purchased power and fuel costs to remain at historically high levels. Portland General has submitted a request with the OPCU to recover the anticipated cost increase through a rate adjustment.

Wholesale Services

Enron builds its wholesale businesses through the creation of networks involving selective asset ownership, contractual access to third-party assets and market-making activities. Each market in which Wholesale Services operates utilizes these components in a slightly different manner and is at a different stage of development. This network strategy has enabled Wholesale Services to establish a leading position in its markets. Wholesale Services' activities are categorized into two business lines: (a) Commodity Sales and Services and (b) Assets and Investments. Activities may be integrated into a bundled product offering for Enron's customers.

Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities). Additionally, Wholesale Services manages its liquidity and exposure to third-party credit risk through monetization of its contract portfolio or third-party insurance contracts. Wholesale Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

The following table reflects IBIT for each business line:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity sales and services</td>
<td>$1,630</td>
<td>$628</td>
<td>$411</td>
</tr>
<tr>
<td>Assets and investments</td>
<td>$889</td>
<td>$550</td>
<td>$708</td>
</tr>
<tr>
<td>Unallocated expenses</td>
<td>$239</td>
<td>$163</td>
<td>$197</td>
</tr>
<tr>
<td>Income before interest</td>
<td>$2,246</td>
<td>$1,317</td>
<td>$968</td>
</tr>
</tbody>
</table>

The following discussion analyzes the contributions to IBIT for each business line.

Commodity Sales and Services. Wholesale Services provides reliable commodity delivery and predictable pricing to its customers through forwards and other contracts. This market-making activity includes the purchase, sale, marketing and delivery of natural gas, electricity, liquids and other commodities, as well as the management of Wholesale Services' own portfolio of contracts. Contracts associated with this activity are accounted for using the mark-to-market method of accounting. See Note 1 to the Consolidated Financial Statements. Wholesale Services' market-making activity is facilitated through a network of capabilities including selective asset ownership. Accordingly, certain assets involved in the delivery of these services are included in the business (such as intrastate natural gas pipelines, gas storage facilities and certain electric generation assets).

Wholesale Services markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

|--------------------------|--------|--------|--------|
| Physical volumes (Billion MMBtu)
| Gas:                     |        |        |        |
| United States            | 17.674 | 8.982  | 7.418  |
| Canada                   | 6,325  | 4,298  | 3,486  |
| Europe and Other         | 3,637  | 1,512  | 1,267  |
| Total                    | 27,670 | 14,792 | 12,155 |
| Transportation volumes   | 419    | 557    | 559    |
| Total gas volumes        | 28,090 | 15,349 | 12,714 |
| Crude oil and Liquids    | 6,006  | 6,160  | 3,570  |
| Electricity/ 
| Total physical volumes (Billion MMBtu) | 17,308 | 10,342 | 11,024 |
| Electricity volumes (thousand MWh) |
| United States            | 378,778| 380,518| 401,843|
| Europe and Other         | 54,670 | 11,578 | 529    |
| Total                    | 433,448| 392,094| 402,372|

Financial settlements (in thousands, Billion MMBtu)

|--------------------------|--------|--------|--------|
| Earnings from commodity sales and services increased $3.0 billion (160%) in 2000 as compared to 1999. Increased profits from North American gas and power marketing operations, European power marketing operations as well as the value of new businesses, such as pulp and paper, contributed to the earnings growth of Enron's commodity sales and services business. Continued market leadership in terms of volumes transacted, significant increases in natural gas prices and price volatility in both the gas and power markets were the key contributors to increased profits in the gas and power intermediation businesses. In late 1999, Wholesale Services launched an Internet-based eCommerce system, EnronOnline, which allows wholesale customers to view Enron's real time pricing and to complete commodity transactions with Enron as principal, with no direct interaction. In its first full year of operation, EnronOnline positively impacted wholesale volumes, which increased 59 percent over 1999 levels. Earnings from commodity sales and services increased $217 million (33%) in 1999 as compared to 1998, reflecting strong results from the intermediation businesses in both North America and Europe, which include delivery of energy commodities and associated risk management products. Wholesale Services also successfully managed its overall portfolio of contracts, particularly in minimizing credit exposures utilizing third-party contracts. New product offerings in coal and pulp and paper markets also added favorably to the results. Assets and Investments. Enron's Wholesale businesses make investments in various energy and certain related assets as a part of its network strategy. Wholesale Services either purchases the asset from a third party or develops and constructs the asset. In most cases, Wholesale Services operates and manages such assets. Earnings from these investments principally result from operations of the assets or sales of ownership interests. Additionally, Wholesale Services invests in debt and equity securities of energy and technology-related businesses, which may also utilize Wholesale Services' products and services. With these merchant investments, Enron's influence is much more limited relative to assets Enron develops or constructs. Earnings from these activities, which are counted for on a fair value basis and are included in revenues, result from changes in the market value of the securities. Wholesale Services uses risk...
management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments. See Note 4 to the Consolidated Financial Statements for a summary of these investments.

Earnings from assets and investments increased $39 million (5%) in 2000 as compared to 1999 as a result of an increase in the value of Wholesale Services’ merchant investments, partially offset by lower gains from sales of energy assets. Earnings from asset operations were comparable to 1999 levels. Earnings from merchant investments were positively impacted by power-related and energy investments, partially offset by the decline in value of technology-related and certain energy-intensive industry investments. Gains on sales of energy assets in 2000 included the monetization of certain European energy operations.

Earnings from assets and investments increased $141 million (20%) in 1999 as compared to 1998. During 1999, earnings from Wholesale Services’ energy-related assets increased, reflecting the operation of the Dabhol Power Plant in India, ownership in Elektro Electricidade e Servicos S.A. (Elektro), a Brazilian electric utility and assets in various other developing markets. Wholesale Services’ merchant investments increased in value during the year due to the expansion into certain technology-related investments, partially offset by a decline in the value of certain energy investments. In addition, Wholesale Services’ 1999 earnings increased due to development and construction activities, while gains on sales of energy assets declined.

Unallocated Expenses: Net unallocated expenses such as systems expenses and performance-related costs increased in 2000 due to growth of Wholesale Services’ existing businesses and continued expansion into new markets.

Table:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$4,815</td>
<td>$1,807</td>
<td>$1,072</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>4,028</td>
<td>1,551</td>
<td>965</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>449</td>
<td>308</td>
<td>210</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>28</td>
<td>29</td>
<td>21</td>
</tr>
<tr>
<td>Equity losses</td>
<td>(80)</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td>Other, net</td>
<td>63</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>IBIT before items impacting comparability</td>
<td>103</td>
<td>(68)</td>
<td>(119)</td>
</tr>
<tr>
<td>Items impacting comparability: Gain on The New Power Company stock issuance</td>
<td>121</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Retail Energy Services charges</td>
<td>(53)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income (loss) before interest, minority interests and taxes</td>
<td>$165</td>
<td>$ (68)</td>
<td>$ (119)</td>
</tr>
</tbody>
</table>

Operating Results:

Revenues and gross margin increased $2,808 million and $321 million, respectively, in 2000 compared to 1999, primarily resulting from execution of commitments from its existing customer base, long-term energy contracts originated in 2000 and the increase in the value of Energy Services’ contract portfolio. Operating expenses increased as a result of costs incurred in building the capabilities to deliver services on existing customer contracts and in building Energy Services’ outsourcing business in Europe. Other, net in 2000 consisted primarily of gains associated with the securitization of non-merchant equity instruments. Equity losses reflect Energy Services’ portion of losses of The New Power Company.

Items impacting comparability in 2000 included a pre-tax gain of $121 million related to the issuance of common stock by The New Power Company and a charge of $59 million related to the write-off of certain information technology and other costs. The New Power Company, which is approximately 45 percent owned by Enron, was formed to provide electricity and natural gas to residential and small commercial customers in deregulated energy markets in the United States.
Outlook

During 2001, Energy Services anticipates continued growth in the demand for retail energy outsourcing solutions. Energy Services will deliver these services to its existing customers, while continuing to expand its commercial and industrial customer base for total energy outsourcing. Energy Services also plans to continue integrating its service delivery capabilities, extend its business model to related markets and offer new products.

Broadband Services

In implementing Enron's network strategy, Broadband Services is constructing the Enron Intelligent Network, a nationwide fiber-optic network that consists of both fiber deployed by Enron and acquired capacity on non-Enron networks and is managed by Enron's Broadband Operating System software. Enron is extending its market-making and risk management skills from its energy business to develop the bandwidth intermediation business to help customers manage unexpected fluctuations in the price, supply and demand of bandwidth. Enron's bandwidth-on-demand platform allows delivery of high-bandwidth media-rich content such as video streaming, high capacity data transport and video conferencing. Broadband Services also makes investments in companies with related technologies and with the potential for capital appreciation. Earnings from these merchant investments, which are accounted for on a fair value basis and are included in revenues, result from changes in the market value of the securities. Broadband Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments. Broadband Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

The components of Broadband Services' businesses include the development and construction of the Enron Intelligent Network, sales of excess fiber and software, bandwidth intermediation and the delivery of content. Significant components of Broadband Services' results are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Item before items impacting</td>
<td>$(288)</td>
<td>$ (17)</td>
<td>$ 7</td>
</tr>
<tr>
<td>compatibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items impacting comparability:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change to reflect impairment by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Azurix</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains on exchange and sales of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enron Oil &amp; Gas Co. (EOG) stock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge to reflect impairment of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MTBE assets and losses on contract</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MTBE production</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss before interest, minority</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>interests and taxes</td>
<td>$615</td>
<td>$ (4)</td>
<td>$(32)</td>
</tr>
</tbody>
</table>

Results for Corporate and Other in 2000 reflect operating losses from Enron's investment in Azurix (excluding the impairments discussed below) and increased information technology, employee compensation and corporate-wide expenses. Results for Corporate and Other in 1999 were impacted by higher corporate expenses, partially offset by increased earnings from EREc resulting from increased sales volumes from its German manufacturing subsidiary and from the completion and sale of certain domestic wind projects. Enron also recognized higher earnings related to Azurix. Results in 1998 were favorably impacted by increases in the market value of certain corporate-managed financial instruments, partially offset by higher corporate expenses.

Interest and Related Charges, Net

Interest and related charges, net of interest capitalized which totaled $38 million, $54 million and $66 million for 2000, 1999 and 1998, respectively, increased to $638 million in 2000 from $656 million in 1999 and $550 million in 1998. The increase in 2000 as compared to 1999 was primarily a result of increased long-term debt levels, increased average short-term borrowings, short-term debt assumed as a result of the acquisition of MG plc and higher interest rates in the U.S. The increase was partially offset by the replacement of debt related to a Brazilian subsidiary with lower interest rate debt.
The increase in 1999 as compared to 1998 was primarily due to debt issuances and debt related to a Brazilian subsidiary, partially offset by a decrease in debt related to EOG following the sale and exchange of Enron's interests in August 1999. See Note 2 to the Consolidated Financial Statements.

Minority Interests

Minority interests include the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electra[20]</td>
<td>$ 33</td>
<td>$ 39</td>
<td>$ -</td>
</tr>
<tr>
<td>Majority-owned limited liability company and limited partnerships</td>
<td>105</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>Enron Oil &amp; Gas Company</td>
<td>2</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>23</td>
<td>53</td>
</tr>
<tr>
<td>Total</td>
<td>$114</td>
<td>$115</td>
<td>$177</td>
</tr>
</tbody>
</table>

[20] Refer to the respective parents of Electra, which had minority shareholders in 2000 and 1999. See Note 2 to the Consolidated Financial Statements.

The total impact of Enron's adoption of SFAS No. 133 on earnings and on "Other Comprehensive Income" is dependent upon certain pending interpretations, which are currently under consideration, including those related to "normal purchases and normal sales" and inflation escalators included in certain contract payment provisions. The interpretations of these issues, and others, are currently under consideration by the FASB. While the ultimate conclusions reached on interpretations being considered by the FASB could impact the effects of Enron's adoption of SFAS No. 133. Enron does not believe that such conclusions would have a material effect on its current estimate of the impact of adoption.

FINANCIAL CONDITION

Cash Flows

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by (used in):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>$4,779</td>
<td>$1,228</td>
<td>$1,640</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(4,264)</td>
<td>(3,107)</td>
<td>(3,965)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>571</td>
<td>2,456</td>
<td>2,286</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities increased $3,551 million in 2000, primarily reflecting decreases in working capital, positive operating results and a receipt of cash associated with the assumption of a contractual obligation. Net cash provided by operating activities decreased $412 million in 1999, primarily reflecting increases in working capital and net assets from price risk management activities, partially offset by increases in earnings and higher proceeds from sales of merchant assets and investments. The 1998 amount reflects positive operating cash flow from Enron's major business segments, proceeds from sales of interests in energy-related merchant assets and cash from timing and other changes related to Enron's commodity portfolio, partially offset by increased investments in merchant assets and investments.

Net cash used in investing activities primarily reflects capital expenditures and equity investments, which total $3,314 million in 2000, $3,085 million in 1999 and $3,564 million in 1998, and cash used for business acquisitions. See "Capital Expenditures and Equity Investments" below and see Note 2 to the Consolidated Financial Statements for cash used for business acquisitions. Partially offsetting these uses of cash were proceeds from sales of non-merchant assets, including certain equity instruments by Energy Services and an international power project, which totaled $494 million in 2000. Proceeds from non-merchant asset sales were $294 million in 1999 and $239 million in 1998.

Cash provided by financing activities in 2000 included proceeds from the issuance of subsidiary equity and the issuance of common stock related to employee benefit plans, partially offset by payments of dividends. Cash provided by financing activities in 1999 included proceeds from the net issuance of short- and long-term debt, the issuance of common stock and the issuance of subsidiary equity, partially offset by payments of dividends. Cash provided by financing activities in 1998 included proceeds from the net issuance of short- and long-term debt, the issuance of common stock and the sale of a minority interest in a subsidiary, partially offset by payments of dividends.

NEW ACCOUNTING PRONOUNCEMENTS

In 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 must be applied to all derivative instruments and certain derivative instruments embedded in hybrid instruments and requires that such instruments be recorded in the balance sheet either as an asset or liability measured at its fair value through earnings, with special accounting allowed for certain qualifying hedges. Enron will adopt SFAS No. 133 as of January 1, 2001. Due to the adoption of SFAS No. 133, Enron will recognize an after-tax non-cash loss of approximately $5 million in earnings and an after-tax non-cash gain in "Other Comprehensive Income," a component of shareholders' equity, of approximately $22 million from the cumulative effect of a change in accounting principle. Enron will also reclassify $32 million from "Long-Term Debt" to "Other Liabilities" due to the adoption.
Capital expenditure by operating segment are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation and Distribution</td>
<td>$140</td>
<td>$270</td>
<td>$316</td>
<td>$310</td>
</tr>
<tr>
<td>Wholesale Services</td>
<td>$570</td>
<td>1,280</td>
<td>1,216</td>
<td>706</td>
</tr>
<tr>
<td>Retail Energy Services</td>
<td>$50</td>
<td>70</td>
<td>64</td>
<td>75</td>
</tr>
<tr>
<td>Broadband Services</td>
<td>700</td>
<td>436</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>-</td>
<td>226</td>
<td>890</td>
<td>-</td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>40</td>
<td>323</td>
<td>541</td>
<td>124</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,500</strong></td>
<td><strong>$2,381</strong></td>
<td><strong>$2,363</strong></td>
<td><strong>$1,905</strong></td>
</tr>
</tbody>
</table>

Capital expenditures increased $18 million in 2000 and $458 million in 1999 as compared to the previous year. Capital expenditures in 2000 primarily relate to construction of power plants to extend Wholesale Services’ network and fiber optic network infrastructure for Broadband Services. During 1999, Wholesale Services expenditures increased due primarily to construction of domestic and international power plants. The 1999 increase in Corporate and Other reflects the purchase of certain previously leased MTBE-related assets.

Equity investments in 2000 relate primarily to capital invested for the ongoing construction, by a joint venture, of a power plant in India as well as other international investments. Equity investments in 1999 relate primarily to an investment in a joint venture that holds gas distribution and related businesses in South Korea and the power plant project in India.

The level of spending for capital expenditures and equity investments will vary depending upon conditions in the energy and broadband markets, related economic conditions and identified opportunities. Management expects that the capital spending program will be funded by a combination of internally generated funds, proceeds from dispositions of selected assets and short- and long-term borrowings.

Working Capital

At December 31, 2000, Enron had working capital of $2.0 billion. If a working capital deficit should occur, Enron has credit facilities in place to fund working capital requirements at December 31, 2000, so that credit lines provided for up to $4.2 billion of committed and uncommitted credit, of which $290 million was outstanding. Certain of the credit agreements contain pre-funding covenants. However, such covenants are not expected to restrict Enron's access to funds under these agreements. In addition, Enron's commercial paper and has agreements to sell trade accounts receivable, thus providing financing to meet seasonal working capital needs. Management believes that the sources of funding described above are sufficient to meet short- and long-term liquidity needs not met by cash flows from operations.
**Market Risk**

The use of financial instruments by Enron’s businesses may expose Enron to market and credit risks resulting from adverse changes in commodity and equity prices, interest rates and foreign exchange rates. For Enron's businesses, the major market risks are discussed below:

**Commodity Price Risk.** Commodity price risk is a consequence of providing price risk management services to customers. As discussed above, Enron actively manages this risk on a portfolio basis to ensure compliance with Enron’s stated risk management policies.

**Interest Rate Risk.** Interest rate risk is also a consequence of providing price risk management services to customers and having variable rate debt obligations, as changing interest rates impact the discounted value of future cash flows. Enron utilizes forwards, futures, swaps and options to manage its interest rate risk.

**Foreign Currency Exchange Rate Risk.** Foreign currency exchange rate risk is the result of Enron’s international operations and price risk management services provided to its worldwide customer base. The primary purpose of Enron’s foreign currency hedging activities is to protect against the volatility associated with foreign currency purchase and sale transactions. Enron primarily utilizes forward exchange contracts, futures and options to manage Enron’s profit profile.

**Equity Risk.** Equity risk arises from Enron’s participation in investments. Enron generally manages this risk by hedging specific investments using futures, forwards, swaps and options.

Enron evaluates, measures and manages the market risk in its Investments on a daily basis utilizing at risk and other methodologies. The quantification of market risk using value at risk provides a consistent measure of risk across diverse markets and products. The use of these methodologies requires a number of key assumptions including the selection of a confidence level for expected losses, the holding period for liquidation and the treatment of risks outside the value at risk methodologies, including liquidity risk and event risk. Value at risk represents an estimate of reasonably possible net losses in earnings that would be recognized on its investments assuming hypothetical movements in future market rates and no change in positions. Value at risk is not necessarily indicative of actual results which may occur.

**Value at Risk**

Enron has performed an entity-wide value at risk analysis of virtually all of Enron’s financial instruments, including price risk management activities and merchant investments. Value at risk incorporates numerous variables that could impact the fair value of Enron’s investments, including commodity prices, interest rates, foreign exchange rates, equity prices and associated volatilities, as well as correlation within and across these variables. Enron estimates value at risk for commodity interest rate and foreign exchange exposures using a model based on Monte Carlo simulation of delta/gamma positions which captures a significant portion of the exposure related to option positions. The value at risk for equity exposure discussed above is based on J.P. Morgan’s RiskMetrics™ approach. Both value at risk methods utilize a one-day holding period and a 95% confidence level. Cross-commodity correlations are used as appropriate.

The use of value at risk models allows management to aggregate risks across the company, compare risk on a consistent basis and identify the drivers of risk. Because of the inherent limitations to value at risk, including the use of delta/gamma approximations to value options, subjectivity in the choice of liquidation period and reliance on historical data to calibrate the models, Enron relies on value at risk as only one component in its risk control process. In addition to using value at risk measures, Enron performs regular stress and scenario analyses to estimate the economic impact of sudden market moves on the value of its portfolios. The results of the stress testing, along with the professional judgment of experienced business and risk managers, are used to supplement the value at risk methodology and capture additional market-related risks, including volatility, liquidity and event, concentration and correlation risks.

The following table illustrates the value at risk for each component of market risk:

<table>
<thead>
<tr>
<th>Component of Market Risk</th>
<th>December 31, Year ended December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td><strong>Trading Market Risk</strong></td>
<td></td>
</tr>
<tr>
<td>Commodity price</td>
<td>$145</td>
</tr>
<tr>
<td>Interest rate</td>
<td>-</td>
</tr>
<tr>
<td>Foreign currency exchange rate</td>
<td>-</td>
</tr>
<tr>
<td>Equity</td>
<td>59</td>
</tr>
<tr>
<td><strong>Non-Trading Market Risk</strong></td>
<td></td>
</tr>
<tr>
<td>Commodity price</td>
<td>2</td>
</tr>
<tr>
<td>Interest rate</td>
<td>-</td>
</tr>
<tr>
<td>Foreign currency exchange rate</td>
<td>8</td>
</tr>
<tr>
<td>Equity</td>
<td>7</td>
</tr>
</tbody>
</table>

The average value presented is a twelve month average of the month-end values. The high and low valuations for each market risk component represent the highest and lowest month-end value during 2000.

*In 2000, increased natural gas prices combined with increased price volatility in power and gas markets caused Enron's value at risk to increase significantly.*

*Enron’s equity trading market risk primarily relates to merchant investments (see Note 4 to the Consolidated Financial Statements). In 2000, the value at risk model utilized for equity trading market risk was refined to more closely correlate with the valuation methodologies used for merchant activities.*

*Includes only the risk related to the financial instruments that serve as hedges and does not include the related underlying hedged item.*

**Accounting Policies**

Accounting policies for price risk management and hedging activities are described in Note 1 to the Consolidated Financial Statements.
Information Regarding Forward-Looking Statements

This Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts contained in this document are forward-looking statements. Forward-looking statements include, but are not limited to, statements relating to expansion opportunities for the Transportation Services, extension of Enron’s business model to new markets and industries, demand in the market for broadband services and high bandwidth applications, transaction volumes in the U.S. power market, commencement of commercial operations of new power plants and pipeline projects, completion of the sale of certain assets and growth in the demand for retail energy outsourcing solutions. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “project,” “plan,” “should” and similar expressions are intended to be among the statements that identify forward-looking statements. Although Enron believes that its expectations reflected in these forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include success in marketing natural gas and power to wholesale customers; the ability of Enron to penetrate new retail natural gas and electricity markets (including energy outsourcing markets) in the United States and foreign jurisdictions; development of Enron’s broadband network and customer demand for interconnection, content, and services; the timing, extent and market effects of deregulation of energy markets in the United States, including the current energy market conditions in California, and in foreign jurisdictions; other regulatory developments in the United States and in foreign countries, including tax legislation and regulations, political developments in foreign countries; the extent of efforts by governments to privatize natural gas and electric utilities and other industries; the timing and extent of changes in commodity prices for crude oil, natural gas, electricity, foreign currency and interest rates; the extent of success in acquiring oil and gas properties and in discovering, developing, producing and marketing reserves; the timing and success of Enron’s efforts to develop international power, pipeline and other infrastructure projects; the effectiveness of Enron’s risk management activities; the ability of counterparties to financial risk management instruments and other contracts with Enron to meet their financial commitments to Enron; and Enron’s ability to access the capital markets and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and Enron’s ability to maintain the credit ratings for its unsecured senior long-term debt obligations.

Management’s Responsibility for Financial Reporting

The following financial statements of Enron Corp. and subsidiaries (collectively, Enron) were prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and necessarily include some amounts that are based on the best estimates and judgments of management.

The system of internal controls of Enron is designed to provide reasonable assurance as to the reliability of financial statements and the protection of assets from unauthorized acquisition, use or disposition. This system is augmented by written policies and guidelines and the careful selection and training of qualified personnel. It should be recognized, however, that there are inherent limitations in the effectiveness of any system of internal control. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to the preparation of reliable financial statements and safeguarding of assets. Further, because of changes in conditions, internal control system effectiveness may vary over time.

Enron assessed its internal control system as of December 31, 2000, 1999 and 1998, relative to current standards of control criteria. Based upon this assessment, management believes that its system of internal controls was adequate during the periods to provide reasonable assurance as to the reliability of financial statements and the protection of assets against unauthorized acquisition, use or disposition.

Arthur Andersen LLP was engaged to audit the financial statements of Enron and issue reports thereon. Their audits included developing an overall understanding of Enron’s accounting systems, procedures and internal controls and conducting tests and other auditing procedures sufficient to support their opinion on the financial statements. Arthur Andersen LLP was also engaged to examine and report on management’s assertion about the effectiveness of Enron’s system of internal controls. The Reports of Independent Public Accountants appear in this Annual Report.

The adequacy of Enron’s financial controls and the accounting principles employed in financial reporting are under the general oversight of the Audit Committee of Enron Corp.’s Board of Directors. No member of this committee is an officer or employee of Enron. The independent public accountants have direct access to the Audit Committee, and they meet with the committee from time to time, with and without financial management present, to discuss accounting, auditing and financial reporting matters.
Reports Of Independent Public Accountants

To the Shareholders and Board of Directors of Enron Corp.:

We have examined management's assertion that the system of internal control of Enron Corp. (an Oregon corporation) and subsidiaries as of December 31, 2000, 1999 and 1998 was adequate to provide reasonable assurance as to the reliability of financial statements and the protection of assets from unauthorized acquisition, use or disposition, included in the accompanying report on Management's Responsibility for Financial Reporting. Management is responsible for maintaining effective internal control over the reliability of financial statements and the protection of assets against unauthorized acquisition, use or disposition. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examinations were made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the system of internal control, testing and evaluating the design and operating effectiveness of the system of internal control and such other procedures as we considered necessary in the circumstances. We believe that our examinations provide a reasonable basis for our opinion.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the system of internal control to future periods are subject to the risk that the system of internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the system of internal control of Enron Corp. and its subsidiaries as of December 31, 2000, 1999 and 1998 was adequate to provide reasonable assurance as to the reliability of financial statements and the protection of assets from unauthorized acquisition, use or disposition is fairly stated, in all material respects, based upon current standards of control criteria.

To the Shareholders and Board of Directors of Enron Corp.:

We have audited the accompanying consolidated balance sheet of Enron Corp. (an Oregon corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of Enron Corp.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enron Corp. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 18 to the consolidated financial statements, Enron Corp. and subsidiaries changed its method of accounting for costs of start-up activities and its method of accounting for certain contracts involved in energy trading and risk management activities in the first quarter of 1999.

Arthur Andersen LLP
Houston, Texas
February 23, 2001
### Enron Corp. and Subsidiaries Consolidated Income Statement

<table>
<thead>
<tr>
<th>(In millions, except per share amounts)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural gas and other products</td>
<td>$50,500</td>
<td>$19,536</td>
<td>$13,276</td>
</tr>
<tr>
<td>Electricity</td>
<td>35,823</td>
<td>15,238</td>
<td>13,939</td>
</tr>
<tr>
<td>Metals</td>
<td>9,234</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>7,232</td>
<td>5,338</td>
<td>4,045</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>102,889</td>
<td>40,172</td>
<td>21,260</td>
</tr>
<tr>
<td><strong>Costs and Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of gas, electricity, metals and other products</td>
<td>94,517</td>
<td>34,761</td>
<td>26,381</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>3,184</td>
<td>3,045</td>
<td>2,473</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>865</td>
<td>870</td>
<td>827</td>
</tr>
<tr>
<td>Taxes, other than income taxes</td>
<td>280</td>
<td>193</td>
<td>201</td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>-</td>
<td>441</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total costs and expenses</strong></td>
<td>98,836</td>
<td>39,310</td>
<td>29,882</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>1,953</td>
<td>862</td>
<td>1,376</td>
</tr>
<tr>
<td><strong>Other Income and Deductions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated equity affiliates</td>
<td>37</td>
<td>309</td>
<td>97</td>
</tr>
<tr>
<td>Gains on sales of non-merchant assets</td>
<td>146</td>
<td>541</td>
<td>81</td>
</tr>
<tr>
<td>Gains on the issuance of stock by TNPC, Inc.</td>
<td>121</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>212</td>
<td>162</td>
<td>88</td>
</tr>
<tr>
<td>Other income, net</td>
<td>(37)</td>
<td>101</td>
<td>(37)</td>
</tr>
<tr>
<td><strong>Income Before Interest, Minority Interests and Income Taxes</strong></td>
<td>2,482</td>
<td>1,995</td>
<td>1,582</td>
</tr>
<tr>
<td>Interest and related charges, net</td>
<td>838</td>
<td>656</td>
<td>550</td>
</tr>
<tr>
<td>Dividends on company-obligated preferred securities of subsidiaries</td>
<td>77</td>
<td>76</td>
<td>77</td>
</tr>
<tr>
<td>Minority interests</td>
<td>154</td>
<td>135</td>
<td>77</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>454</td>
<td>114</td>
<td>175</td>
</tr>
<tr>
<td>Net income before cumulative effect of accounting changes</td>
<td>979</td>
<td>1,024</td>
<td>703</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes, net of tax</td>
<td>-</td>
<td>(131)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>979</td>
<td>893</td>
<td>703</td>
</tr>
<tr>
<td>Preferred stock dividends</td>
<td>83</td>
<td>66</td>
<td>47</td>
</tr>
<tr>
<td><strong>Earnings on Common Stock</strong></td>
<td>$896</td>
<td>$627</td>
<td>$686</td>
</tr>
<tr>
<td><strong>Earnings Per Share of Common Stock</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$1.22</td>
<td>$1.36</td>
<td>$1.07</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>(0.15)</td>
<td>-</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$1.22</td>
<td>$1.11</td>
<td>$1.07</td>
</tr>
<tr>
<td>Diluted</td>
<td>$1.12</td>
<td>$1.27</td>
<td>$1.01</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>(0.17)</td>
<td>-</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$1.12</td>
<td>$1.10</td>
<td>$1.01</td>
</tr>
<tr>
<td><strong>Average Number of Common Shares Used in Computation</strong></td>
<td>776</td>
<td>705</td>
<td>652</td>
</tr>
<tr>
<td>Basic</td>
<td>776</td>
<td>705</td>
<td>642</td>
</tr>
<tr>
<td>Diluted</td>
<td>614</td>
<td>769</td>
<td>695</td>
</tr>
</tbody>
</table>

### Enron Corp. and Subsidiaries Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>$579</td>
<td>$893</td>
<td>$703</td>
</tr>
<tr>
<td><strong>Other comprehensive income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment and other</td>
<td>(307)</td>
<td>(579)</td>
<td>(114)</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>$272</td>
<td>$314</td>
<td>$689</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these consolidated financial statements.*
Enron Corp. and Subsidiaries Consolidated Balance Sheet

December 31.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,374</td>
<td>$288</td>
</tr>
<tr>
<td>Trade receivables (net of allowance for doubtful accounts of $133 and $40, respectively)</td>
<td>10,396</td>
<td>3,039</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,174</td>
<td>518</td>
</tr>
<tr>
<td><strong>Assets from price risk management activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>953</td>
<td>598</td>
</tr>
<tr>
<td>Deposits</td>
<td>2,423</td>
<td>81</td>
</tr>
<tr>
<td>Other</td>
<td>1,333</td>
<td>535</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>38,381</td>
<td>7,255</td>
</tr>
<tr>
<td><strong>Investments and Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in and advances to unconsolidated equity affiliates</td>
<td>5,294</td>
<td>5,036</td>
</tr>
<tr>
<td>Assets from price risk management activities</td>
<td>8,908</td>
<td>2,929</td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,638</td>
<td>2,799</td>
</tr>
<tr>
<td>Other</td>
<td>5,459</td>
<td>4,681</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>23,370</td>
<td>15,445</td>
</tr>
<tr>
<td><strong>Property, Plant and Equipment, at cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural gas transmission</td>
<td>6,916</td>
<td>6,946</td>
</tr>
<tr>
<td>Electric generation and distribution</td>
<td>4,766</td>
<td>3,552</td>
</tr>
<tr>
<td>Fiber-optic network and equipment</td>
<td>829</td>
<td>370</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>682</td>
<td>1,120</td>
</tr>
<tr>
<td>Other</td>
<td>2,256</td>
<td>1,913</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation, depletion and amortization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Property, plant and equipment, net</strong></td>
<td>11,743</td>
<td>10,681</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$65,503</td>
<td>$33,381</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th>LIABILITIES AND SHAREHOLDERS' EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
</tr>
<tr>
<td>Accounts payable</td>
</tr>
<tr>
<td>Liabilities from price risk management activities</td>
</tr>
<tr>
<td>Short-term debt</td>
</tr>
<tr>
<td>Customers' deposits</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
</tr>
<tr>
<td>Long-Term Debt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred Credits and Other Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income taxes</td>
</tr>
<tr>
<td>Liabilities from price risk management activities</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total deferred credits and other liabilities</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commitments and Contingencies (Notes 13, 14 and 15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority Interests</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company-Obligated Preferred Securities of Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>904</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shareholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second preferred stock, cumulative, no par value, 1,370,000 shares authorized, 1,240,533 shares and 1,296,184 shares issued, respectively</td>
</tr>
<tr>
<td>Mandatory Convertible Junior Preferred Stock, Series B, no par value, 250,000 shares issued</td>
</tr>
<tr>
<td>Common stock, no par value, 1,200,000,000 shares authorized, 752,205,112 shares and 716,865,081 shares issued, respectively</td>
</tr>
<tr>
<td>Retained earnings</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
</tr>
<tr>
<td>Common stock held in treasury, 677,066 shares and 1,337,714 shares, respectively</td>
</tr>
<tr>
<td>Restricted stock and other</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Liabilities and Shareholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>565,503</td>
</tr>
</tbody>
</table>
Envion Corp. and Subsidiaries Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Operating Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recombination of net income to net cash provided by operating activities</td>
<td>$979</td>
<td>$893</td>
<td>$703</td>
</tr>
<tr>
<td>Net income</td>
<td>$979</td>
<td>$893</td>
<td>$703</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>131</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>855</td>
<td>870</td>
<td>827</td>
</tr>
<tr>
<td>Impairment of long-lived assets (including equity investments)</td>
<td>326</td>
<td>441</td>
<td>-</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>267</td>
<td>21</td>
<td>87</td>
</tr>
<tr>
<td>Gains on sales of non-merchant assets</td>
<td>(146)</td>
<td>(541)</td>
<td>(82)</td>
</tr>
<tr>
<td>Changes in components of working capital</td>
<td>1,765</td>
<td>(1,000)</td>
<td>(233)</td>
</tr>
<tr>
<td>Net assets from price risk management activities</td>
<td>(763)</td>
<td>(395)</td>
<td>350</td>
</tr>
<tr>
<td>Merchant assets and investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gains on sales</td>
<td>(104)</td>
<td>(756)</td>
<td>(628)</td>
</tr>
<tr>
<td>Proceeds from sales</td>
<td>1,830</td>
<td>2,217</td>
<td>1,434</td>
</tr>
<tr>
<td>Additions and unrealized gains</td>
<td>(1,785)</td>
<td>(827)</td>
<td>(721)</td>
</tr>
<tr>
<td>Other operating activities</td>
<td>1,113</td>
<td>174</td>
<td>(62)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>4,739</td>
<td>1,228</td>
<td>1,640</td>
</tr>
</tbody>
</table>

| **Cash Flows From Investing Activities** |      |      |      |
| Capital expenditures | (2,381) | (2,363) | (1,905) |
| Equity investments | (533) | (722) | (1,459) |
| Proceeds from sales of non-merchant assets | 494 | 294 | 239 |
| Acquisition of subsidiary stock | (485) | - | (180) |
| Business acquisitions, net of cash acquired (see Note 2) | (777) | (511) | (104) |
| Other investing activities | (182) | (405) | (356) |
| **Net Cash Used in Investing Activities** | (4,264) | (3,507) | (3,965) |

| **Cash Flows From Financing Activities** |      |      |      |
| Issuance of long-term debt | 3,994 | 1,776 | 1,903 |
| Repayment of long-term debt | (2,337) | (1,837) | (870) |
| Net increase (decrease) in short-term borrowings | (1,595) | 1,565 | (158) |
| Net issuance (redemption) of company-obligated preferred securities of subsidiaries | (96) | - | 8 |
| Issuance of common stock | 307 | 852 | 867 |
| Issuance of subsidiary equity | 500 | 568 | 828 |
| Dividends paid | (523) | (467) | (414) |
| Net disposition of treasury stock | 327 | 189 | 13 |
| Other financing activities | (6) | (140) | 89 |
| **Net Cash Provided by Financing Activities** | 571 | 2,456 | 2,266 |

| Increase (Decrease) in Cash and Cash Equivalents | 1,096 | 177 | (59) |
| Cash and Cash Equivalents, Beginning of Year | 288 | 111 | 170 |
| **Cash and Cash Equivalents, End of Year** | $1,374 | $288 | $111 |

| Changes in Components of Working Capital |      |      |      |
| Receivables | $(8,203) | ($862) | $(1,095) |
| Inventories | 1,336 | (133) | (372) |
| Payables | 2,167 | (246) | 433 |
| Other | 1,469 | 41 | 761 |
| **Total** | $1,768 | $(1,000) | $(233) |

*The accompanying notes are an integral part of these consolidated financial statements.*

00200000001093
Enron Corp. and Subsidiaries Consolidated Statement of Changes in Shareholders' Equity

<table>
<thead>
<tr>
<th>(In millions, except per share amounts; shares in thousands)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
</tr>
<tr>
<td><strong>Cumulative Second Preferred Convertible Stock</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>1,296</td>
<td>130</td>
<td>1,320</td>
</tr>
<tr>
<td>Exchange of convertible preferred stock for common stock</td>
<td>(55)</td>
<td>(6)</td>
<td>(24)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>1,241</td>
<td>124</td>
<td>1,296</td>
</tr>
<tr>
<td><strong>Mandatory Convertible Junior Preferred Stock, Series B</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>250</td>
<td>1,000</td>
<td>-</td>
</tr>
<tr>
<td>Issuances</td>
<td>-</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>250</td>
<td>1,000</td>
<td>250</td>
</tr>
<tr>
<td><strong>Common Stock</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>786,865</td>
<td>6,637</td>
<td>671,094</td>
</tr>
<tr>
<td>Exchange of convertible preferred stock for common stock</td>
<td>1,509</td>
<td>6</td>
<td>465</td>
</tr>
<tr>
<td>Issuances related to benefit</td>
<td>28,100</td>
<td>966</td>
<td>10,054</td>
</tr>
<tr>
<td>and dividend reinvestment plans</td>
<td>-</td>
<td>-</td>
<td>27,600</td>
</tr>
<tr>
<td>Sales of common stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Issuances of common stock in business acquisitions</td>
<td>5,731</td>
<td>409</td>
<td>7,652</td>
</tr>
<tr>
<td>(see Note 2)</td>
<td>139</td>
<td>7</td>
<td>174</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>792,205</td>
<td>8,348</td>
<td>716,685</td>
</tr>
<tr>
<td><strong>Retained Earnings</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ 2,698</td>
<td>$ 2,226</td>
<td>$ 1,862</td>
</tr>
<tr>
<td>Net income</td>
<td>979</td>
<td>893</td>
<td>703</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Common stock ($0.5000, $0.5000 and $0.4812</td>
<td>(364)</td>
<td>(355)</td>
<td>(312)</td>
</tr>
<tr>
<td>per share in 2000, 1999 and 1998, respectively)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative Second Preferred Convertible Stock</td>
<td>(13,652)</td>
<td>(13,652)</td>
<td>(13,1402)</td>
</tr>
<tr>
<td>($13,652, $13,652 and $13,1402 per share in 2000,</td>
<td>(17)</td>
<td>(17)</td>
<td>(17)</td>
</tr>
<tr>
<td>1999 and 1998, respectively)</td>
<td>(84)</td>
<td>(49)</td>
<td>-</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ 3,226</td>
<td>$ 2,698</td>
<td>$ 2,226</td>
</tr>
<tr>
<td><strong>Accumulated Other Comprehensive Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ (741)</td>
<td>$ (162)</td>
<td>$ (148)</td>
</tr>
<tr>
<td>Translation adjustments and other</td>
<td>(307)</td>
<td>(579)</td>
<td>(14)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ (1,048)</td>
<td>$ (741)</td>
<td>$ (148)</td>
</tr>
<tr>
<td><strong>Treasury Stock</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>(1,238)</td>
<td>(49)</td>
<td>(9,334)</td>
</tr>
<tr>
<td>Shares acquired</td>
<td>(3,114)</td>
<td>(734)</td>
<td>(7,845)</td>
</tr>
<tr>
<td>Exchange of convertible preferred stock for common stock</td>
<td>-</td>
<td>-</td>
<td>101</td>
</tr>
<tr>
<td>Issuances related to benefit and dividend reinvestment plans</td>
<td>3,875</td>
<td>257</td>
<td>9,660</td>
</tr>
<tr>
<td>Issuances of treasury stock in business acquisitions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>(577)</td>
<td>(322)</td>
<td>(1,338)</td>
</tr>
<tr>
<td><strong>Restricted Stock and Other</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ (105)</td>
<td>$ (70)</td>
<td>$ (175)</td>
</tr>
<tr>
<td>Issuances related to benefit and dividend reinvestment plans</td>
<td>(42)</td>
<td>(35)</td>
<td>105</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ (148)</td>
<td>$ (105)</td>
<td>$ (70)</td>
</tr>
<tr>
<td><strong>Total Shareholders' Equity</strong></td>
<td>$113,410</td>
<td>$9,570</td>
<td>$7,048</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
Enron Corp. and Subsidiaries Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Use of Estimates

The accounting and financial reporting policies of Enron Corp. and its subsidiaries conform to generally accepted accounting principles and prevailing industry practices. The consolidated financial statements include the accounts of all subsidiaries controlled by Enron Corp. after the elimination of significant intercompany accounts and transactions.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

"Enron" is used from time to time herein as a collective reference to Enron Corp. and its subsidiaries and affiliates. The businesses of Enron are conducted by its subsidiaries and affiliates whose operations are managed by their respective officers.

Commodity Derivatives

Enron records as cash equivalents all highly liquid short-term investments with original maturities of three months or less.

Inventories

Inventories consist primarily of commodities, priced at market in such inventories are used in trading activities.

Depreciation, Depreciation and Amortization

The provision for depreciation and amortization with respect to operations other than oil and gas producing activities is computed using the straight-line or regulatory mandated method, based on estimated economic lives. Composite depreciation rates are applied to functional groups of property having similar economic characteristics. The cost of utility property units retired, other than land, is charged to accumulated depreciation.

Provisions for depreciation, depletion and amortization of proved oil and gas properties are calculated using the units-of-production method.

Income Taxes

Enron accounts for income taxes using an asset and liability approach under which deferred assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases (see Note 5).

Earnings Per Share

Basic earnings per share is computed based upon the weighted-average number of common shares outstanding during the periods. Diluted earnings per share is computed based upon the weighted-average number of common shares outstanding plus the assumed issuance of common shares for all potentially dilutive securities. All share and per share amounts have been adjusted to reflect the August 13, 1999 two-for-one stock split. See Note 11 for a reconciliation of the basic and diluted earnings per share computations.

Accounting for Price Risk Management

Enron engages in price risk management activities for both trading and non-trading purposes. Instruments utilized in connection with trading activities are accounted for using the mark-to-market method. Under the mark-to-market method of accounting, forwards, swaps, options, energy transportation contracts utilized for trading activities and other instruments owned by third parties are reflected at fair value and are shown as "Assets and Liabilities from Price Risk Management Activities" in the Consolidated Balance Sheet. These activities also include the commodity risk management component embedded in energy outsourcing contracts. Unrealized gains and losses from newly originated contracts, contract restructurings and the impact of price movements are recognized as "Other Revenues." Changes in the assets and liabilities from price risk management activities result primarily from changes in the valuation of the portfolio of contracts, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments.

Financial instruments are also utilized for non-trading purposes to hedge the impact of market fluctuations on assets, liabilities, production and other contractual commitments. Hedge accounting is utilized in non-trading activities when there is a high degree of correlation between price movements in the derivative and the item designated as being hedged. In instances where the anticipated correlation of price movements does not occur, hedge accounting is terminated and future changes in the value of the financial instruments are recognized as gains or losses. If the hedged item is sold, the value of the financial instrument is recognized in income. Gains and losses on financial instruments used for hedging purposes are recognized in the Consolidated Income Statement in the same manner as the hedged item.

The cash flow impact of financial instruments is reflected as cash flows from operating activities in the Consolidated Statement of Cash Flows. See Note 3 for further discussion of Enron's price risk management activities.

Accounting for Development Activities

Development costs related to projects, including costs of feasibility studies, bid preparation, permitting, licensing and contract negotiation, are expensed as incurred until the project is estimated to be probable. At that time, such costs are capitalized or expensed as incurred, based on the nature of the costs incurred. Capitalized development costs may be recovered through reimbursements from joint venture partners or other third parties, or classified as part of the investment and recovered through the cash flows from that project. Accumulated capitalized project development costs are otherwise expensed in the period that management determines it is probable that the costs will not be recovered.

Environmental Expenditures

Expenditures that relate to an existing condition caused by past operations, and do not contribute to current or future revenue generation, are expensed. Environmental expenditures relating to current or future revenue are expended or capitalized as appropriate based on the nature of the costs incurred. Liabilities are recorded when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated.
On August 16, 1999, Enron exchanged approximately $2.3 million shares (approximately 75%) of the Enron Oil & Gas Company (EOG) common stock it held for all of the stock of EGGI-India, Inc., a subsidiary of EOG. Also in August 1999, Enron received net proceeds of approximately $190 million for the sale of 8.5 million shares of EOG common stock in a public offering and issued approximately $255 million of public debt that is exchangeable in July 2002 into approximately 11.5 million shares of EOG common stock. As a result of the share exchange and share sale, Enron recorded a pre-tax gain of $454 million ($345 million after tax, or $0.45 per diluted share) in 1999. As of August 16, 1999, EOG is no longer included in Enron's consolidated financial statements. EGGI-India, Inc. is included in the consolidated financial statements within the Wholesale Services segment following the exchange and sale. Enron accounts for its oil and gas exploration and production activities under the successful efforts method of accounting.

In August 1998, Enron, through a wholly-owned subsidiary, completed the acquisition of a controlling interest in Elektro Elektrisade e Servicos S.A. (Elektro) for approximately $1.3 billion. Elektro was initially accounted for using the equity method based on temporary control. In 1999, after the acquisition of additional interests, Elektro was consolidated by Enron.

Additionally, during 1999 and 1998, Enron acquired generation, natural gas distribution, renewable energy, telecommunications and energy management businesses for cash, Enron and subsidiary stock and notes.

Enron has accounted for these acquisitions using the purchase method of accounting as of the effective date of each transaction. Accordingly, the purchase price of each transaction has been allocated based upon the estimated fair value of the assets and liabilities acquired as of the acquisition date, with the excess reflected as goodwill in the Consolidated Balance Sheet. This and all other goodwill is being amortized on a straight-line basis over 5 to 40 years.

Assets acquired, liabilities assumed and consideration paid as a result of businesses acquired were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2000 (in millions)</th>
<th>1999</th>
<th>1998(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of assets acquired, other than cash</td>
<td>$2,641</td>
<td>$376</td>
<td>$269</td>
</tr>
<tr>
<td>Goodwill</td>
<td>963</td>
<td>71</td>
<td>94</td>
</tr>
<tr>
<td>Fair value of liabilities assumed</td>
<td>(2,418)</td>
<td>6</td>
<td>(259)</td>
</tr>
<tr>
<td>Common stock of Enron issued and equity of an unconsolidated equity affiliate contributed</td>
<td>(409)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash paid</td>
<td>$772</td>
<td>$311</td>
<td>$104</td>
</tr>
</tbody>
</table>

(a) Excludes amounts related to the 1998 acquisition of Elektro.

On November 8, 1999, Enron announced that it had entered into an agreement to sell Enron's wholly-owned electric utility subsidiary, Portland General Electric Company (PGE), to Sierra Pacific Resources for $2.1 billion. Sierra Pacific Resources will also assume the $1 billion in PGE debt and preferred stock. The transaction has been delayed by the effect of recent events in California and Nevada on the buyer. Enron's carrying amount of PGE, as of December 31, 2000, was approximately $2.1 billion. Income before interest, minority interest and income taxes for PGE was $338 million, $298 million and $284 million for 2000, 1999 and 1998, respectively.
The income before interest, taxes and certain unallocated expenses arising from price risk management activities for 2000 was $1,899 million.

Securitizations. From time to time, Enron sells interests in certain of its financial assets. Some of these sales are completed in securitizations, in which Enron concurrently enters into swaps associated with the underlying assets which limits the risks assumed by the purchaser. Such swaps are adjusted to fair value using quoted market prices. If available, or estimated fair value based on management’s best estimate of the present value of future cash flow. These swaps are included in Price Risk Management activities above as equity investments. During 2000, gains from sales representing securitizations were $381 million and proceeds were $2,379 million ($545 million of the proceeds related to sales to Whiting Associates, I.P. (Whiting)). See Notes 4 and 9. Purchases of securitized merchant financial assets totaled $1,184 million during 2000. Amounts primarily related to equity interests.

Credit Risk. In conjunction with the valuation of its financial instruments, Enron provides reserves for credit risks associated with such activity. Credit risk relates to the risk of loss that Enron would incur as a result of nonperformance by counterparties pursuant to the terms of their contractual obligations. Enron maintains credit policies with regard to its counterparties that management believes significantly minimize overall credit risk. These policies include an evaluation of potential counterparties’ financial condition (including credit rating), collateral requirements under certain circumstances and the use of standardized agreements which allow for the netting of positive and negative exposures associated with a single counterparty. Enron also minimizes this credit exposure using monetization of its contract portfolio or third-party insurance contracts.
The counterparties associated with assets from price risk management activities as of December 31, 2000 and 1999 are summarized as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>2000 (in millions)</th>
<th>1999 (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Grade[a]</td>
<td>Total</td>
</tr>
<tr>
<td>Gas and electric utilities</td>
<td>$5,050</td>
<td>$5,327</td>
</tr>
<tr>
<td>Energy marketers</td>
<td>4,677</td>
<td>4,924</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>4,745</td>
<td>4,912</td>
</tr>
<tr>
<td>Independent power producers</td>
<td>672</td>
<td>791</td>
</tr>
<tr>
<td>Oil and gas producers</td>
<td>1,308</td>
<td>2,804</td>
</tr>
<tr>
<td>Industrials</td>
<td>607</td>
<td>1,336</td>
</tr>
<tr>
<td>Other</td>
<td>256</td>
<td>357</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,715</strong></td>
<td><strong>$21,458</strong></td>
</tr>
<tr>
<td><strong>Credit and other reserves</strong></td>
<td>(452)</td>
<td>(332)</td>
</tr>
</tbody>
</table>

Assets from price risk management activities[b] | $2,606[b] | $5,134[b] |

[a] "Investment Grade" is primarily determined using publicly available credit ratings along with consideration of cash, standby letters of credit, parent company guarantees and property interests, including oil and gas reserves, included in "Investment Grade" are counterparties with a Standard & Poor's or Moody's rating of BBB- or better, respectively.

[b] At December 31, 2000 and 1999, assets are greater than 5% of assets from price risk management activities were included above as Investment Grade.

This concentration of counterparties may impact Enron's overall exposure to credit risk, either positively or negatively, in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. Based on Enron's policies, its exposures and its credit reserves, Enron does not anticipate a materially adverse effect on financial position or results of operations as a result of counterparty nonperformance.

During 2000, the California power market was significantly impacted by the increase in wholesale power prices. California customer rates are currently frozen, requiring the utilities to finance the majority of their power purchases. If wholesale prices remain at the current levels and no regulatory relief or legislative assistance is obtained, certain California Utilities may need to seek bankruptcy protection. During 2000, Enron entered into wholesale power transactions with California utilities, including their nonregulated power marketing affiliates. Enron has provided credit reserves related to such activities based on Enron's net position with each California utility. Due to the uncertainties surrounding the California power situation, management cannot predict the ultimate outcome but believes these matters will not have a material adverse impact on Enron's financial condition.

### Financial Instruments

The carrying amounts and estimated fair values of Enron's financial instruments, excluding trading activities, at December 31, 2000 and 1999 were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>2000 (in millions)</th>
<th>1999 (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Carrying Amount</strong></td>
<td><strong>Estimated Fair Value</strong></td>
</tr>
<tr>
<td>Short- and long-term debt (Note 7)</td>
<td>$10,229</td>
<td>$10,217</td>
</tr>
<tr>
<td>Company-obligated preferred securities of subsidiaries (Note 10)</td>
<td>904</td>
<td>920</td>
</tr>
<tr>
<td>Energy commodity price swaps</td>
<td>-</td>
<td>68</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Foreign currency contracts</td>
<td>-</td>
<td>94</td>
</tr>
<tr>
<td>Equity contracts</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

Enron uses the following methods and assumptions in estimating fair values:

- **Short- and long-term debt**: the carrying amount of variable-rate debt approximates fair value. The fair value of marketable debt is based on quoted market prices and the fair value of other debt is based on the discounted present value of cash flows using Enron's current borrowing rates.
- **Company-obligated preferred securities of subsidiaries**: the fair value is based on quoted market prices, where available, or based on the discounted present value of cash flows using Enron's current borrowing rates if not publicly traded.
- **Energy commodity price swaps, interest rate swaps, foreign currency contracts and equity contracts**: estimated fair values have been determined using available market data and valuation methodologies. Judgment is necessary in interpreting market data and the use of different market assumptions or estimation methodologies may affect the estimated fair value amounts.

The fair market value of cash and cash equivalents, trade and other receivables, accounts payable and investments accounted for at fair value are not materially different from their carrying amounts.

Guarantees of liabilities of unconsolidated entities and residual value guarantees have no carrying value and fair values which are not readily determinable (see Note 18).
An analysis of the composition of Enron’s merchant investments and energy assets at December 31, 2000 and 1999 is as follows:

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>December 31, 2000</th>
<th>December 31, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchant investments(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>$137</td>
<td>$516</td>
</tr>
<tr>
<td>Energy-intensive industries</td>
<td>63</td>
<td>218</td>
</tr>
<tr>
<td>Technology-related</td>
<td>99</td>
<td>11</td>
</tr>
<tr>
<td>Other</td>
<td>62</td>
<td>341</td>
</tr>
<tr>
<td>Total</td>
<td>$20</td>
<td>1,086</td>
</tr>
<tr>
<td>Merchant assets(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent power plants</td>
<td>53</td>
<td>152</td>
</tr>
<tr>
<td>Natural gas transportation</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>$680</td>
<td>$1,273</td>
</tr>
</tbody>
</table>

(a) Investments are recorded at fair value in "Other Assets" with changes in fair value reflected in "Other Revenues."

The principal components of Enron’s net deferred income tax liability are as follows:

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>December 31, 2000</th>
<th>December 31, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net deferred income tax liabilities(a)</td>
<td>$5,782</td>
<td>$2,012</td>
</tr>
</tbody>
</table>

(a) Includes $138 million and $116 million in other current liabilities for 2000 and 1999, respectively.

Enron has an alternative minimum tax (AMT) credit carryforward of approximately $254 million which can be used to offset regular income taxes payable in future years. The AMT credit has an indefinite carryforward period.

Enron has a net operating loss carryforward applicable to U.S. subsidiaries of approximately $65 million, which will begin to expire in 2011. Enron has a net operating loss carryforward applicable to non-U.S. subsidiaries of approximately $1.2 billion, of which $1.0 billion can be carried forward indefinitely. The remaining $200 million expires between the years 2001 and 2010. Deferred tax assets have been recognized on the $65 million domestic loss and $1.0 billion of the foreign losses.

U.S. and foreign income taxes have been provided for earnings of foreign subsidiary companies that are expected to be remitted to the U.S. Foreign subsidiaries’ cumulative undistributed earnings of approximately $1.8 billion are considered to be permanently reinvested outside the U.S. and, accordingly, no U.S. income taxes have been provided thereon. In the event of a distribution of those earnings in the form of dividends, Enron may be subject to both foreign withholding taxes and U.S. income taxes net of allowable foreign tax credits.

The differences between taxes computed at the U.S. federal statutory tax rate and Enron’s effective income tax rate are as follows:

| Statutory federal income tax provision | 35.0% | 35.0% | 35.0% |
| Net state income taxes | 2.5 | 1.8 | 1.7 |
| Foreign tax rate differential | 1.4 | 1.0 | 0.8 |
| Equity earnings | 1.5 | (1.1) | (4.3) |
| Basis and stock sale differences | (1.1) | (1.0) | (14.2) |
| Goodwill amortization | 1.8 | 1.8 | 2.0 |
| Audit settlement related to Monthly Income Preferred Shares | - | (1.0) | - |
| Other | 0.5 | 1.0 | 0.10 |
| Total | 30.2% | 9.9% | 20.0% |
Cash paid for income taxes and interest expense, including fees incurred on sales of accounts receivable, is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes (net of refunds)</td>
<td>$ 62</td>
<td>$ 51</td>
<td>$ 73</td>
</tr>
<tr>
<td>Interest (net of amounts capitalized)</td>
<td>834</td>
<td>678</td>
<td>585</td>
</tr>
</tbody>
</table>

Non-Cash Activity

In 2000, Enron acquired all minority shareholders' interests in Enron Energy Services, LLC and other businesses with Enron common stock. See Note 2.

In 2000 and 1999, Enron entered into various transactions with related parties, which resulted in an exchange of assets and an increase in common stock of $171 million in 2000. See Note 2.

In 2000, a partnership in which Enron was a limited partner made a liquidating distribution to Enron resulting in a non-cash increase in current assets of $220 million, a decrease of $20 million in non-current assets and an increase in current liabilities of $160 million.

During 2000 and 1999, Enron received the rights to specific third-party fiber-optic cable in exchange for the rights on specific fiber-optic cable held for sale by Enron. These exchanges resulted in non-cash increases in assets of $69 million and $111 million, respectively.

During 1999, Enron issued approximately 7.6 million shares of common stock in connection with the acquisition of an unconsolidated equity affiliate, of interests in three power plants in New Jersey.

In December 1998, Enron extinguished its 6.25% Exchangeable Notes with 10.5 million shares of EGQ common stock.

Credit Facilities and Debt

Enron has credit facilities with domestic and foreign banks which provide for an aggregate of $1.4 billion in long-term committed credit, of which $150 million relates to Portland General, and $2.4 billion in short-term committed credit. Expiration dates of the committed facilities range from February 2001 to May 2005. Interest rates on borrowings are based upon the London Interbank Offered Rate, certificate of deposit rates or other short-term interest rates. Certain credit facilities contain covenants which must be met to borrow funds. Such debt covenants are not anticipated to materially restrict Enron's ability to borrow funds under such facilities. Compensating balances are not required, but Enron is required to pay a commitment or facility fee. At December 31, 2000, $260 million was outstanding under these facilities.

Enron has also entered into agreements which provide for uncommitted lines of credit totaling $420 million at December 31, 2000. The uncommitted lines have no stated expiration dates. Neither compensating balances nor commitment fees are required, as borrowings under the uncommitted credit lines are available subject to agreement by the participating banks. At December 31, 2000, no amounts were outstanding under the uncommitted lines.

In addition to borrowing from banks on a short-term basis, Enron and certain of its subsidiaries sell commercial paper to provide financing for various corporate purposes. As of December 31, 2000 and 1999, short-term borrowings of $15 million and $330 million, respectively, and long-term debt due within one year of $1,303 million and $670 million, respectively, have been reclassified as long-term debt based upon the availability of committed credit facilities with expiration dates exceeding one year and management's intent to maintain such amounts in excess of one year. Weighted average interest rates on short-term debt outstanding at December 31, 2000 and 1999 were 6.9% and 6.4%, respectively.

Detailed information on long-term debt is as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>December 31, 2000</th>
<th>1999</th>
</tr>
</thead>
</table>

**Enron Corp.**

- Senior obligations: 6.75% to 8.25% due 2005 to 2012
- Notes payable:
  - 7.00% exchangeable notes due 2002: $532, 239
  - 6.40% to 9.88% due 2001 to 2028: $4,416, 4,114
  - Floating rate notes due 2000 to 2005: 92, 79
  - Other: 242, 34

**Northern Natural Gas Company**

- Notes payable: 6.75% to 7.00% due 2005 to 2011: 590, 500

**Transwestern Pipeline Company**

- Notes payable:
  - 9.20% due 2004: 11, 15
  - Other: 282, 128

**Portland General**

- First mortgage bonds: 6.47% to 9.46% due 2000 to 2023: 328, 373
- Pollution control bonds:
  - Various rates due 2010 to 2033: 200, 200
  - Other: 414, 204

- Amount reclassified from short-term debt: 1,318, 1,000
- Unamortized debt discount and premium: (43), (54)

Total long-term debt: $8,550, $7,151

(a) Includes debt denominated in foreign currencies of approximately $555 million and $525 million respectively. At December 31, 2000 and 1999, Enron has entered into derivative transactions to hedge interest rate and foreign currency exchange fluctuations associated with such debt. See Note 3.

The indenture securing Portland General's First Mortgage Bonds constitutes a direct first mortgage lien on substantially all electric utility property and franchises, other than expressly excepted property.

The aggregate annual maturities of long-term debt, outstanding at December 31, 2000 were $2,112 million, $750 million, $852 million, $646 million and $1,592 million for 2001 through 2005, respectively.

In February 2001, Enron issued $1.25 billion zero coupon convertible senior notes that mature in 2021. The notes carry a 2.125 percent yield to maturity with an aggregate face value of $1.9 billion and may be converted, upon certain contingencies being met, into Enron common stock at an initial conversion premium of 45 percent.

Minority Interests

Enron's minority interests at December 31, 2000 and 1999 include the following:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority-owned limited liability company and limited partnerships</td>
<td>$1,759</td>
<td>$1,773</td>
</tr>
<tr>
<td>Electro(2)</td>
<td>462</td>
<td>475</td>
</tr>
<tr>
<td>Other</td>
<td>593</td>
<td>183</td>
</tr>
<tr>
<td>Total</td>
<td>$2,414</td>
<td>$2,430</td>
</tr>
</tbody>
</table>

(2) Related to the respective parents of Electro, which had minority shareholders in 2000 and 1999.

Enron has formed separate limited partnerships and a limited liability company with third-party investors for various purposes. These entities are included in Enron's consolidated financial statements, with the third-party investors' interests reflected in "Minority Interests" in the Consolidated Balance Sheet.

In October 2000, Enron contributed approximately $1.0 billion of net assets to a wholly-owned limited liability company. A third party contributed $500 million for a preferred membership...
Enron's equity in earnings (losses) of unconsolidated equity affiliates is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Azurix Corp.</td>
<td>$422</td>
<td>$ 23</td>
<td>$ 6</td>
</tr>
<tr>
<td>Citrus Corp.</td>
<td>50</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Dabhol Power Company</td>
<td>51</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>Joint Energy Development Investments L.P.</td>
<td>197</td>
<td>11</td>
<td>(45)</td>
</tr>
<tr>
<td>Joint Energy Development Investments II L.P.</td>
<td>58</td>
<td>92</td>
<td>(4)</td>
</tr>
<tr>
<td>TNPC Inc. (The New Power Company)</td>
<td>(168)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transportadora de Gas del Sur S.A.</td>
<td>38</td>
<td>32</td>
<td>36</td>
</tr>
<tr>
<td>Whitewater Associates, L.P.</td>
<td>50</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>122</td>
<td>97</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>587</td>
<td>$309</td>
<td>97</td>
</tr>
</tbody>
</table>

(a) During the fourth quarter of 2000, Azurix Corp. (Azurix) impaired the carrying value of its Argentine assets resulting in a charge of approximately $140 million. Enron's portion of this charge was $32 million.

Summarized combined financial information of Enron's unconsolidated affiliates is presented below:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td><strong>Balance sheet</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>$ 5,884</td>
</tr>
<tr>
<td><strong>Property, plant and equipment, net</strong></td>
<td>14,766</td>
</tr>
<tr>
<td><strong>Other non-current assets</strong></td>
<td>13,485</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>4,739</td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td>5,710</td>
</tr>
<tr>
<td><strong>Other non-current liabilities</strong></td>
<td>6,148</td>
</tr>
<tr>
<td><strong>Owners' equity</strong></td>
<td>13,551</td>
</tr>
</tbody>
</table>

(b) Enron recognized revenues from transactions with unconsolidated equity affiliates at $310 million in 2000, $674 million in 1999 and $553 million in 1998.

In 2000 and 1999, Enron sold approximately $532 million and $192 million, respectively, of merchant investments and other assets to Whitewater. Enron recognized no gains or losses in connection with these transactions. Additionally, in 2000, ECT Merchant Investments Corp., a wholly-owned Enron subsidiary, contributed two pools of merchant investments to a limited partnership that is a subsidiary of Enron. Subsequent to the contributions, the partnership issued partnership interests representing 100% of the beneficial, economic interests in the two asset pools, and such interests were sold for a total of $545 million to a limited liability company that is a subsidiary of Whitewater. See Note 3. These entities are separate legal entities from Enron and have separate assets and liabilities. In 2000 and 1999, the Related Party, as described in Note 16, contributed $33 million and $15 million, respectively, of equity to Whitewater. In 2000, Whitewater contributed $7.1 million to a partnership formed by Enron, Whitewater, and a third party. Subsequently, Enron sold a portion of its interest in the partnership through a securitization. See Note 3.


From time to time, Enron has entered into various administrative service, management, construction, supply and operating...
agreements with its unconsolidated equity affiliates. Enron's management believes that its existing agreements and transactions are reasonable compared to those which could have been obtained from third parties.

## Preferred Stock

Enron Capital LLC

- **8% Cumulative Guaranteed Monthly Income Preferred Shares (8,590,000 shares)**
  - **Value:**
    - December 31, 2000: $214
    - 1999: $214
    - 2000: $25  
- **Enron Capital Trust I**
  - **8.3% Trust Originated Preferred Securities (8,000,000 preferred securities)**
    - **Value:**
      - December 31, 2000: $200
      - 1999: $200
      - 2000: $25
- **Enron Capital Trust II**
  - **8.18% Trust Originated Preferred Securities (6,000,000 preferred securities)**
    - **Value:**
      - December 31, 2000: $150
      - 1999: $150
      - 2000: $25
- **Enron Capital Trust III**
  - **Adjustable-Rate Capital Trust Securities (200,000 preferred securities)**
    - **Value:**
      - December 31, 2000: $200
      - 1999: $1,000
- **LNG Power II L.L.C.**
  - **6.74% Preference Units (105,000 shares)**
    - **Value:**
      - December 31, 2000: $100,000
      - 1999: $1,000
- **Enron Equity Corp.**
  - **8.57% Preferred Stock (880 shares)**
    - **Value:**
      - December 31, 2000: $88
      - 1999: $100,000
  - **7.39% Preferred Stock (150 shares)**
    - **Value:**
      - December 31, 2000: $15
      - 1999: $15
      - 2000: $100,000
- **Enron Capital Resources L.P.**
  - **9% Cumulative Preferred Securities, Series A (3,000,000 preferred securities)**
    - **Value:**
      - December 31, 2000: $75
      - 1999: $75
      - 2000: $25
- **Other**
  - **Value:**
    - December 31, 2000: $6,002
    - 1999: $1,000

(a) Redememable under certain circumstances after specified dates.  
(b) Initial rate is 6.74% increasing to 7.73%.
(c) Mandatorily redeemable in 2006.
### Common Stock

#### Earnings Per Share

The computation of basic and diluted earnings per share is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(In millions, except per share amounts)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Numerator:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before cumulative effect of accounting changes</td>
<td>579</td>
<td>1,024</td>
<td>703</td>
</tr>
<tr>
<td>Preferred stock dividends:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Preferred Stock</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Series A Preferred Stock</td>
<td>-30</td>
<td>-30</td>
<td>-30</td>
</tr>
<tr>
<td>Series B Preferred Stock</td>
<td>-16</td>
<td>-16</td>
<td>-16</td>
</tr>
<tr>
<td>Income available to common shareholders before cumulative effect of accounting changes</td>
<td>886</td>
<td>958</td>
<td>686</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>- (17)</td>
<td>- (17)</td>
<td>- (17)</td>
</tr>
<tr>
<td>Income available to common shareholders</td>
<td>869</td>
<td>841</td>
<td>669</td>
</tr>
<tr>
<td>Diluted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income available to common shareholders before cumulative effect of accounting changes</td>
<td>886</td>
<td>958</td>
<td>686</td>
</tr>
<tr>
<td>Effect of assumed conversion of dilutive securities(A)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Preferred Stock</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Income before cumulative effect of accounting changes</td>
<td>913</td>
<td>975</td>
<td>703</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>- (17)</td>
<td>- (17)</td>
<td>- (17)</td>
</tr>
<tr>
<td>Income available to common shareholders after assumed conversions</td>
<td>911</td>
<td>884</td>
<td>703</td>
</tr>
<tr>
<td><strong>Denominator:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denominator for basic earnings per share - weighted-average shares</td>
<td>136</td>
<td>705</td>
<td>642</td>
</tr>
<tr>
<td>Effect of dilutive securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock</td>
<td>35</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Stock options</td>
<td>43</td>
<td>28</td>
<td>17</td>
</tr>
<tr>
<td>Dilutive potential common shares</td>
<td>78</td>
<td>64</td>
<td>53</td>
</tr>
<tr>
<td>Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions</td>
<td>814</td>
<td>769</td>
<td>695</td>
</tr>
</tbody>
</table>

#### Derivative Instruments

At December 31, 2000, Enron had derivative instruments (excluding amounts disclosed in Note 10) on 54.8 million shares of Enron common stock, of which approximately 12 million shares are with JEDI and 22.5 million are with related parties (see Note 16), at an average price of $67.92 per share on which Enron was a fixed price payer. Shares potentially deliverable to counterparties under the contracts are assumed to be outstanding in calculating diluted earnings per share unless they are antidilutive. At December 31, 2000, there were outstanding non-employee options to purchase 6.4 million shares of Enron common stock at an exercise price of $19.59 per share.

#### Stock Option Plans

Enron applies Accounting Principles Board (APB) Opinion 25 and related interpretations in accounting for its stock option plans. In accordance with APB Opinion 25, no compensation expense has been recognized for the fixed stock option plans. Compensation expense charged against income for the restricted stock plan for 2000, 1999 and 1998 was $460 million, $471 and $38 million, respectively. Had compensation cost for Enron's stock option compensation plans been determined based on the fair value at the grant dates for awards under those plans, Enron's net income and earnings per share would have been $856 million ($1.09 per share basic, $1.09 per share diluted) in 2000, $327 million ($1.08 per share basic, $1.07 per share diluted) in 1999 and $674 million ($1.02 per share basic, $0.97 per share diluted) in 1998.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with weighted-average assumptions for grants in 2000, 1999 and 1998, respectively: (i) dividend yield of 2.4%, 2.4% and 2.5%; (ii) expected volatility of 22.3%, 20.0% and 18.3%; (iii) risk-free interest rates of 5.8%, 5.6% and 5.0%; and (iv) expected lives of 3.2 years, 3.7 years and 3.8 years.

Enron has four fixed option plans (the Plans) under which options for shares of Enron's common stock have been or may be granted to officers and non-employee members of the Board of Directors. Options granted may be either incentive stock options or nonqualified stock options and are granted at not less than the fair market value of the stock at the time of grant. Under the Plans, Enron may grant options with a maximum term of 10 years. Options vest under varying schedules.

---

(A) The Series A Preferred Stock and the Series B Preferred Stock were not included in the calculation of diluted earnings per share because conversion of these shares would be antidilutive.
Summarized information for Enron’s Plans is as follows:

<table>
<thead>
<tr>
<th>(Shares in thousands)</th>
<th>2000 Weighted Average</th>
<th>1999 Weighted Average</th>
<th>1998 Weighted Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
<td>Exercise Price</td>
<td>Shares</td>
</tr>
<tr>
<td>Outstanding, beginning of year</td>
<td>93,531</td>
<td>$39.74</td>
<td>79,604</td>
</tr>
<tr>
<td>Exercised (a)</td>
<td>(32,235)</td>
<td>24.43</td>
<td>(19,706)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(4,358)</td>
<td>35.68</td>
<td>(1,465)</td>
</tr>
<tr>
<td>Expired</td>
<td>(42)</td>
<td>23.25</td>
<td>(27)</td>
</tr>
<tr>
<td>Outstanding, end of year</td>
<td>59,963</td>
<td>$44.24</td>
<td>93,531</td>
</tr>
<tr>
<td>Exercisable, end of year</td>
<td>46,755</td>
<td>$32.85</td>
<td>52,803</td>
</tr>
<tr>
<td>Available for grant, end of year (b)</td>
<td>23,046</td>
<td>24.84</td>
<td>10,458</td>
</tr>
</tbody>
</table>

Weighted average fair value of options granted $33.35

(a) In 2000, Enron recorded tax benefits related to stock options exercised by employees of approximately $300 million reflected in shareholders equity.
(b) Includes up to 20,707,969 shares, 22,140,962 shares and 10,497,610 shares as of December 31, 2000, 1999 and 1998, respectively, which may be issued either as restricted stock or pursuant to stock options.

The following table summarizes information about stock options outstanding at December 31, 2000 (shares in thousands):

<table>
<thead>
<tr>
<th>Options Outstanding</th>
<th>Weighted Average Remaining Contractual LiFE</th>
<th>Weighted Average Exercise Price</th>
<th>Number Exercisable</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of Exercise Prices</td>
<td>Range of Exercise Prices</td>
<td>Options Exercisable</td>
<td>Options Exercisable</td>
<td>Options Exercisable</td>
</tr>
<tr>
<td>$ 6.88 to $ 20.00</td>
<td>$ 6.88 to $ 20.00</td>
<td>39,368</td>
<td>4.7</td>
<td>$16.72</td>
</tr>
<tr>
<td>20.06 to 34.81</td>
<td>20.06 to 34.81</td>
<td>24,091</td>
<td>6.8</td>
<td>24.79</td>
</tr>
<tr>
<td>35.83 to 47.31</td>
<td>35.83 to 47.31</td>
<td>21,531</td>
<td>6.8</td>
<td>40.52</td>
</tr>
<tr>
<td>50.48 to 69.00</td>
<td>50.48 to 69.00</td>
<td>13,965</td>
<td>6.8</td>
<td>60.18</td>
</tr>
<tr>
<td>71.06 to 86.63</td>
<td>71.06 to 86.63</td>
<td>21,319</td>
<td>6.6</td>
<td>75.69</td>
</tr>
<tr>
<td>96,063</td>
<td>96,063</td>
<td>6.2</td>
<td>$44.24</td>
<td>46,755</td>
</tr>
</tbody>
</table>

Restricted Stock Plan

Under Enron’s Restricted Stock Plan, participants may be granted stock without cost to the participant. The shares granted under this plan vest to the participants at various times ranging from immediate vesting to vesting at the end of a five-year period. Upon vesting, the shares are released to the participants. The following summarizes shares of restricted stock under this plan.

<table>
<thead>
<tr>
<th>(Shares in thousands)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, beginning of year</td>
<td>6,781</td>
<td>6,034</td>
<td>5,074</td>
</tr>
<tr>
<td>Granted</td>
<td>2,243</td>
<td>2,672</td>
<td>2,127</td>
</tr>
<tr>
<td>Released to participants</td>
<td>(2,201)</td>
<td>(1,702)</td>
<td>(1,064)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(1,444)</td>
<td>(223)</td>
<td>(98)</td>
</tr>
<tr>
<td>Outstanding, end of year</td>
<td>5,379</td>
<td>6,785</td>
<td>6,034</td>
</tr>
<tr>
<td>Available for grant, end of year</td>
<td>59,700</td>
<td>22,141</td>
<td>10,498</td>
</tr>
<tr>
<td>Weighted average fair value of restricted stock granted</td>
<td>$33.35</td>
<td>$37.38</td>
<td>$23.70</td>
</tr>
</tbody>
</table>

12. PENSION AND OTHER BENEFITS

Enron maintains a retirement plan (the Enron Plan) which is a noncontributory defined benefit plan covering substantially all employees in the United States and certain employees in foreign countries. The benefit accrual is in the form of a cash balance of 5% of annual base pay.

Portland General has a noncontributory defined benefit pension plan (the Portland General Plan) covering substantially all of its employees. Benefits under the Portland General Plan are based on years of service, final average pay and covered compensation.

Enron Facility Services has a noncontributory defined benefit pension plan (the EFS Plan) covering substantially all of its employees. Benefits under the EFS Plan are based on years of service, final average pay and covered compensation.

Enron also maintains a noncontributory employee stock ownership plan (ESOP) which covers all eligible employees. Allocations to individual employees’ retirement accounts within the ESOP offset a portion of benefits earned under the Enron Plan. All shares included in the ESOP have been allocated to the employee accounts. At December 31, 2000 and 1999, 12,600,271 shares and 17,241,731 shares, respectively, of Enron common stock were held by the ESOP, a portion of which may be used to offset benefits under the Enron Plan.

Assets of the Enron Plan, the Portland General Plan and the EFS Plan are comprised primarily of equity securities, fixed income securities and temporary cash investments. It is Enron’s policy to fund all pension costs accrued to the extent required by federal tax regulations.

Enron provides certain postretirement medical, life insurance and dental benefits to eligible employees and their eligible dependents. Benefits are provided under the provisions of contributory defined dollar benefit plans. Enron is currently funding that portion of its obligations under these postretirement benefit plans which are expected to be recoverable through rates by its regulated pipelines and electric utility operations.

Enron accords these postretirement benefit costs over the service lives of the employees expected to be eligible to receive such benefits. Enron is amortizing the transition obligation which existed at January 1, 1993 over a period of approximately 19 years.

The following table sets forth information related to changes in the benefit obligations, changes in plan assets, a reconciliation of the funded status of the plans and components of the expense recognized related to Enron’s pension and other postretirement plans:

00200000001104
The measurement date of the Enron Plan and the ESOP is September 30, and the measurement date of the Portland General Plan, the EPS Plan and the postretirement benefit plans is December 31. The funded status as of the valuation date of the Enron Plan, the Portland General Plan, the ESOP and the postretirement benefit plans reconciles with the amount detailed above which is included in "Other Assets" on the Consolidated Balance Sheet.

For measurement purposes, 8% and 10% annual rates of increase in the per capita cost of covered health care benefits were assumed for the period 2000 to 2001 for the Enron and Portland General postretirement plans, respectively. The rates were assumed to decrease to 5% by 2002 and 2010 for the Enron and Portland General postretirement plans, respectively. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>1-Percentage Increase</th>
<th>1-Percentage Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on total of service and interest cost components</td>
<td>$0.4</td>
<td>$(0.3)</td>
</tr>
<tr>
<td>Effect on postretirement benefit obligation</td>
<td>$4.4</td>
<td>$(3.3)</td>
</tr>
</tbody>
</table>

Additionally, certain Enron subsidiaries maintain various incentive based compensation plans for which participants may receive a combination of cash or stock options, based upon the achievement of certain performance goals.

13. RATES AND REGULATORY ISSUES

Rates and regulatory issues related to certain of Enron's natural gas pipelines and its electric utility operations are subject to final determination by various regulatory agencies. The domestic interstate pipeline operations are regulated by the Federal Energy Regulatory Commission (FERC) and the electric utility operations are regulated by the FERC and the Oregon Public Utility Commission (OPUC). As a result, these operations are subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," which recognizes the economic effects of regulation and, accordingly, Enron has recorded regulatory assets and liabilities related to such operations.

The regulated pipelines operations' net regulatory assets were $210 million and $250 million at December 31, 2000 and 1999, respectively, and are expected to be recovered over varying time periods.

The electric utility operations' net regulatory assets were $450 million and $494 million at December 31, 2000 and 1999, respectively. Based on rates in place at December 31, 2000, Enron estimates that it will collect substantially all of its regulatory assets within the next 11 years.

Reformed Operations

On April 16, 1999, Northern Natural Gas Company (Northern) filed an uncontested Stipulation and Agreement of Settlement (Settlement) with the FERC and an order approving the Settlement was issued by the FERC on June 18, 1999. The rates effective as of November 1, 1999 remain in effect. On May 1, 2000, Northern filed to implement an optional volumetric firm throughput service. An order approving such service was issued November 8, 2000 with effectiveness November 1, 2000; a rehearing request is pending. On November 1, 2000, Northern filed to increase its rates for the recovery of return and taxes on its System Levelized Account.
On November 22, 2000, the FERC issued an order approving the rates, subject to refund.

On November 1, 2000, Transwestern Pipeline Company implemented a rate escalation of settled transportation rates in accordance with its May 1995 settlement, as amended in May 1996. On August 23, 1999, Transwestern filed for a new service. Enhanced Firm Backhaul. An order by the FERC was issued February 23, 2000, approving the service.

Electrical Utility Operations

On October 2, 2000, PGE filed a restructuring plan with the OUPC that implements the provisions of the State Senate Bill SB1149, signed into law in July 1999. The new law provides industrial and commercial customers of investor-owned utilities in the state direct access to competing energy suppliers by October 1, 2001. As filed, PGE’s plan also proposes an increase in base rates with new tariffs effective on October 1, 2001, PGE is a 67.5% owner of the Trojan Nuclear Plant (Trojan). In September 2000, PGE entered into an agreement with the OUPC related to Trojan. See Note 14. At December 31, 2000, PGE’s regulatory asset related to recovery of Trojan decommissioning costs from customers was $190 million.

Enron believes, based upon its experience to date and after considering appropriate reserves that have been established, that the ultimate resolution of pending regulatory matters will not have a material impact on Enron’s financial position or results of operations.

4. Litigation and Other Contingencies

Enron is a party to various claims and litigation, the significant items of which are discussed below. Although no assurances can be given, Enron believes, based upon its experience to date and after considering appropriate reserves that have been established, that the ultimate resolution of such items, individually or in the aggregate, will not have a material adverse impact on Enron’s financial position or results of operations.

Litigation

In 1995, several parties (the Plaintiffs) filed suit in Harris County District Court in Houston, Texas, against Intretex Gas Company (Intretex), Houston Pipe Line Company and Panhandle Gas Company (collectively, the Enron Defendants), each of which is a wholly-owned subsidiary of Enron. The Plaintiffs were either sellers or royalty owners under numerous gas purchase contracts with Intretex, many of which have terminated. Early in 1996, the case was severed by the Court into two matters to be tried (or otherwise resolved) separately. In the first matter, the Plaintiffs alleged that the Enron Defendants committed fraud and negligent misrepresentation in connection with the “Panhandle program,” a special marketing program established in the early 1980s. This case was tried in October 1996 and resulted in a verdict for the Enron Defendants. In the second matter, the Plaintiffs allege that the Enron Defendants violated state regulatory requirements and certain gas purchase contracts by failing to take the Plaintiffs’ gas ratably with other producers’ gas at certain times between 1978 and 1988. The trial court certified a class action with respect to ratability claims. On March 8, 2000, the Texas Supreme Court ruled that the trial court’s class certification was improper and remanded the case to the trial court. The Enron Defendants deny the Plaintiffs’ claims and have asserted various affirmative defenses, including the statute of limitations. The Enron Defendants believe that they have strong legal and factual defenses, and intend to vigorously contest the claims. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

On November 21, 1996, an explosion occurred in or around the Humberto Vidal Building in San Juan, Puerto Rico. The explosion resulted in fatalities, bodily injuries and damage to the building and surrounding property. San Juan Gas Company, Inc. (San Juan Gas), an Enron affiliate, operated a propane-air distribution system in the vicinity, but did not provide service to the building. Enron, San Juan Gas, four affiliates and their insurance carriers were named as defendants, along with several third parties, including The Puerto Rico Aqueduct and Sewer Authority, Puerto Rico Telephone Company, Heath Consultants Incorporated, Humberto Vidal, Inc., and their insurance carriers, in numerous lawsuits filed in U.S. District Court for the District of Puerto Rico and the Superior Court of Puerto Rico. These suits seek damages for wrongful death, personal injury, business interruption and property damage allegedly caused by the explosion. After nearly four years without determining the cause of the explosion, all parties have agreed not to litigate further that issue, but to move these suits toward settlements or trials to determine whether each plaintiff was injured as a result of the explosion and, if so, the lawful damages attributable to such injury. The defendants have agreed on a fund for settlements or final awards. Numerous claims have been settled. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

 Trojan Investment Recovery

In early 1993, PGE ceased commercial operation of the Trojan nuclear power generating facility. The OUPC granted PGE, through a general rate order, recovery of, and a return on, 87 percent of its remaining investment in Trojan.

The OUPC’s general rate order relating to Trojan has been subject to litigation in various state courts, including rulings by the Oregon Court of Appeals and petitions to the Oregon Supreme Court filed by parties opposed to the OUPC’s order, including the Utility Reform Project (URP) and the Citizens Utility Board (CUB).

In August 2000, PGE entered into agreements with CUB and the staff of the OUPC to settle the litigation related to PGE’s recovery of its investment in the Trojan plant. Under the agreements, CUB agreed to withdraw from the litigation and to support the settlement as the means to resolve the Trojan litigation. The OUPC approved the accounting and ratemaking elements of the settlement on September 29, 2000. As a result of these approvals, PGE’s investment in Trojan is no longer included in rates charged to customers, either through a return on or a return of that investment. Collection of ongoing decommissioning costs at Trojan is not affected by the settlement agreements or the September 29, 2000 OUPC order. With CUB’s withdrawal, URP is the one remaining significant adversary party in the litigation. URP has indicated that it plans to continue to challenge the OUPC order allowing PGE recovery of its investment in Trojan.

Enron cannot predict the outcome of these actions. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Environmental Matters

Enron is subject to extensive federal, state and local environmental laws and regulations. These laws and regulations require expenditures in connection with the construction of new facilities, the operation of existing facilities and for remediation at various operating sites. The implementation of the Clean Air Act Amendments is expected to result in increased operating
expenses. These increased operating expenses are not expected to have a material impact on Enron's financial position or results of operations.

Enron's natural gas pipeline companies conduct soil and groundwater remediation on a number of their facilities. Enron does not expect to incur material expenditures in connection with soil and groundwater remediation.

**COMMITMENTS**

**Transportation Obligations**

Enron has firm transportation agreements with various joint venture and other pipelines. Under these agreements, Enron must make specified minimum payments each month. At December 31, 2000, the estimated aggregate amounts of such required future payments were $91 million, $88 million, $89 million, $85 million and $77 million for 2001 through 2005, respectively, and $47 million for later years.

The costs recognized under firm transportation agreements, including commodity charges on actual quantities shipped, totaled $68 million, $55 million and $30 million in 2000, 1999 and 1998, respectively.

**Other Commitments**

Enron leases property, operating facilities and equipment under various operating leases, certain of which contain renewal and purchase options and residual value guarantees. Future commitments related to these items at December 31, 2000 were $123 million, $98 million, $89 million, $66 million and $48 million for 2001 through 2005, respectively, and $35 million for later years. Guarantees under the leases total $556 million at December 31, 2000.

Total rent expense incurred during 2000, 1999 and 1998 was $143 million, $143 million and $147 million, respectively.

Enron has entered into two development agreements whereby Enron is required to manage construction of a certain number of power projects on behalf of third-party owners. Under one development agreement, where construction is expected to be completed on or before March 31, 2004, Enron has agreed to enter into power offtake agreements for varying portions of the offtake from each facility. Under both development agreements, Enron maintains purchase options, which may be assigned to a third party in addition to the purchase option under the other development agreement. Enron maintains lease options on the power projects. If upon completion, which is expected to occur on or before August 31, 2002, Enron has failed to exercise one of its options, Enron may participate in the remarketing of the power projects which Enron has guaranteed the recovery of 89.9 percent of certain project costs, of which approximately $140 million has been incurred through December 31, 2000.

Enron guarantees the performance of certain of its unconsolidated equity affiliates in connection with letters of credit issued on behalf of those entities. At December 31, 2000, a total of $264 million of such guarantees were outstanding, including $103 million on behalf of EOTT Energy Partners, L.P. (EOTT). In addition, Enron is a guarantor on certain liabilities of unconsolidated equity affiliates and other companies totaling approximately $1,863 million at December 31, 2000, including $538 million related to EOTT trade obligations. The EOTT letters of credit and guarantees of trade obligations are secured by the assets of EOTT. Enron has also guaranteed $386 million in lease obligations for which it has been indemnified by an "Investment Grade" company. Management does not consider it likely that Enron would be required to perform or otherwise incur any losses associated with the above guarantees. In addition, certain commitments have been made related to capital expenditures and equity investments planned in 2001.

On December 15, 2000, Enron announced that it had entered into an agreement with Azurix under which the holders of Azurix's approximately 39 million publicly traded shares would receive cash of $8.375 in exchange for each share. The agreement, which is subject to the approval of Azurix shareholders, is expected to close in early 2001.

**16 RELATED PARTY TRANSACTIONS**

In 2000 and 1999, Enron entered into transactions with limited partnerships (the Related Party) whose general partner's managing member is a senior officer of Enron. The limited partners of the Related Party are unrelated to Enron. Management believes that the terms of the transactions with the Related Party were reasonable compared to those which could have been negotiated with unrelated third parties.

In 2000, Enron entered into transactions with the Related Party to hedge certain merchant investments and other assets. As part of the transactions, Enron (i) contributed to newly-formed entities (the Entities) assets valued at approximately $1.2 billion, including $150 million in Enron notes payable, 3.7 million restricted shares of outstanding Enron common stock and the right to receive up to 18.0 million shares of outstanding Enron common stock in March 2003 (subject to certain conditions) and (ii) transferred to the Entities assets valued at approximately $309 million, including a $50 million note payable and an investment in an entity that indirectly holds warrants convertible into common stock of an Enron equity method investee. In return, Enron received economic interests in the Entities, $309 million in notes receivable, of which $259 million is recorded at Enron's carryover basis of zero, and a special distribution from the Entities in the form of $1.2 billion in notes receivable, subject to changes in the principal for amounts payable by Enron in connection with the execution of additional derivative instruments. Cash in these Entities of $172.6 million is invested in Enron demand notes. In addition, Enron paid $123 million to purchase share-settled options from the Entities on 21.7 million shares of Enron common stock. The Entities paid Enron $10.7 million to terminate the share-settled options on 14.6 million shares of Enron common stock outstanding. In late 2000, Enron entered into share-settled collar arrangements with the Entities on 15.4 million shares of Enron common stock. Such arrangements will be accounted for as equity transactions when settled.

In 2000, Enron entered into derivative transactions with the Entities with a combined notional amount of approximately $2.1 billion to hedge certain merchant investments and other assets. Enron's notes receivable balance was reduced by $36 million as a result of premiums owed on derivative transactions. Enron recognized revenues of approximately $500 million related to the subsequent change in the market value of these derivatives, which offset market value changes of certain merchant investments and price risk management activities. In addition, Enron recognized $44.5 million and $14.1 million of interest income and interest expense, respectively, on the notes receivable from and payable to the Entities.

In 1999, Enron entered into a series of transactions involving a third party and the Related Party. The effect of the transactions was (i) Enron and the third party amended certain forward contracts to purchase shares of Enron common stock, resulting in Enron having forward contracts to purchase Enron common stock at the market price on that day, (ii) the Related Party received 6.8 million shares of Enron common stock subject to certain restrictions and (iii) Enron received a note receivable, which
was repaid in December 1989, and certain financial instruments hedging an investment held by Enron. Enron recorded the assets received and equity issued at fair value. In connection with the transactions, the Related Party agreed that the senior officer of Enron would have no pecuniary interest in such Enron common shares and would be restricted from voting on matters related to such shares. In 2000, Enron and the Related Party entered into an agreement to terminate certain financial instruments that had been entered into during 1999. In connection with this agreement, Enron received approximately 3.1 million shares of Enron common stock held by the Related Party. A put option, which was originally entered into in the first quarter of 2000 and gave the Related Party the right to sell shares of Enron common stock to Enron at a strike price of $73.31 per share, was terminated under this agreement. In return, Enron paid approximately $26.8 million to the Related Party.

In 2000, Enron sold a portion of its dark fiber inventory to the Related Party in exchange for $30 million cash and a $70 million note receivable that was subsequently repaid. Enron recognized gross margin of $67 million on the sale.

In 2000, the Related Party acquired, through securitizations, approximately $25 million of merchant investments from Enron. In addition, Enron and the Related Party formed partnerships in which Enron contributed cash and assets and the Related Party contributed $17.5 million in cash. Subsequently, Enron sold a portion of its interest in the partnership through securitizations. See Note 3. Also, Enron contributed a put option to a trust in which the Related Party and Whitewing hold equity and debt interests. At December 31, 2000, the fair value of the put option was a $36 million loss to Enron.

In 1999, the Related Party acquired approximately $371 million of merchant assets and investments and other assets from Enron. Enron recognized pre-tax gains of approximately $16 million related to these transactions. The Related Party also entered into an agreement to acquire Enron's interests in an unconsolidated equity affiliate for approximately $34 million.

12. Asset Impairment

In 1999, continued significant changes in state and federal rules regarding the use of MTE as a gasoline additive have significantly impacted Enron's view of the future prospects for this business. As a result, Enron completed a reevaluation of its position and strategy with respect to its operated MTE assets which resulted in (i) the purchase of certain previously leased MTE-related assets, under provisions within the lease, in order to facilitate future actions, including the potential disposal of such assets and (ii) a review of all MTE-related assets for impairment considering the recent adverse changes and their impact on recoverability. Based on this review and disposal discussions with market participants, in 1999, Enron recorded a $441 million pre-tax charge for the impairment of its MTE-related assets.

13. Accounting Pronouncements

Recent Accounting Changes

In 1999, Enron recorded an after-tax charge of $131 million to reflect the initial adoption (as of January 1, 1999) of two new accounting pronouncements, the AICPA Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities" and the Emerging Issues Task Force Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The 1999 charge was primarily related to the adoption of SOP 98-5.

Recently Issued Accounting Pronouncements

In 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 must be applied to all derivative instruments and certain derivative instruments embedded in hybrid instruments and requires that such instruments be recorded in the balance sheet either as an asset or liability measured at its fair value through earnings, with special accounting allowed for certain qualifying hedges. Enron will adopt SFAS No. 133 as of January 1, 2001. Due to the adoption of SFAS No. 133, Enron will recognize an after-tax non-cash loss of approximately $5 million in earnings and an after-tax non-cash gain in "Other Comprehensive Income," a component of shareholders' equity, of approximately $22 million from the cumulative effect of a change in accounting principle. Enron will also reclassify $532 million from "Long-Term Debt" to "Other Liabilities" due to the adoption.

The total impact of Enron's adoption of SFAS No. 133 on earnings and on "Other Comprehensive Income" is dependent upon certain pending interpretations, which are currently under consideration, including those related to "normal purchases and normal sales," and inflation escalators included in certain contract payment provisions. The interpretations of these issues, and others, are currently under consideration by the FASB. While the ultimate conclusions reached on interpretations being considered by the FASB could impact the effects of Enron's adoption of SFAS No. 133, Enron does not believe that such conclusions would have a material effect on its current estimate of the impact of adoption.
Summarized quarterly financial data is as follows:

<table>
<thead>
<tr>
<th></th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
<th>Total Year(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$13,145</td>
<td>$16,886</td>
<td>$20,007</td>
<td>$40,751</td>
<td>$100,789</td>
</tr>
<tr>
<td>Income before interest, minority interests and income taxes</td>
<td>$240</td>
<td>$608</td>
<td>$606</td>
<td>$1,863</td>
<td>$2,482</td>
</tr>
<tr>
<td>Net income</td>
<td>338</td>
<td>289</td>
<td>292</td>
<td>60</td>
<td>979</td>
</tr>
<tr>
<td>Earnings per share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ 0.44</td>
<td>$ 0.37</td>
<td>$ 0.37</td>
<td>$ 0.06</td>
<td>$ 1.22</td>
</tr>
<tr>
<td>Diluted</td>
<td>0.40</td>
<td>0.34</td>
<td>0.34</td>
<td>0.06</td>
<td>1.12</td>
</tr>
<tr>
<td><strong>1999</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 7,632</td>
<td>$ 9,672</td>
<td>$11,835</td>
<td>$10,973</td>
<td>$40,112</td>
</tr>
<tr>
<td>Income before interest, minority interests and income taxes</td>
<td>$533</td>
<td>$499</td>
<td>$520</td>
<td>$473</td>
<td>$1,995</td>
</tr>
<tr>
<td>Net income</td>
<td>122</td>
<td>222</td>
<td>290</td>
<td>259</td>
<td>893</td>
</tr>
<tr>
<td>Earnings per share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ 0.17</td>
<td>$ 0.29</td>
<td>$ 0.38</td>
<td>$ 0.33</td>
<td>$ 1.17</td>
</tr>
<tr>
<td>Diluted</td>
<td>0.16</td>
<td>0.27</td>
<td>0.35</td>
<td>0.31</td>
<td>1.10</td>
</tr>
</tbody>
</table>

(a) The sum of earnings per share for the four quarters may not equal earnings per share for the total year due to changes in the average number of common shares outstanding.

10. GEOGRAPHIC AND BUSINESS SEGMENT INFORMATION

Enron's business is divided into operating segments, defined as components of an enterprise about which financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment. Enron's chief operating decision-making group is the Office of the Chairman.

Enron's chief operating decision-making group evaluates performance and allocates resources based on income before interest, minority interests and income taxes (IBIT) as well as on net income. Certain costs related to company-wide functions are allocated to each segment. However, interest on corporate debt is primarily maintained at Corporate and is not allocated to the segments. Therefore, management believes that IBIT is the dominant measurement of segment profits consistent with Enron's consolidated financial statements. The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 1.

Beginning in 2000, Enron's communications business is being managed as a separate operating segment named Broadband Services and therefore, based on criteria set by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," is reported separately.

Enron has divided its operations into the following reportable segments, based on similarities in economic characteristics, products and services, types of customers, methods of distribution and regulatory environment:

- **Broadband Services** – Construction and management of a nationwide fiber optic network, the marketing and management of bandwidth and the delivery of high-bandwidth content.
- **Exploration and Production** – Natural gas and crude oil exploration and production primarily in the United States, Canada, Trinidad and India until August 16, 1999. See Note 2.
- **Corporate and Other** – Includes operation of water and renewable energy businesses as well as clean fuels plants.

Financial information by geographic and business segment follows for each of the three years in the period ended December 31, 2000.

**Geographic Segments**

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues from unaffiliated customers</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>$77,691</td>
</tr>
<tr>
<td>Foreign</td>
<td>22,898</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$100,589</td>
</tr>
<tr>
<td>Income before interest, minority interests and income taxes</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>$2,131</td>
</tr>
<tr>
<td>Foreign</td>
<td>351</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,482</td>
</tr>
<tr>
<td>Long-lived assets</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>$10,899</td>
</tr>
<tr>
<td>Foreign</td>
<td>844</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$11,749</td>
</tr>
</tbody>
</table>

00200000001109
### 2000

<table>
<thead>
<tr>
<th>Description</th>
<th>Transportation Distribution</th>
<th>Wholesale Services</th>
<th>Retail Energy Services</th>
<th>Broadband Services</th>
<th>Corporate and Other (d)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaffiliated revenues [a]</td>
<td>$2,742</td>
<td>$933,728</td>
<td>$3,824</td>
<td>$408</td>
<td>$537</td>
<td>$100,789</td>
</tr>
<tr>
<td>Intersegment revenues [b]</td>
<td>213</td>
<td>1,628</td>
<td>291</td>
<td>-</td>
<td>(2,632)</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,955</td>
<td>94,306</td>
<td>4,115</td>
<td>408</td>
<td>(2,632)</td>
<td>100,789</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>565</td>
<td>1,668</td>
<td>58</td>
<td>(54)</td>
<td>(274)</td>
<td>1,913</td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated equity affiliates</td>
<td>65</td>
<td>486</td>
<td>(60)</td>
<td>1</td>
<td>(405)</td>
<td>87</td>
</tr>
<tr>
<td>Gains on sales of assets and investments</td>
<td>25</td>
<td>9</td>
<td>74</td>
<td>-</td>
<td>38</td>
<td>146</td>
</tr>
<tr>
<td>Gain on the issuance of stock by TNPC, Inc.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>6</td>
<td>171</td>
<td>5</td>
<td>3</td>
<td>27</td>
<td>212</td>
</tr>
<tr>
<td>Other income, net</td>
<td>21</td>
<td>(74)</td>
<td>(23)</td>
<td>-</td>
<td>(1)</td>
<td>(21)</td>
</tr>
<tr>
<td>Income (loss) before interest, minority interests and income taxes</td>
<td>732</td>
<td>2,760</td>
<td>165</td>
<td>(50)</td>
<td>(615)</td>
<td>2,442</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>219</td>
<td>1,200</td>
<td>79</td>
<td>436</td>
<td>125</td>
<td>2,381</td>
</tr>
<tr>
<td>Identifiable assets</td>
<td>7,509</td>
<td>43,920</td>
<td>4,266</td>
<td>1,313</td>
<td>3,261</td>
<td>60,209</td>
</tr>
<tr>
<td>Investments in and advances to unconsolidated equity affiliates</td>
<td>714</td>
<td>4,014</td>
<td>194</td>
<td>74</td>
<td>316</td>
<td>5,294</td>
</tr>
<tr>
<td>Total assets</td>
<td>$8,283</td>
<td>$47,934</td>
<td>$9,479</td>
<td>$1,527</td>
<td>$3,579</td>
<td>$65,903</td>
</tr>
</tbody>
</table>

### 1999

<table>
<thead>
<tr>
<th>Description</th>
<th>Transportation Distribution</th>
<th>Wholesale Services</th>
<th>Retail Energy Services</th>
<th>Exploration and Production [d]</th>
<th>Corporate and Other (d)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaffiliated revenues [a]</td>
<td>$2,013</td>
<td>$35,501</td>
<td>$1,515</td>
<td>$429</td>
<td>$651</td>
<td>$40,112</td>
</tr>
<tr>
<td>Intersegment revenues [b]</td>
<td>19</td>
<td>798</td>
<td>289</td>
<td>97</td>
<td>(1,191)</td>
<td>-</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,032</td>
<td>36,287</td>
<td>1,807</td>
<td>526</td>
<td>(540)</td>
<td>40,112</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>247</td>
<td>294</td>
<td>29</td>
<td>213</td>
<td>87</td>
<td>870</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>537</td>
<td>869</td>
<td>(61)</td>
<td>66</td>
<td>(623)</td>
<td>802</td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated equity affiliates</td>
<td>50</td>
<td>237</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>309</td>
</tr>
<tr>
<td>Gains on sales of assets and investments</td>
<td>19</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>511</td>
<td>541</td>
</tr>
<tr>
<td>Interest income</td>
<td>20</td>
<td>126</td>
<td>5</td>
<td>-</td>
<td>11</td>
<td>162</td>
</tr>
<tr>
<td>Other income, net</td>
<td>45</td>
<td>34</td>
<td>8</td>
<td>(1)</td>
<td>75</td>
<td>181</td>
</tr>
<tr>
<td>Income (loss) before interest, minority interests and income taxes</td>
<td>685</td>
<td>1,317</td>
<td>(68)</td>
<td>65</td>
<td>(4)</td>
<td>1,995</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>316</td>
<td>1,216</td>
<td>64</td>
<td>226</td>
<td>541</td>
<td>2,363</td>
</tr>
<tr>
<td>Identifiable assets</td>
<td>7,148</td>
<td>18,501</td>
<td>956</td>
<td>-</td>
<td>1,740</td>
<td>28,345</td>
</tr>
<tr>
<td>Investments in and advances to unconsolidated equity affiliates</td>
<td>811</td>
<td>2,684</td>
<td>-</td>
<td>-</td>
<td>1,541</td>
<td>5,036</td>
</tr>
<tr>
<td>Total assets</td>
<td>$7,959</td>
<td>$27,189</td>
<td>$956</td>
<td>$ -</td>
<td>$3,287</td>
<td>$33,387</td>
</tr>
</tbody>
</table>

(a) Unaffiliated revenues include sales to unconsolidated equity affiliates.
(b) Intersegment sales are made at prices comparable to those received from unaffiliated customers and in some instances are affected by regulatory considerations.
(c) Reflects results through August 16, 1999. See Note 2.
(d) Includes consolidating eliminations.
Selected Financial and Credit Information (Unaudited)

The following review of the credit characteristics of Enron Corp. and its subsidiaries and affiliates should be read in conjunction with the Consolidated Financial Statements. The credit information that follows represents management’s calculation of certain key credit ratios of Enron.

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>2000</th>
<th>1999</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Obligations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance sheet debt (short- and long-term)</strong></td>
<td>$10,229</td>
<td>$8,152</td>
<td>Balance Sheet</td>
</tr>
<tr>
<td><strong>Items added to liability profile:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guarantees(a)</td>
<td>213</td>
<td>180</td>
<td>Note 15</td>
</tr>
<tr>
<td>Residual value guarantees of synthetic leases</td>
<td>155</td>
<td>715</td>
<td>Note 15</td>
</tr>
<tr>
<td>Not liability from prior risk management activities(b)</td>
<td>-</td>
<td>-</td>
<td>Balance Sheet</td>
</tr>
<tr>
<td>Debt exchangeable for EOG Resources, Inc. shares(c)</td>
<td>(523)</td>
<td>(239)</td>
<td>Note 7</td>
</tr>
<tr>
<td>Debt of unconsolidated equity affiliates(d)</td>
<td>-</td>
<td>-</td>
<td>Note 9</td>
</tr>
<tr>
<td>Firm transportation obligations(e)</td>
<td>-</td>
<td>-</td>
<td>Note 15</td>
</tr>
<tr>
<td><strong>Total Obligations</strong></td>
<td>$10,866</td>
<td>$8,808</td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders’ Equity and Certain Other Items</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td>$11,470</td>
<td>$9,570</td>
<td>Balance Sheet</td>
</tr>
<tr>
<td><strong>Items added to shareholders’ equity:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>2,414</td>
<td>2,430</td>
<td>Balance Sheet, Note 8</td>
</tr>
<tr>
<td>Company-obligated preferred securities of subsidiaries</td>
<td>504</td>
<td>1,000</td>
<td>Balance Sheet, Note 10</td>
</tr>
<tr>
<td><strong>Total Shareholders’ Equity and Certain Other Items</strong></td>
<td>$14,388</td>
<td>$13,000</td>
<td></td>
</tr>
<tr>
<td><strong>Funds Flow from Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$4,378</td>
<td>$1,228</td>
<td>Cash Flow Statement</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>1,769</td>
<td>(1,000)</td>
<td>Cash Flow Statement</td>
</tr>
<tr>
<td><strong>Funds Flow from Operations</strong></td>
<td>$3,010</td>
<td>$2,228</td>
<td></td>
</tr>
<tr>
<td><strong>Interest and Estimated Lease Interest Expense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest incurred</td>
<td>$876</td>
<td>$710</td>
<td>Management’s Discussion and Analysis</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>(138)</td>
<td>(54)</td>
<td>Income Statement</td>
</tr>
<tr>
<td><strong>Interest and Related Charges, net</strong></td>
<td>$738</td>
<td>$656</td>
<td>Income Statement</td>
</tr>
<tr>
<td><strong>Estimated Lease Interest Expense(f)</strong></td>
<td>$106</td>
<td>$124</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted Earnings for Credit Analysis</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before interest, minority interests and income taxes</td>
<td>$2,482</td>
<td>$1,995</td>
<td>Income Statement</td>
</tr>
<tr>
<td><strong>Adjustments to EBIT:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sales of non-merchant assets</td>
<td>(144)</td>
<td>(541)</td>
<td>Cash Flow Statement</td>
</tr>
<tr>
<td>Impairment of long-lived assets (including equity investments)</td>
<td>326</td>
<td>441</td>
<td>Cash Flow Statement</td>
</tr>
<tr>
<td>Distributions in excess of (less than) earnings of unconsolidated equity affiliates</td>
<td>(275)</td>
<td>123</td>
<td>Note 9</td>
</tr>
<tr>
<td>Estimated lease interest expense(f)</td>
<td>106</td>
<td>124</td>
<td></td>
</tr>
<tr>
<td><strong>Total Adjusted Earnings for Credit Analysis</strong></td>
<td>$2,492</td>
<td>$2,192</td>
<td></td>
</tr>
</tbody>
</table>

**Key Credit Ratios**

- **Funds flow interest coverage(g)**: 4.67, 3.67
- **Effective interest coverage(h)**: 2.54, 2.63
- **Funds flow from operations/Total obligations**: 28.8%, 25.3%
- **Total obligations/Total obligations plus Total shareholders’ equity and certain other items**: 41.4%, 40.4%
- **Debt/Total Capital(i)**: 40.9%, 38.5%

(a) Management estimates Enron’s risk adjusted exposure on unconsolidated guarantees is approximately 10% of the total nominal value of the guarantee issued.
(b) Excess of prior risk management liabilities over prior risk management assets
(c) Earnings from the exchange of EOG Resources, Inc. stock
(d) Debt of unconsolidated equity affiliates is non-recourse and therefore is excluded from Enron’s obligations.
(e) Firm transportation obligations are excluded as contracted capacity has market value.
(f) Management estimates Enron’s lease interest expense for the year based on the average minimum lease payment or commitment (excluding principal repayments and other items).
(g) Estimated as funds flow from operating plus interest incurred and estimated lease interest expense, divided by interest incurred and estimated lease interest expense.
(h) Effective interest coverage is total adjusted earnings divided by interest incurred and estimated lease interest expense.
(i) Total capital includes debt, minority interests, company-obligated preferred securities of subsidiaries and shareholders’ equity.
OUR VALUES

Communication
We have an obligation to communicate. Here, we take the time to talk with one another... and to listen. We believe that information is meant to move and that information moves people.

Respect
We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment.

Integrity
We work with customers and prospects openly, honestly and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won't do it.

Excellence
We are satisfied with nothing less than the very best in everything we do. We will continue to raise the bar for everyone. The great fun here will be for all of us to discover just how good we can really be.
Board of Directors

ROBERT A. BELL
New York, New York
Chairman, Betco Oil & Gas Corp.

NORMAN D. BLAKE
Colorado Springs, Colorado
Chairman, President and CEO, Comdisco, Inc., and Former CEO and Secretary General, United States Olympic Committee

WENNY C. CHAN
Hong Kong
Chairman, Hang Lung Group

JOHN H. DUNCAN
Houston, Texas
Former Chairman of the Executive Committee of Gulf & Western Industries, Inc.

WENDY L. GRANDMA
Washington, D.C.
Director of the Regulatory Studies Program of the Mercatus Center at George Mason University
Former Chairman, U.S. Commodity Futures Trading Commission

KEN T. HARRISON
Portland, Oregon
Former Chairman and CEO, Portland General Electric Company

JEROME A. MEYER
Wilsonville, Oregon
Chairman, Tektronix, Inc.

PAULO V. FERREIRA
Rio de Janeiro, Brazil
Executive Vice President of Group Boeing Former President and CEO, Meridional Financial Group, and Former President and CEO, State Bank of Rio de Janeiro, Brazil

FRAIS SAVAGE
Stamford, Connecticut
Chairman, Alliance Capital Management International (a division of Alliance Capital Management L.P.)

JEFFREY R. SHILLING
Houston, Texas
President and CEO, Enron Corp.
JOHN A. URQUHART  
Fairfield, Connecticut  
Senior Advisor to the Chairman, Enron  
Corp., President, John A. Urquhart  
Associates, and Former Senior Vice  
President of Industrial and Power Systems,  
General Electric Company

JOHN WAKEHAM  
London, England  
Former U.K. Secretary of State for Energy  
and Leader of the Houses of Lords and  
Commons

HERBERT S. WINDSOR, JR.  
Greenwich, Connecticut  
President, Windsor Holdings, Inc., and  
Former Senior Executive Vice President,  
Penn Central Corporation

FROM LEFT TO RIGHT:  
Top row: John Mendelsohn, Jeffrey K. Skilling and  
Frank Savage  
Middle row: Charles A. LeMaire, Ronnie C. Chan,  
Herbert S. Winokur, Jr., Kenneth L. Lay, Wendy L.  
Grimes, Robert K. Jaedicke, John Wakeham and  
Robert A. Belfer  
Bottom row: John H. Duncan, Paulo V. Ferraz  
Perrone, John A. Urquhart, Norman P. Blake, Jr.,  
Ken L. Harrison and Jerome J. Meyer

Executive Committee  
Audit Committee  
Finance Committee  
Compensation Committee  
Nominating Committee  
Denotes Chairman
Enron Corporate Policy Committee

ADAM LAM
Chairman, Enron

PETER SHERRID
President and Chief Executive Officer, Enron

CAREY BAXTER
Vice Chairman & CEO, Enron

HANK CAIN
Executive Vice President & Chief Financial Officer, Enron

DAVE DEVANNY
Chairman & CEO, Enron Energy Services

IM BERRY
Executive Vice President & Chief Operating Officer, Enron

ANDY FASHON
Executive Vice President & Chief Financial Officer, Enron

MARK NEYER
Chairman & CEO, Enron Wholesale Services

KEVIN HAMPTON
Chief Operating Officer, Enron Broadband Services

STEVE KITAMURA
Chief Executive Officer

STAN HORTON
Chairman & CEO, Enron Transportation Services

STEVE KEN
Executive Vice President & Chief of Staff, Enron

LOI PANG
Chairman & CEO, Enron Xcelerator

KEVIN BLACK
Chairman & CEO, Enron Broadband Services

JOHN SHERIFF
President, Enron Europe

CRAIG WALKER
President & COO, Enron Wholesale Services

Shareholder Information

TRANSFER AGENT AND REGISTRAR
EquiServe, Inc.
1551 Market Street
Philadelphia, Pennsylvania 19103
Telephone: (215) 565-3070

REPRESENTATIVE IN ANNUAL STATEMENTS
Kurt M. Schaeffer
615 Convention Center Drive, Suite 700
Houston, Texas 77002
Telephone: 713-651-4240

ANNUAL REPORT
The Enron Corporation Annual Report is available for inspection at the Enron Corporation offices. It contains financial statements, management's discussion and analysis, and other information about the company. It can also be obtained by contacting the Enron Corporation at the address above.

DIVIDEND INVESTMENT
The Enron Corporation offers holders of Enron Corporation Common Stock the opportunity to reinvest part or all of their dividends in the purchase of additional shares of Common Stock by participating in the DirectSTOCK Program for Shareholders of Enron Corporation. This program gives almost everyone the opportunity to purchase additional shares of Common Stock without paying a brokerage commission. Anyone wishing to participate in the program may, upon timely application, reinvest some or all, or none of the cash dividends paid on their Common Stock, or make optional cash payments of as little as $250 after an initial investment of $250 for new shareholders, with a limit of $120,000 per calendar year. Direct requests for further information to:

DirectSTOCK Program for Shareholders of Enron Corporation
EquiServe, Inc.
1551 Market Street
Philadelphia, Pennsylvania 19103
Telephone: (215) 565-3070

Enron Corporation's Annual Report to shareholders and Form 10-K report to the Securities and Exchange Commission are available upon request from Enron Corporation's Internet address: http://www.enron.com. For information regarding specific shareholder questions, write or call the Transfer Agent.
<table>
<thead>
<tr>
<th></th>
<th>154</th>
<th>135</th>
<th>77</th>
<th>60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>478</td>
<td>137</td>
<td>204</td>
<td>(65)</td>
</tr>
<tr>
<td>Total</td>
<td>$2,771</td>
<td>$2,171</td>
<td>$1,683</td>
<td>$689</td>
</tr>
<tr>
<td>Fixed charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense(a)</td>
<td>$1,136</td>
<td>$900</td>
<td>$760</td>
<td>$624</td>
</tr>
<tr>
<td>Rental expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>representative of</td>
<td>48</td>
<td>48</td>
<td>49</td>
<td>50</td>
</tr>
<tr>
<td>interest factor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$1,184</td>
<td>$948</td>
<td>$809</td>
<td>$674</td>
</tr>
<tr>
<td>Ratio of earnings to</td>
<td>2.34</td>
<td>2.29</td>
<td>2.08</td>
<td>1.02</td>
</tr>
<tr>
<td>fixed charges</td>
<td>3.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) Amounts exclude costs incurred on sales of accounts receivable.

Exhibit 21

ENRON CORP.
AND SUBSIDIARY COMPANIES
Subsidiary and Limited Partnership Interests as of 12/31/00

Subsidiary, Place of Incorporation

ATLANTIC COMMERCIAL FINANCE B.V., i.l., (Cayman Islands)
ATLANTIC COMMERCIAL FINANCE, INC., (Delaware)
Compression Projects Finance Ltd., (Cayman Islands)
EDC Atlantic Ltd., (Cayman Islands)
Enron Equity Corp., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Dominican Republic Operations Ltd.,
(Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominican Holding Limited,
(Cayman Islands)
Enron Dominicana Limited Partnership,
(Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Enron Holding Company L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Dominicana Republic Operations Ltd.,
(Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited,
(Cayman Islands)
Enron Dominicana Limited Partnership,
(Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Enron International Holdings Corp., (Delaware)
Enron Global Inc., (Delaware)
Enron Holding Company L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Dominicana Republic Operation Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited, (Cayman Islands)
Enron Dominicana Limited Partnership, (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Enron Holding Company L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Dominicana Republic Operations Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited, (Cayman Islands)
Enron Dominicana Limited Partnership, (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
ATLANTIC WATER TRUST, (Delaware)
Azurix Corp., (Delaware)
AEL Finance B.V., (The Netherlands)
Azurix AGOSBA Holdings Ltd., (Cayman Islands)
Azurix AGOSBA Ltd., (Cayman Islands)
Azurix AGOSBA S.R.L., (Argentina)
Azurix Argentina Holding, Inc., (Delaware)
Azurix Misiones S.R.L., (Argentina)
Azurix AGOSBA S.R.L., (Argentina)
Azurix Brasil Holdings Ltd., (Cayman Islands)
Azurix Brasil Development Ltd., (Cayman Islands)
Azurix Brasil Investments Ltd., (Cayman Islands)

Azurix Brasil RDM Ltda., (Brazil)
Azurix Buenos Aires Investments Ltd., (Cayman Islands)

Azurix Argentina Finance Ltd., (Cayman Islands)
Azurix Cancun B.V., (The Netherlands)
Azurix Cancun S. de R.L. de C.V., (Mexico)
Desarrollos Hidraulicos de Cancun S.A. de C.V., (Mexico)
Aguakan, S.A. de C.V., (Mexico)
Azurix Israel Ltd., (Israel)
Azurix Chaoyang Holdings Ltd., (Cayman Islands)
Azurix Chaoyang Investments Ltd., (Mauritius)

Azurix Chile Holdings Ltd., (Cayman Islands)
Azurix Buenos Aires Investments Ltd., (Cayman Islands)

Azurix eServices, Inc., (Delaware)
Azurix Finance Corp., (Delaware)
Azurix Florida, Inc., (Delaware)
Azurix (Germany) B.V., (The Netherlands)
Azurix Butzbach Holdings GmbH, (Germany)
Lurgi Bamag GmbH, (Germany)
Lurgi Bamag Do Brasil Ltda., (Brazil)
Lurgi Invent Limited, (England)

Azurix Ghana Ltd., (Cayman Islands)
Azurix Ghana Operations Ltd., (Cayman Islands)
Azurix Industrials Corp., (Delaware)
Azurix Industrial Operations Corp., (Texas)
Azurix International Limited, (England)
Azurix Islands Ltd., (Cayman Islands)
Azurix Jamaica Ltd., (Cayman Islands)
Azurix Kuwait Ltd., (Cayman Islands)
Azurix Ltd., (Cayman Islands)
Azurix Europe Ltd., (England)
Azurix Madera Corp., (Delaware)
Azurix Mexico City B.V., (The Netherlands)
Azurix Mexico City, S. de R.L. de C.V., (Mexico)
Agua Industrial de Matamoros, S.A. de C.V., (Mexico)

Azurix Isla Mujeres B.V., (The Netherlands)
Azurix Cancun S. de R.L. de C.V., (Mexico)
Desarrollos Hidraulicos de Cancun S.A. de C.V., (Mexico)
Aguakan S.A. de C.V., (Mexico)
Azurix Misiones S.R.L., (Argentina)
Azurix Mendoza Holding Inc., (Delaware)
Enron Capital & Trade Resources Argentina S.A., (Argentina)
Azurix Misiones Holdings Ltd., (Cayman Islands)
Azurix Misiones Ltd., (Cayman Islands)
Operadora de Misiones S.R.L., (Argentina)
Operadora de Misiones S.R.L., (Argentina)
Azurix North America Corp., (Delaware)
Azurix North America (USA), Inc., (Delaware)
Azurix CDM Inc., (Washington)
Azurix North America Underground Infrastructure, Inc., (Arizona)
Azurix North America Operations and Maintenance, Inc., (Texas)
Azurix North America Operations and Maintenance, Inc., (Delaware)
Azurix North America Underground Infrastructure, Inc., (Louisiana)
Magnolia Construction Company, (Louisiana)
Enviroganics of Texas, Inc., (Texas)
Azurix North America Underground Infrastructure, Inc., (Delaware)
Azurix North America Underground Infrastructure, Inc., (Florida)
Philip Automated Management Controls, Inc., (Georgia)
Philip Utilities Management
Azurix North America Underground Infrastructure, Inc., (Maine)
Philip Utilities Management
(Massachusetts) Corporation, (Massachusetts)
Philip Utilities Management
(New Jersey) Corporation,
(Philip Utilities Management
Utility Management & Engineering Inc.,
(New Jersey)
Philip Utilities Management
(Texas) Corporation, (Texas)
Dittman-Merka Inc., (Texas)
Southwest Utilities, Inc., (Texas)
Walker Water Works, Inc., (Texas)
Trimax Residuals Management

Inc., (Delaware)
Azurix North America (Canada) Corp.,

(Ontario)
Braemar Acres Limited, (Ontario)
1242204 Ontario, Inc., (Ontario)
Rockcliffe Research Management,
Inc., (Canada Federal)
   Braemar Acres Limited,
   (Ontario)
Azurix North America Engineering
Corp., (Ontario)
Horseshoe Carbons
   Incorporated, (Ontario)
Terratec Environmental Ltd.,
   (Ontario)
Prism Resource

Management

KON-MAG Ltd., (Ontario)

Uniflo Drain Services Inc.,

(Ontario)
1291063 Ontario, Inc.,
   (Ontario)
Uniflo Utilities Management
   Corporation, (Canada Federal)
   Construction & Paving (Nord)
   American Ltd.,

(Quebec)
Canarehab, Inc., (Canada Federal)

Uniflo Corporation,
   (Ontario)
Uniflo Pipeliners East
   Inc., (Ontario)
Uniflo Sewer Services
   Inc., (Ontario)

Azurix Rio Holdings Ltd., (Cayman Islands)
       Azurix Campos Grande Investments Ltd.,
       (Cayman Islands)
       Azurix Cuiaba Investments Ltd.,
       (Cayman Islands)
       Azurix Lagos Investments Ltd.,
       (Cayman Islands)
       Azurix South America Ltda., (Brazil)
       SCE - Sociedade Carioca de Energia (Brazil)
       Azurix Manaus Investments Ltd., (Cayman
       Islands)

Azurix Rio Investments Ltd., (Cayman Islands)
       SCE - Sociedade Carioca de Energia Ltda., (Brazil)
       SPE - Sociedade Paulista de Energia Ltda., (Brazil)
       Azurix South America Ltda., (Brazil)
       SCE - Sociedade Carioca de Energia Ltda., (Brazil)
       SPE - Sociedade Paulista de Energia Ltda., (Brazil)
       Azurix Spain B.V., (The Netherlands)
Azurix Suzhou Holdings Ltd., (Cayman Islands)
       Azurix Suzhou Investments Ltd., (Mauritius)
Azurix Suzhou Water Holdings Ltd., (Cayman Islands)
       Enron Suzhou Water Ltd., Pending.
Azurix Tangiers Ltd., (Cayman Islands)
Azurix Tetouan Ltd., (Cayman Islands)
Azurix Utah, Inc., (Delaware)
Brunel Insurance Company, (Guernsey)
Enron Capital & Trade Resources Argentina S.A., (Argentina)
PUMC Finance Ltd., (Cayman Islands)
Recycle UK Limited, (England)
SC Technology AG, (Switzerland)
SC Technology Deutschland GmbH, (Germany)
UK Water International Limited, (England)
WaterDesk Corp., (Delaware)
WaterDesk Europe Ltd., (England)
Water Management International Limited, (England)
Wessex Engineering Services Ltd, (England)
Wessex international Water Services Ltd, (England)
Wessex Managed Services Ltd, (England)
Wessex Property Services Ltd, (England)
Wessex Spring Water Limited, (England)
Wessex Waste Management Ltd, (England)
Wessex Water BV, (England)
Wessex Water Care Ltd., (England)
Wessex Water Commercial Ltd, (England)
Wessex Water Employee Trust Ltd, (England)
Wessex Water Engineering Services Ltd, (England)
Wessex Water Plc, (England)
Wessex Water Services Limited, (England)
Wessex Water Trustee Company Ltd, (England)
Westran Ltd., (England)
AZURIX MENDOZA HOLDING INC., (Delaware)
Enron Capital & Trade Resources Argentina S.A., (Argentina)
BLACK BAY, LLC, (Delaware)
EBS HOLDINGS, LTD., (Cayman Islands)
EBS INVESTMENTS, L.L.C., (Delaware)
EGRET I LLC, (Delaware)

Whitewing Management LLC, (Delaware)
Whitewing Associates L.L.C., (Delaware)
Blue Herron I LLC, (Delaware)
HPL Asset Holdings L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd, (Cayman Islands)

Promigas S.A., E.S.P., Pending.
Gases del Caribe S.A.,

E.S.P.,
Pending.
Gases de la Guajira
S.A.,
E.S.P., Pending.
Gas de Risaralda
S.A.,
Pending.
Gasnacol S.A., Pending.
Gases de la Guajira S.A.,
E.S.P., Pending.
Gases Del Occidente
S.A.,
(Baranquilla)

Surtigas S.A., E.S.P., Pending.
Gasnacol S.A., Pending.
Tolgas S.A., Pending.
European Power Holdings, (England)
Pelican Bidder Cayman Limited, (Cayman Islands)

European Power Holdings, (England)
SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd., (Cayman Islands)

Promigas S.A., E.S.P., Pending.
Gases del Caribe S.A., E.S.P., Pending.
Gases de la Guajira S.A., E.S.P., Pending.
Gas de Risaralda S.A., Pending.
Gasmacol S.A., Pending.

Surtigas S.A., E.S.P., Pending.
Gasmacol S.A., Pending.
Tolgas S.A., Pending.

HPL Asset Holdings L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd., (Cayman Islands)

Promigas S.A., E.S.P., Pending.
Gases del Caribe S.A., E.S.P., Pending.
Gases de la Guajira S.A., E.S.P., Pending.
Gas de Risaralda S.A., Pending.
Gasmacol S.A., Pending.

Surtigas S.A., E.S.P., Pending.
Gasmacol S.A., Pending.
Tolgas S.A., Pending.

SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd., (Cayman Islands)

Promigas S.A., E.S.P., Pending.
Gases del Caribe S.A., E.S.P., Pending.
Gases de la Guajira S.A., E.S.P., Pending.
Gas de Risaralda S.A., Pending.
Gasmacol S.A., Pending.

Surtigas S.A., E.S.P., Pending.
Gasmacol S.A., Pending.
Tolgas S.A., Pending.

SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)
SE Raptor L.P., (Delaware)
SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)

SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd., (Cayman Islands)

Promigas S.A., E.S.P., Pending.
Gases del Caribe S.A., E.S.P., Pending.
Gases de la Guajira S.A., E.S.P.,
Pending.
Gas de Risaralda S.A., Pending.
Gascocol S.A., Pending.
Gases de la Guajira S.A., E.S.P., Pending.
Gases Del Occidente S.A.,
E.S.P., (Barranquilla)
Surtigas S.A., E.S.P., Pending.
Gascocol S.A., Pending.
Tolgas S.A., Pending.
SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)
ENA CLO 1 HOLDING COMPANY GP L.L.C., (Delaware)
ENA CLO 1 Holding Company I L.P., (Delaware)
ENA CLO 1 Holding Company II L.P., (Delaware)
ENA CLO 1 HOLDING COMPANY II L.P., (Delaware)
ENRON ACQUISITION II CORP., (Delaware)
ENRON ENERGY SERVICES PROCESS TECHNOLOGIES, INC., (Delaware)
ENRON AGUAVEN HOLDINGS LTD., (Cayman Islands)
Enron Aguaven Investments Ltd., (Cayman Islands)
Enron Agua Venezuela Ltd., (Cayman Islands)
ENRON AMERICA DEL SUR S.A., (Argentina)
ENRON AMERICAS LIMITED, (Cayman Islands)
ENRON ASIA PACIFIC/AFRICA/CHINA LLC, (Delaware)
BR-VT Holdings Ltd., (Cayman Islands)
EDP Power I, LLC, (Delaware)
EDP Power II, LLC, (Delaware)
EDP Power I, LLC, (Delaware)
Enron Algeria Ltd., (Cayman Islands)
Enron APACHI Seismic Inc., (Delaware)
Enron Benin Power Ltd., (Cayman Islands)
Electricité du Benin Holding Ltd., (Cayman Islands)
Enron Benin Power Holdings Ltd.,
(Cayman Islands)
Electricite Du Benin,
(Cayman Islands)
Gazoduc du Benin Holding Ltd.,
(Cayman Islands)
Gazoduc du Benin, (Cayman Islands)
Enron Biomass Ltd., (Cayman Islands)
Enron Border Holdings Ltd., (Cayman Islands)
Enron Border Investments Ltd., (Cayman Islands)
Enron SAM Border Ltd., (Cayman Islands)
Enron Changjiang Utilities Holdings Ltd., (Cayman Islands)
Enron China Services LLC, (Delaware)
Enron China Gas Transport Holdings Ltd., (Cayman Islands)
Enron China Gas Transport Ltd., (Cayman Islands)
Enron China Power Holdings Ltd., (Cayman Islands)
Enron CI-GH Pipeline Ltd., (Cayman Islands)
Enron Cote d’Ivoire Pipelines Ltd., (Cayman Islands)
Enron Development (Philippines) Ltd., (Cayman Islands)
Enron Development Funding Ltd., (Cayman Islands)
Enron Development Management Ltd., (Cayman Islands)
Enron Guam Piti Corporation, (Guam)
Enron Hong Kong Investments Ltd., (Cayman Islands)
Enron Indonesia Pipeline Ltd., (Cayman Islands)
Enron Japan Holdings B.V., (The Netherlands)
Enron Japan Corp., (Japan)
Enron Japan Marketing Holdings B.V., (The Netherlands)
Enron Japan Marketing Corp., (Japan)
ENRON DEVELOPMENT PITI HOLDINGS CORP., (Delaware)
Marianas Energy Company LLC, (Delaware)
Enron Development Vietnam L.L.C., (Delaware)
Enron DRI Development Holdings Ltd., (Cayman Islands)
Enron Ghana Power Holdings Ltd., (Cayman Islands)
Enron Hainan Ltd., (Cayman Islands)
Enron Inchon Power Holdings Ltd., (Cayman Islands)
Enron Indonesia Gas Ltd., (Cayman Islands)
Enron International Asia Pacific Ltd., (Cayman Islands)
Enron International Australia Capital Ltd., (Cayman Islands)
Enron International Australia Gas Ltd., (Cayman Islands)
Enron International Australia Ltd., (Cayman Islands)
Enron International Bach Ho Ltd., (Cayman Islands)
Enron International Chengdu Power Holdings Ltd.,
(Cayman Islands)
Enron International Chengdu Power Ltd.,
(Mauritius)
Sichuan Jialing Electric Power Co., Ltd.,
(China)
Enron International China Clean Energy Ltd.,
(Cayman Islands)
Enron International China CP Ltd., (Cayman Islands)
Enron International China Pipeline Ltd., (Cayman Islands)
Enron International China Gas Ltd., (Cayman Islands)
Enron China Ltd., (Cayman Islands)
Enron International Gansu Gas Ltd., (Cayman Islands)
Enron International Hainan Pipeline Ltd., (Cayman Islands)
Enron International Holdings Ltd., (Cayman Islands)
Enron International Investments Ltd., (Cayman Islands)
Enron International Development Ltd., (Cayman Islands)
Enron International Japan, LLC, (Delaware)
Enron International Korea Holdings Corp., (Delaware)
Enron International Korea Holdings Company Ltd.,
(Cayman Islands)
Enron International Korea LLC, (Delaware)
SK-Enron Co., Ltd., (Korea)
Iksan City Gas Co., Ltd., (Korea)
Iksan Energy Co., Ltd., (Korea)
Chongju City Gas Co., Ltd., (Korea)
ChooNam City Gas Co., Ltd.,
(Korea)
Daehan City Gas Co., Ltd., (Korea)
Pusan City Gas Co., Ltd.,
(Korea)
Daehan City Gas Engineering, (Korea)
Kangwon City Gas Co., Ltd., (Korea)
Iksan City Gas Co., Ltd.,
(Korea)
Chonnam City Gas Co., Ltd., (Korea)
Iksan Energy Co., Ltd.,
(Korea)
Kangwon City Gas Co.,
(Korea)
Kuk-Il Energy, (Korea)
Kumi City Gas Co., Ltd., (Korea)
Pohang City Gas Co., Ltd., (Korea)
Pusan City Gas Co., Ltd., (Korea)
Daehan City Gas Co., Ltd.,
(Korea)
Pusan City Gas Development
Co., (Korea)
SK Gas Co., Ltd., (Korea)
Enron International Korea Investments Ltd., (Cayman Islands)
Enron International Korea Energy Ltd., (Cayman Islands)
Enron International Korea Operating Services Corp., (Delaware)
Enron International Korea Resources LLC, (Delaware)
Enron International Korean Steel Company Ltd., (Cayman Islands)
Enron International Mariana Holdings Ltd., (Cayman Islands)
Enron International Mariana L.L.C., (Cayman Islands)
Enron International Mariana Power Inc., (Cayman Islands)
Enron International Merchant Holdings Inc., (Delaware)
Enron Australia Energy Holdings Ltd., (Cayman Islands)
Enron Australia Energy Investments LLC, (Delaware)
Enron Australia Energy Pty Limited, (Australia)
Enron Australia Finance Holdings Ltd., (Cayman Islands)
Enron Australia Finance Investments LLC, (Delaware)
Enron Australia Finance Pty Limited, (Australia)
Enron Australia Holdings Ltd., (Cayman Islands)
Enron Australia Investments LLC, (Delaware)
Enron Australia Pty Limited, (Australia)
Enron International Nigeria Gas Ltd., (Cayman Islands)
Enron International Mongolia Investments Ltd., (Cayman Islands)
Enron International Mongolia Ltd., (Cayman Islands)
Enron International Morocco Ltd., (Cayman Islands)
Enron International Philippines Energy Ltd., (Cayman Islands)
Enron International Philippines Holdings Ltd., (Delaware)
Enron International Philippines Investments Ltd., (Delaware)
Enron International Philippines Pipelines Ltd., (Cayman Islands)
Enron International Siam Power Ltd., (Cayman Islands)
Enron International Sichuan Gas Investments Ltd., (Cayman Islands)
Enron International Taiwan Ltd., (Cayman Islands)
Enron International Thailand Ltd., (Cayman Islands)
Enron International Thai-Gen Holdings Ltd., (Cayman Islands)
Enron International Thai-Lac Holdings Ltd., (Cayman Islands)
Chonburi Cogen Limited, (Thailand)
Enron International Tianjin Power Ltd., (Cayman Islands)
Enron International Tuas Ltd., (Cayman Islands)
Enron International Uganda Ltd., (Cayman Islands)
Enron International Xiamen PTA Ltd., (Cayman Islands)
Enron International Zambia Holdings Ltd., (Cayman Islands)
Enron International Zambia Investments Ltd., (Cayman Islands)
Enron Japan Strategic Investments Ltd., (Cayman Islands)
Enron Korea Anyang/Buchon Power Ltd., (Cayman Islands)
Enron Korea Gas Holdings Ltd., (Cayman Islands)
Enron Korea Gas Investments LLC, (Delaware)
Enron Korea Seosan Power Ltd., (Cayman Islands)
Enron Malaysia power Holdings Ltd., (Cayman Islands)
Enron Morocco Ltd., (Cayman Islands)
Enron Nigeria Power Holding Ltd., (Cayman Islands)
Enron Nigeria Barge Holding Ltd., (Cayman Islands)
Enron Nigeria Barge Ltd., (Nigeria)
Enron Nigeria IPP Holding Ltd., (Cayman Islands)
Enron Nigeria Pipeline Holding Ltd., (Cayman Islands)
Enron Nippon Holdings LLC, (Delaware)
EnCom Corp., (Delaware)
EnCom Wheeling Services Ltd., (Cayman Islands)
Enron Papua New Guinea Ltd., (Cayman Islands)
Enron Philippines Hydroelectric Holdings Ltd., (Cayman Islands)
Enron Philippines Hydroelectric Power Ltd., (Cayman Islands)
Enron Siam Energy Holdings Ltd., (Cayman Islands)
Enron Sichuan Holdings Ltd., (Cayman Islands)
Enron Sichuan Investments Ltd., (Cayman Islands)
Enron Sichuan Ltd., (Cayman Islands)
Enron Southern Africa Holdings, (Cayman Islands)
Enron Southern Africa Investments, (Cayman Islands)
Enron Southern Africa Development Ltd., (Cayman Islands)
Mozambique Steel Holdings Ltd., (Cayman Islands)
Enron Taiwan Power Holdings Ltd., (Cayman Islands)
Enron Thai Holdings Ltd., (Cayman Islands)
Enron Thai Investments Ltd., (Cayman Islands)
Enron Thailand Ltd., (Cayman Islands)
Enron Soc Trang Power Holdings II Ltd., (Cayman Islands)
Enron Soc Trang Power Holdings I Ltd., (Cayman Islands)
Enron Soc Trang Power Holdings, Ltd., (Cayman Islands)
Enron Victoria Power Ltd., (Cayman Islands)
Enron Vietnam Power Ltd., (Cayman Islands)
Enron Ba Ria Power Company Ltd., (Cayman Islands)
Vung Tau Power Ltd., (Cayman Islands)
Enron West Africa Power Ltd., (Cayman Islands)
BP InterOil, Ltd., (Cayman Islands)
InterOil Pty Limited, (New Guinea)
Hainan Funding Ltd., (Cayman Islands)
Multiva Holdings, Ltd., (Cayman Islands)
Ilijan Power Corporation, (Philippines)
ENRON AMERICAS, INC., (Delaware)
The Protane Corporation, (Delaware)
Citadel Corporation Limited, (Cayman Islands)
Citadel Venezolana, S.A., (Venezuela)
Interruptores Especializados Lara, S.A., (Venezuela)
Enron Caribbean Holdings Ltd., (Cayman Islands)
Enron (Barbados)
International Business Corporation, (Barbados)
Industrial Gases Limited, (Jamaica)
Manufacturera de Aparatos Domesticos, S.A., (Venezuela)
Enron Americas Energy Services, Inc., (Puerto Rico)
ProCaribe Division of The Protane Corporation, (Delaware)
Progasco, Inc., (Puerto Rico)
V. Holdings Industries, S.A., (Venezuela)
Finven Financial Institution Limited, (Cayman Islands)
Enron Dominicana Holding Limited Partnership, (Cayman Islands)
Smith/Enron Cogeneration Limited

Partnership,

(Turks & Caicos Isles)
VENGAS, S.A., (Venezuela)
Duck Lake International A.V.V., (Aruba)
Industrias Ventana, S.A., (Venezuela)
Industrias Electricas de Ventane Ltd., (Cayman Islands)
Compania Anonima Luz y Fuerza Electrica de Puerto Cabello, Pending
Industrias Electricas de Ventane

I

Servicios Consolidados Ventane, S.A.,

(Venezuela)
Industrias Ventana, S.A., (Venezuela)
Transporte Mil Ruedas, S.A., (Venezuela)
Industrias Ventana, S.A., (Venezuela)
Industrias Ventana, S.A., (Venezuela)
Industrias Ventana, S.A., (Venezuela)
Industrias Ventana, S.A., (Venezuela)

ENRON (BRAZIL) POWER HOLDINGS 19 LTD., (Cayman Islands)
ENRON (BRAZIL) POWER INVESTMENTS 19 LTD., (Cayman Islands)
ENRON WARP SPEED SERVICES, INC., (Delaware)
ENRON CAPITAL LLC, (Turks & Caicos Isles)
ENRON CAPITAL RESOURCES, L.P., (Delaware)
ENRON CARIBBEAN BASIN LLC, (Delaware)
Electricidad Enron de Venezuela Holdings Ltd., (Cayman Islands)

Electricidad Enron de Venezuela Ltd.,

(Cayman Islands)
Geneval Ltd., (Cayman Islands)
Energia de Antioquia Holding Ltd., (Cayman Islands)
Energia de Antioquia Ltd., (Cayman Islands)
Enron Caribbean Basin Finance LLC, (Cayman Islands)
Enron Caribbean Jamaica Sarges Ltd., (Cayman Islands)
Enron Caribe Holdings Ltd., (Cayman Islands)
Enron Caribe I Ltd., (Cayman Islands)
Enron Caribe III Ltd., (Cayman Islands)
Enron de Nicaragua Ltd., (Cayman Islands)
Enron Internacional Panama, S.A., (Panama)
Bahia Las Minas Corp., (Panama)
Enron Property Management Corp., (Delaware)
Enron Leasing Partners, L.P., (Delaware)
Enron Caribe IV Holdings Ltd., (Cayman Islands)
Enron Caribe VII Holdings Ltd., (Cayman Islands)
Enron Caribe VII Ltd., (Cayman Islands)

Enron Caribbean Basin Energy Services Ltd., (Cayman Islands)
Enron Panama Energy Services Ltd., (Cayman Islands)
Enron Venezuela Energy Services Ltd., (Cayman Islands)
Enron Caribbean Finance Ltd., (Cayman Islands)
Enron Colombia Energy Services Ltd., (Cayman Islands)
Enron Colombia Holdings Ltd., (Cayman Islands)
ACCROS/VR SRL, (Barbados)
Enron Colombia Inc., (Delaware)
Enron Colombia Inc.-Colombia Branch, (Colombia)
Enron Colombia Transportation B.V. Colombia Branch, (Colombia)
Enron Dominicana LNG Holdings Ltd., (Cayman Islands)
Enron Dominicana LNG Ltd., (Cayman Islands)
Enron Dominicana LNG Ltd.- Dominican Republic Branch, (Cayman Islands)
Enron Electrica de Venezuela Holdings Ltd., (Cayman Islands)
Enron Electrica de Venezuela I Ltd., (Cayman Islands)
Enron Electrica de Venezuela Ltd., (Cayman Islands)
Enron Gas Trade & Processing Ltd., (Cayman Islands)
Enron Egypt Power Ltd., (Cayman Islands)
Enron Energy Marketing Colombia Ltd., (Cayman Islands)
Enron Gas de Venezuela Ltd., (Cayman Islands)
Enron Gas de Venezuela I Ltd., (Cayman Islands)
Enron Gas Trade & Processing Holdings Ltd., (Cayman Islands)
Enron Guatemala Holdings Ltd., (Cayman Islands)
Enron Industrial de Venezuela Ltd., (Cayman Islands)
ACCROVEN SRL, (Barbados)
Enron International Central America Holdings Ltd., (Cayman Islands)
Enron International Central America Ltd., (Cayman Islands)
Enron International Costa Rica Holdings Ltd., (Cayman Islands)
Enron International CR Ltd., (Cayman Islands)
Enron International CR Holdings Ltd., (Cayman Islands)
Enron International Guatemala Ltd., (Cayman Islands)
Enron LNG Atlantic Ltd., (Cayman Islands)
Enron LNG Holdings Ltd., (Cayman Islands)
Enron LNG Investments Ltd., (Cayman Islands)
Enron LNG Services Ltd., (Cayman Islands)
Enron LNG Middle East Ltd., (Cayman Islands)
Enron LNG Power (Atlantic) Ltd., (Cayman Islands)
LNG Power I, LLC, (Cayman Islands)
LNG Power III, LLC, (Cayman Islands)
Buenergía Gas & Power Ltd., (Cayman Islands)
EcoElectrica Holdings, Ltd., (Cayman Islands)
EcoElectrica L.P., (Bermuda)
EcoElectrica, Ltd., (Cayman Islands)
EcoElectrica L.P., (Bermuda)
LNG Power VI Limited, (Cayman Islands)
Enron Qatar Holdings Ltd., (Cayman Islands)
Enron Qatar Investments Ltd., (Cayman Islands)
Enron Qatar Ltd., (Cayman Islands)
Enron Qatar LNG Marketing Ltd., (Cayman Islands)
Enron Servicios de Electricidad Holdings Ltd., (Cayman Islands)
Enron Servicios de Electricidad Colombia Ltd., (Cayman Islands)
Enron Reserve 9 B.V., (The Netherlands)
Enron Reserve I B.V., (The Netherlands)
Enron Servicios Energeticos Holdings Ltd., (Cayman Islands)
Enron Servicios Energeticos Ltd., (Cayman Islands)
Enron Power II C.V., (The Netherlands)
Enron termaflores Ltd., (Cayman Islands)
Enron Venezuela de Calibracion Holdings Ltd., (Cayman Islands)
Enron Venezuela de Calibracion Holdings Ltd., (Cayman Islands)
Enron Venezuela Services Holdings Ltd., (Cayman Islands)
Enron Venezuela Services I Ltd., (Cayman Islands)
Enron Venezuela Services II Ltd., (Cayman Islands)
Enron Venezuela Services III Ltd., (Cayman Islands)
Enron Venezuela Services IV Ltd., (Cayman Islands)
Enron Venezuela Services Ltd., (Cayman Islands)
Enron Venezuela Services, Inc., (Delaware)
Enron Venezuela Services Investments Ltd., (Cayman Islands)
Enron VenSteel Ltd., (Cayman Islands)
Inversiones Electricas del Caribe Holdings Ltd., (Cayman Islands)
Inversiones Electricas del Caribe Ltd., (Cayman Islands)
TVC Communications Ltd., (Cayman Islands)
San Juan Gas Company, Inc., (Puerto Rico)
Transportadora de Gas Oriental Holdings Ltd., (Cayman Islands)
Transportadora de Gas Oriental Ltd., (Cayman Islands)
ENRON CAYMAN LEASING LTD., (Cayman Islands)
ENRON COLOMBIA POWER MARKETING HOLDING LTD., (Cayman Islands)
Enron Colombia Power Marketing Ltd., (Cayman Islands)
ENRON CPO FINANCE I, INC., (Delaware)
Enron CPO Partners I, L.P., (Delaware)
Enron CPO Holdings Intermediate, L.P., (Delaware)
Enron International CPO, L.P., (Delaware)
ENRON CPO FINANCE II, INC., (Texas)
Enron CPO Partners I, L.P., (Delaware)
ENRON CPO HOLDINGS, INC., (Delaware)
Enron International CPO, L.P., (Delaware)
Enron International CPO, Inc., (Delaware)
Enron International CPO, B.V., (The Netherlands)
ENRON CPO MANAGEMENT HOLDINGS I, INC., (Delaware)
Enron CPO Management, L.P., (Delaware)
ENRON CPO MANAGEMENT HOLDINGS II, INC., (Delaware)
Enron CPO Management, L.P., (Delaware)
ENRON CPO PARTNERS II, INC., (Delaware)
Enron CPO Holdings Intermediate, L.P., (Delaware)
ENRON GLOBAL LNG LLC, (Delaware)
Enron Asia Gas Transport Company, (Cayman Islands)
Enron Bahamas LNG Ltd., (Cayman Islands)
Enron Egypt Power Ltd., (Cayman Islands)
Enron Intelligence Exchange, (Cayman Islands)
Enron International Fuel Management Company, (Delaware)
Enron International Gas Sales Company, (Delaware)
Enron LNG (BVI) Marketing Ltd., (British Virgin Islands)
Enron LNG Marketing LLC, (Delaware)
Enron LNG Shipping Company, (Cayman Islands)
Enron International Global Funding Ltd., (Cayman Islands)
Greenfield Holding Company, (Cayman Islands)
Greenfield Shipping Company Limited, (Cayman Islands)
Guangdong LNG Holdings, (Cayman Islands)
Redfield Holding Company Limited, (Cayman Islands)

ENRON CAPITAL INVESTMENT S CORP., (Delaware)
  Enron Diversified Investments Corp., (Delaware)
  Enron Valkyrie, LLC, (Delaware)
  Enron Finance Partners, LLC, (Delaware)
  Enron Asset Holdings, LLC, (Delaware)
  Enron Oil & Gas India Ltd., (Cayman Islands)
  Enron India GDR Holding Ltd., (Cayman Islands)
  EOGI China Company, (Cayman Islands)
  Enron Oil & Gas China Ltd., (Cayman Islands)

ENRON CAPITAL & TRADE RESOURCES SOUTH AMERICA S.A., (Argentina)
ENRON CAPITAL TRUST I, (Delaware)
  Enron Preferred Funding, L.P., (Delaware)
ENRON CAPITAL TRUST II, (Delaware)
  Enron Preferred Funding II, L.P., (Delaware)
ENRON CAYMAN RESERVE 4 LTD., (Cayman Islands)
ENRON CAYMAN RESERVE 12 LTD., (Cayman Islands)
ENRON CESKA REPUBLIKA LTD., (The Netherlands)
ENRON CLEAN ELECTRICITY LTD., (Cayman Islands)
ENRON COAL COMPANY, (Delaware)
ENRON COAL PIPELINE COMPANY, (Delaware)
ENRON COMMUNICATIONS GROUP, INC., (Oregon)
  Enron Broadband Services, Inc., (Oregon)
    EBS Trading, Inc., (Delaware)
      Enron Broadband Services, L.P., (Delaware)
      Enron Media Services, L.P., (Delaware)
    EBS Global Cable and Satellite, Inc., (Nevada)
    ECI-Texas, L.P., (Texas)
      EnRock, L.P., (Texas)
    ECI-Nevada Corp., (Nevada)
    ECI-Texas, L.P., (Texas)
  Enron Advertising, Inc., (Delaware)
  Enron Bandwidth, Inc., (Delaware)
  Enron Broadband Investments Corp., (Delaware)
  Enron Broadband Services Canada Inc., (Canada)

Federal

ENRON BROADBAND SERVICES NETHERLANDS B.V.,
  (The Netherlands)
    EBS Mexico, L.L.C., (Delaware)
    Enron Broadband Services Applications Y.K.,
      (Japan)
    Enron Broadband Services Asia B.V.,
      (The Netherlands)
    Enron Broadband Services de Mexico S. de
      R.L. de C.V., (Mexico)
    Enron Broadband Services Denmark Aps,
      (Denmark)
    Enron Broadband Services Deutschland GmbH,
      (Germany)
    Enron Broadband Services Espana S.L., (Spain)
    Enron Broadband Services France S.A.S.,
      (France)
    Enron Broadband Services Japan B.V., (Japan)
    Enron Broadband Services Network Y.K.,

0020000001132
Enron Broadband Services Operating Company

Enron Broadband Services (Sweden) AB,

Enron Broadband Services UK Holdings Limited, (England)

Enron Broadband Services Marketing Limited, (England)

Enron Broadband Services Netherlands 2 B.V.,
(The Netherlands)

Enron Broadband Services Italy S.R.L.,

Enron Broadband Services/Telefonos de Mexico Ventures, L.L.C., (Delaware)

Enron Broadband Services UK Limited, (England)

Enron Telecommunications, Inc., (Delaware)

Mercury Technology Finance, L.L.C., (Delaware)

EnRock Management, LLC, (Texas)

EnRock, L.P., (Texas)

Enron Communications Asia I, Ltd., (Cayman Islands)

Enron Communications Facilities I, Ltd., (Cayman Islands)

Enron Communications India I, Ltd., (Cayman Islands)

Enron Broadband Investments Corp., (Oregon)

S - Future, L.L.C., (Delaware)

S - Past, L.L.C., (Delaware)

S - Present, L.L.C., (Delaware)

Enron Communications Leasing Corp., (Nevada)

Enron Communications Services I, Ltd., (Cayman Islands)

Enron Global Communications Ltd., (Cayman Islands)

Enron Hong Kong, Ltd., (Cayman Islands)

Enron Broadband Services Hong Kong Limited, (Hong Kong)

Enron Communications do Brasil Ltda., (Brazil)

Enron Communications Holdings Ltda., (Brazil)

Enron Globalcom Bolivia, Ltd., (Cayman Islands)

Enron Globalcom (Brazil), Ltd., (Cayman Islands)

FTV Communications L.L.C., (Delaware)

G-Future, L.L.C., (Delaware)

G-Past, L.L.C., (Delaware)

G-Present, L.L.C., (Delaware)

Modulus Technologies, Inc., (Texas)

ENRON CTS INTERNATIONAL, INC., (Delaware)

Rio Geo LLC, (Delaware)

ENRON DEVELOPMENT TURKEY LTD., (Cayman Islands)

ENRON DOMINICAN REPUBLIC LTD., (Cayman Islands)

Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)

Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)

ENRON DOMINICAN REPUBLIC OPERATIONS LTD., (Cayman Islands)

Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)

Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)

ENRON DUTCH HOLDINGS B.V., (The Netherlands)

Enron Dutch Investment, (England)

Sarlux S.r.l., (Italy)

ENRON ECUADOR TRANSPORTATION HOLDINGS LTD., (Cayman Islands)
Enron Ecuador Transportation Ltd., (Cayman Islands)

ENRON EESAQUISITION 1 CORP., (Delaware)
Jon Pierce Incorporated, (Texas)

ENRON ENERGY SERVICES INTERNATIONAL CO., (Delaware)
Energia Eficiente de Mexico Holding, S. de R.L. de C.V.,
(Mexico)

Energia Eficiente de Mexico Servicios, S. de R.L. de
C.V.,
(Mexico)

Enron Energy Services Canada Co. Ltd., (Canada)
Enron Energy Services Europe B.V., (The Netherlands)
EBS Europe 2 B.V., (The Netherlands)
Enron Energy Services France S.A.S., (France)
Enron Energy Services, Limited, (England)
Enron Energy Services Operations U.K.
Limited, (England)
Enron Energy Services Engineering U.K.
Limited, (England)
Enron Energy Services Portugal, LDA, (Portugal)
ERPAG Energiekosten-Revisions-und-
Prufungsgesellschaft A.G., (Switzerland)

Enron Energy Services International Leasing, Inc., (Delaware)
Enron Energy Services Mexico Holding Co., (Delaware)
Energia Eficiente de Mexico Holding, S. de R.L. de
C.V.,
(Mexico)

Enron Energy Services South America Ltd., (Cayman Islands)
Enron Energy Services Puerto Rico Corporation,
(Puerto Rico)

ENRON ENERGY SERVICES L.L.C., (Delaware)
Big Island I, L.L.C., (Delaware)
Big Island II, L.L.C., (Delaware)
Big Island III, L.L.C., (Delaware)
Bora Bora Z, L.L.C., (Delaware)
Desert I LLC, (Delaware)

Enron Energy Services Operations, Inc., (Delaware)
Blackbird 1 LLC, (Delaware)
Blackbird 2 LLC, (Delaware)
Clinton Energy Management Services, Inc., (Ohio)
Danno II, L.L.C., (Delaware)
Maui II, L.L.C., (Delaware)

Enron Acquisition III Corp., (Delaware)
Enron Acquisition IV Corp., (Delaware)

Enron Energy Services, Inc., (Delaware)
Enron Energy Services Capital Corp., (Delaware)
Enron Federal Solutions, Inc., (Delaware)
Owens Corning Energy LLC, (Delaware)

Omnicomp, Inc., (Pennsylvania)
The Bentley Company, (California)
Bentley Energy Services, Inc., (California)

EMW Energy Services Corp., (Delaware)
Fiji I, L.L.C., (Delaware)
McGarret I, L.L.C., (Delaware)
McGarret II, L.L.C., (Delaware)
McGarret III, L.L.C., (Delaware)

TNPC, Inc., (Delaware)

TNPC Holdings, Inc., (Delaware)
The New Power Company, (Delaware)

ENRON EPICYCLE THREE B.V., (The Netherlands)
ENRON EPICYCLE SEVEN B.V., (The Netherlands)

Azurix Israel Ltd., (Israel)
ENRON EPICYCLE EIGHT B.V., (The Netherlands)
ENRON EQUITY CORP., (Delaware)
ECT Colombia Pipeline Holdings 1 Ltd., (Cayman Islands)
    Gas Trade Servicios Ltda., (Cayman Islands)
    Enron Colombia Holdings de ECT Cayman Reserve 3
    Ltd. & CIA, S.en C., (Colombia)
    Gas Trade Servicios Investments 1 Ltda.,
    (Cayman Islands)
    Enron Colombia Holdings de ECT Cayman Reserve 3
    Ltd. & CIA, S.en C., (Colombia)
Enron Colombia Marketing Holdings Ltd., (Cayman Islands)
    Gas Trade Servicios Investments 1 Ltda., (Cayman
Islands)
    Gas Trade Servicios Investments 2 Ltda., (Cayman
Islands)
    Gas Trade Servicios Investments 3 Ltda., (Cayman
Islands)
    Gas Trade Servicios Investments 4 Ltda., (Cayman
Islands)
    Gas Trade Servicios Investments 5 Ltda., (Cayman
Islands)
    Gas Trade Servicios Investments Ltda., (Cayman
Islands)
Enron Dominican Republic Ltd., (Cayman Islands)
    Smith/Enron Cogeneration Limited Partnership,
    (Turks & Caicos Isles)
    Smith/Enron O&M Limited Partnership,
    (Turks & Caicos Isles)
Enron Dominican Republic Operations Ltd., (Cayman Islands)
    Smith/Enron Cogeneration Limited Partnership,
    (Turks & Caicos Isles)
    Smith/Enron O&M Limited Partnership,
    (Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
    Enron Dominicana Holding Limited, (Cayman Islands)
    Enron Dominicana Limited Partnership,
    (Cayman Islands)
    Smith/Enron Cogeneration Limited Partnership,
    (Turks & Caicos Isles)
    Enron Dominican Republic Operations Ltd., (Cayman
Islands)
    Smith/Enron Cogeneration Limited Partnership,
    (Turks & Caicos Isles)
    Smith/Enron O&M Limited Partnership,
    (Turks & Caicos Isles)
    Enron Power Philippines Corp., (Philippines)
    Batangas Power Corp., (Philippines)
    Subic Power Corp., (Philippines)
    Miss Kitty, L.L.C., (Delaware)
    Puerto Quetzal Power Corp., (Delaware)
    Electricidad del Pacifico, S.A., (Guatemala)
    Tombstone Assets, L.L.C., (Delaware)
Enron Holding Company L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
    Smith/Enron Cogeneration Limited Partnership,
    (Turks & Caicos Isles)
    Smith/Enron O&M Limited Partnership,
    (Turks & Caicos Isles)
Enron Dominican Republic Operations Ltd.,
    (Cayman Islands)
    Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited, (Cayman Islands)
Enron Dominicana Limited Partnership,
(Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
EGPP Services Inc., (Delaware)
Enron Commercial Finance Ltd., (Cayman Islands)
Enron Cayman Reserve 5 Ltd. (Cayman Islands)
Enron Colombia Transportation Ltd.,
(Cayman Islands)
Enron Colombia Investments Limited
Partnership, (Cayman Islands)
Enron Colombia Operations
Limited
Partnership, (Cayman Islands)
Enron Pipeline Colombia Limited
Partnership, (Cayman Islands)
Enron Colombia Operations
Limited
Partnership, (Cayman Islands)
Enron Pipeline Company - Colombia Ltd., (Texas)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Enron de Inversiones de Energia S.A., (Argentina)
Compania de Inversiones de Energia S.A.,
(Argentina)
S.A.,
Enron Dominican Republic Operations Ltd.,
(Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Transportadora de Gas del Sur S.A.,
(Argentina)
Energia de Argentina Ltd.,
(Cayman Islands)
Enron Argentina CIESA Holding S.A.,
(Argentina)
Enron Total de Argentina Ltd.,
(Cayman Islands)
Enron CIESA Holding L.L.C. Ltd., (Cayman Islands)
Enron Argentina
CIESA
Holding S.A.,
(Argentina)
EPC A CIESA Holding L.L.C. Ltd., (Cayman
Islands)
EPCA CIESA Inversiones Limitada, (Chile)
Compania de Inversiones de Energia

S.A.,
(Argentina)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetza1 Power Corp., (Delaware)
Electricidad Del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron Light Hydrocarbons France, (France)
Noreif Limited, (Bermuda)
ENRON EUROPE POWER INVESTOR LLC, (Delaware)
ENRON EUROPE L.L.C., (Delaware)
Enron Dutch Investment, (England)
Enron Dutch Investment No. 2, (England)
Enron Europe Limited, (England)
Bretton Holdings (One) Limited, (England)
SBI 3 Limited, (England)
ECT Spain Limited, (England)
ECT España Limited, (England)
Enron Capital & Trade Resources Limited, (England)
Enron Coal Services Limited, (England)
Enron Coal Asia Pacific Pty Limited,
(Australia)
Enron Coal Transportation Limited,
(England)
Enron Engineering Services, (England)
Enron Europe Operations Limited, (England)
Godwit 1 Limited, (England)
Godwit 2 Limited, (England)
Godwit 3 Limited, (England)
Godwit 4 Limited, (England)
Godwit 5 Limited, (England)
Godwit 6 Limited, (England)
Godwit 7 Limited, (England)
Godwit 8 Limited, (England)
Godwit 9 Limited, (England)
Godwit 10 Limited, (England)
Godwit 11 Limited, (England)
Godwit 12 Limited, (England)
Godwit 13 Limited, (England)
Godwit 14 Limited, (England)
Godwit 15 Limited, (England)
Godwit 16 Limited, (England)
Godwit 17 Limited, (England)
Godwit 18 Limited, (England)
Godwit 19 Limited, (England)
Godwit 20 Limited, (England)
Godwit 21 Limited, (England)
Godwit 22 Limited, (England)
Godwit 23 Limited, (England)
Godwit 24 Limited, (England)
Godwit 25 Limited, (England)
Godwit 26 Limited, (England)
Godwit 27 Limited, (England)
Godwit 28 Limited, (England)
Godwit 29 Limited, (England)
Godwit 30 Limited, (England)
Godwit 31 Limited, (England)
Godwit 32 Limited, (England)
Godwit 33 Limited, (England)
Godwit 34 Limited, (England)
Godwit 35 Limited, (England)
Godwit 36 Limited, (England)
Godwit 37 Limited, (England)
Godwit 38 Limited, (England)
Godwit 39 Limited, (England)
Godwit 40 Limited, (England)
Godwit 41 Limited, (England)
Godwit 42 Limited, (England)
Godwit 43 Limited, (England)
Godwit 44 Limited, (England)
Godwit 45 Limited, (England)
Godwit 46 Limited, (England)
Godwit 47 Limited, (England)
Godwit 48 Limited, (England)
Godwit 49 Limited, (England)

Enron Gas & Petrochemicals Trading Limited, (England)
Enron Europe Power 2 Limited, (England)
Enron Europe Power 1 Limited, (England)
Teesside Power Holdings Limited, (England)
Teesside Power Limited, (England)
Enron Europe Power 3 Limited, (England)
Enron Europe Power 1 Limited, (England)
Teesside Power Holdings Limited, (England)
Teesside Power Limited, (England)
Enron Europe Power 4 Limited, (England)
Enron Europe Power 3 Limited, (England)
Enron Europe Power 1 Limited, (England)
Teesside Power Holdings Limited, (England)
Teesside Power Limited, (England)
Enron Europe (Sites) Holdings Limited, (England)
Enron Europe Trading Limited, (England)
Enron KP1 Limited, (England)
Enron KP 2 Limited, (England)
Enron Investments Limited, (England)

Enron Metals Group Limited, (England)
Enron Metals & Commodity Limited, (England)
Enron Metals & Commodity (HK) Limited, (Hong Kong)
Enron Metals (China) Limited,
Enron Metals Limited, (England)
Enron Metals Brokers (England)
Enron Metals Far East Limited, (England)
Enron Metals GmbH, (Deutschland)
Henry Bath & Son Limited, (England)
Man and Machine (North West)

Commodity

Limited,
(England)
Metallgesellschaft (Guernsey)
Limited, (Guernsey)
Enron Metals (Holdings) Limited, (England)
Enron Metals (Malta) Limited,

(Scotland)
MG Energy Limited, (Scotland)
MG Metal & Commodity Company
(SA) Proprietary Limited,

(England)
Enron Metals Luxembourg S.a.r.l.,
(England)
Enron Metals & Commodity
(Canada) Inc., (New Brunswick)
Enron Metals Belgium N.V.,
(Belgium)
Enron Metals German Holding
GmbH, (Germany)
Enron Metall Recycling
GmbH & Co. KG,
(China)
Enron Metall Recycling
Verwaltungs GmbH,
(China)
Enron Trade Holdings Inc.,
(Delaware)
Enron Metals and
Commodity Corp., (Delaware)

Enron Metals (Australia) Pty Ltd, (Australia)
Enron Metals (Australia) Pty Ltd,
(Australia)
MG Metal and
Commodity Company
Limited
Ltda., (Chile)
Enron Trade Services
Holdings Inc, (Delaware)
Henry Bath Inc.,
(Delaware)
Enron Trading Services
Inc., (Delaware)
Enron Metals Inc.,
(Delaware)

Enron Power Operations Limited, (England)
Energy commerce.com Limited, (England)
Energy Desk.com Limited, (England)
Energydesk.com Sverige AB,

(Sweden)
Energy software.com Limited, (England)
Enron Power Operations Teesside, (England)
Enron Eurasia Limited, (England)
EuropeanEnergySoftware.com, (England)
Enron SB2, (England)
Enron Shareblock Limited, (England)
Shareblock Limited, (England)
ESB2 Investments Limited, (England)
SBI 3 Limited, (England)
  Enron SB2, (England)
Teesside Gas Processing Limited, (England)
Teesside Gas Transportation Limited, (England)
Teesside Operations (Holdings) 2 Limited, (England)
  Teesside Operations (Holdings) Limited, (England)
  Enron Teesside Operations Limited, (England)
  Teesside Power Limited, (England)
Trenron Limited, (England)
  Enron Power Operations Teesside, (England)
  Enron Eurasia Limited, (England)
Wallercote Power Operations Limited, Pending.
  Teesside Gas Transportation Limited, (England)
ENRON EXPAT SERVICES INC., (Delaware)
  Enron Overseas Services Corp., (Cayman Islands)
ENRON FOUNDATION, (Nebraska)
ENRON FUNDING CORP., (Delaware)
EGEP SERVICES INC., (Delaware)
  DJ oil & Gas Limited Liability Company, (Delaware)
  EGEP China Inc., (Delaware)
  EGEP Korea Ltd., (Cayman Islands)
  Enron Oil & Gas Korea Ltd., (Cayman Islands)
  EGEP Services Inc., (Delaware)
  Enron Combay Exploration & Production Company, (Cayman Islands)
  BQGI-China, inc., (Delaware)
    Enron oil & Gas China International Ltd., (Cayman Islands)
  Enron Global Fuels Ltd., (Cayman Islands)
  Enron Global Markets LLC, (Delaware)
  Enron Global Power & Pipelines LLC, (Delaware)
    Enron Dominicana Holding Limited, (Cayman Islands)
    Enron Dominicana Limited Partnership, (Cayman Islands)
    Smith/Enron Cogeneration Limited Partnership,
      (Turks & Caicos Islands)
ENRON HRVATSKA DEVELOPMENT B.V., (The Netherlands)
  Jertovic Management & Finance B.V., (The Netherlands)
  Elektrana Jertovic d.o.o., (Croatia)
ENRON HUNGARY POWER STATION DEVELOPMENT KFT., (Hungary)
ENRON INDIA LLC, (Delaware)
  Atlantic India Holdings Ltd., (Cayman Islands)
    Offshore Power Operations C.V., (The Netherlands)
    Offshore Power Production C.V., (The Netherlands)
    DPC Holdings C.V., (The Netherlands)
    Enron Mauritius Company, (Mauritius)
    Dabhol Power Company, (India)
  Enron India Holdings Ltd., (Cayman Islands)
  Enron Mauritius Company, (Mauritius)
  Dabhol Power Company, (India)
  DPC Holdings C.V., (The Netherlands)
  Enron Mauritius Company, (Mauritius)
  Dabhol Power Company, (India)
  Enron Mauritius Company, (Mauritius)
  Dabhol Power Company, (India)
EKTP Holding Company Ltd., (Cayman Islands)
Enron BPAC Ltd., (Cayman Islands)
  Enron Ennore Holdings Ltd., (Cayman Islands)
  Enron Fuels Services Holding Ltd., (Cayman Islands)
  Enron Fuels Services India Ltd., (Mauritius)
  Enron International Pipegas MHC Ltd., (Mauritius)
  Enron MHC LNG India Ltd., (Mauritius)
Maharashtra Energy Company Private Limited,
(Maharashtra)

Maharashtra Energy Company Private Limited,
(Maharashtra)
TDE Mauritius Ltd., (Mauritius)
Metropolis Gas Company Private Limited, (India)
Enron Gamma Operations Ltd., (Cayman Islands)
Enron India Power Ltd., (Cayman Islands)
Enron MHC Tamil Nadu Company, (Mauritius)
Enron India Telecom Ltd., (Cayman Islands)
Telecom MHC Limited, (Mauritius)
Broadband Solutions Private Limited, (India),
(Maharashtra)
Enron International Bangladesh Ltd., (Cayman Islands)
Enron International Bangladesh Power Holding Co. Ltd.,
(Cayman Islands)
Enron International Power Barge Ltd., (Cayman Islands)
Enron International CMI Ltd., (Cayman Islands)
Enron MHC India Development Ltd., (Mauritius)
Enron India Private Ltd., (India)
Enron International Ennore Ltd., (Cayman Islands)
Enron International Haripur Ltd., (Cayman Islands)
Enron International India Ltd., (Cayman Islands)
Energy Generation Guhagar Ltd., (Mauritius)
Enron Distribution Ventures MHC Ltd., (Mauritius)
Enron India CPH Ltd., (Mauritius)
Enron India Regional Development Ltd., (Mauritius)
Enron International Coastal Development Ltd.,
(Mauritius)
Enron International Eastern India Operations Ltd.,
(Mauritius)
Enron International MHC Kannur Ltd., (Mauritius)
Enron International Southern India Operations Ltd.,
(Mauritius)
Enron MHC Gas Distribution Ltd., (Mauritius)
Enron Renovation and Modernization MHC Ltd.,
(Mauritius)
Enron Subcontinental Ventures Ltd., (Mauritius)
Telecom MHC India Ltd., (Mauritius)
Broadband Solutions Private Limited,
(Maharashtra)
Enron India CPH Ltd., (Mauritius)
Enron India Regional Development Ltd., (Mauritius)
Enron International Coastal Development Ltd.,
(Mauritius)
Enron International Eastern India Operations Ltd.,
(Mauritius)
Energy Generation Guhagar Ltd., (Mauritius)
Enron Subcontinental Ventures Ltd., (Mauritius)
Enron Cambay Exploration & Production Company, (Cayman Islands)
Enron International North Bengal Holding Co. Ltd.,
(Cayman Islands)
Enron International PAL India Ltd., (Cayman Islands)
Enron Reserve II B.V., (The Netherlands)
Offshore Power Operations C.V., (The Netherlands)
Enron South Asia LLC, (Delaware)
India Electric Maintenance Ltd., (Cayman Islands)
Enron International C.V., (The Netherlands)
Travemark Two B.V., (The Netherlands)
Offshore Power Production C.V., (The Netherlands)
Enron India Holdings Ltd., (Cayman Islands)

002000000001141
Enron (Mauritius) Company, (Mauritius)
Dabhol Power Company, (India)
DPC Holdings C.V., (The Netherlands)
Enron Mauritius Company, (Mauritius)
Dabhol Power Company, (India)
Enron Power II C.V., (The Netherlands)
Enron Power Colombia C.V., (The Netherlands)
EI Thailand NSM Investments Ltd., (Cayman Islands)
EI Venezuela Holdings Ltd., (Cayman Islands)
EI Venezuela Development Ltd., (Cayman Islands)
Hanover/Enron Venezuela Ltd., (Cayman Islands)
EI Venezuela Investments Ltd., (Cayman Islands)
EI Venezuela Development Ltd., (Cayman Islands)
Hanover/Enron Venezuela Ltd., (Cayman Islands)
Enron Accro B.V., (The Netherlands)
Enron Agua Colombia Holdings Ltd., (Cayman Islands)
Enron Agua Colombia Investments Ltd., (Cayman Islands)
Enron Agua Colombia Ltd., (Cayman Islands)
Enron Agua Panama Holdings Ltd., (Cayman Islands)
Enron Agua Panama Investments Ltd., (Cayman Islands)
Enron Agua Philippines Holdings Ltd., (Cayman Islands)
Enron Argentina Development Ltd., (Cayman Islands)
CORDEX Americas 1997, L.L.C., (Delaware)
Enron (Brazil) Gas Supply Ltd., (Cayman Islands)
Enron (Brazil) Pipeline Ltd., (Cayman Islands)
EGE - Empresa de Geracao de Energia Ltd., Pending.
Enron (Brazil) Power Investments I Ltd., (Cayman Islands)
EGE - Empresa de Geracao de Energia Ltd., Pending.
Enron Caribe Holdings Ltd., (Cayman Islands)
Enron Caribe Ltd., (Cayman Islands)
Dominican Holdings, Ltd., (Cayman Islands)
Enron Caribe IV Holdings Ltd., (Cayman Islands)
Enron Caribe IV Ltd., (Cayman Islands)
Enron Caribe VI Holdings Ltd., (Cayman Islands)
Enron Caribe VI Ltd., (Cayman Islands)
Empresa Energetica Corinto Ltd., (Cayman Islands)
Enron Colombia Energy B.V., (The Netherlands)
Enron Power Colombia C.V., (The Netherlands)
Enron Colombia Holdings Ltd., (Cayman Islands)
Enron Colombia, Inc., (Delaware)
Enron Colombia Transportation B.V., (The Netherlands)
Enron Development Spain Ltd., (Cayman Islands)
Enron Egypt Power I Ltd., (Cayman Islands)
Enron Egypt Power II Ltd., (Cayman Islands)
Enron Electrica de Venezuela Ltd., (Cayman Islands)
Enron Energy Marketing Colombia Ltd., (Cayman Islands)
Enron EPI, Inc., (Cayman Islands)
Enron EPI Inc., (Cayman Islands)
Enron Equity Corp., (Delaware)
ECT Colombia Pipeline Holdings 1 Ltd., (Cayman Islands)
Enron Colombia Marketing Holdings Ltd., (Cayman Islands)
Gas Trade Servicios Investments 1 Ltda., (Cayman Islands)
Gas Trade Servicios Investments 2 Ltda., (Cayman Islands)
Gas Trade Servicios Investments 3 Ltda., (Cayman Islands)
Gas Trade Servicios Investments 4 Ltda., (Cayman Islands)
Gas Trade Servicios Investments 5 Ltda., (Cayman Islands)
Gas Trade Servicios Ltda., (Cayman Islands)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Dominicana Holding Limited, (Cayman Islands)
Enron Dominicana Holding Limited Partnership,
(Cayman Islands)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzel Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron Gas de Venezuela I Ltd., (Cayman Islands)
Enron Holding Company, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Dominicana Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited
Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Dominicana Republic Operations Ltd.,
(Cayman Islands)
Smith/Enron Cogeneration
Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzel Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron Europe Operations (Advisor) Limited, (England)
Enron Europe Operations (Supervisor) Limited, (England)
Enron Ghana Holdings Ltd., (Cayman Islands)
Enron Ghana Investments Ltd., (Cayman Islands)
Enron Ghana Ltd., (Cayman Islands)
Enron (India) Power Ltd., (Cayman Islands)
Enron MHC Tamil Nadu Company, (Mauritius)
Enron Global Pakistan Ltd., (Cayman Islands)
Enron Global Mauritius Company, L.L.C., (Mauritius)
Enron Guatemala Holdings Ltd., (Cayman Islands)
PQP Limited, (Cayman Islands)
Enron Guatemala Renewables Ltd.,
(Cayman Islands)
Puerto Quetzel Power LLC,
(Delaware)
Pacific Energy Financing
Ltd.,
(Cayman Islands)
Enron Industrial de Venezuela Ltd., (Cayman Islands)
ACCROVEN SRL, (Barbados)
Enron International (Brazil) 1997 Ltd., (Cayman Islands)
Borgoña Participacoes e Empreendimentos Ltda., (Brazil)
Riogas S.A., (Brazil)
Emental Participacoes e Empreendimentos Ltda., (Brazil)
Riogas S.A., (Brazil)
GEC Participacoes Ltda., (Brazil)
Companhia Estadual de Gas do Rio de Janeiro, (Brazil)
Global Petroleum & Gas Industry Limited, (Jersey)
Gas Participacoes S.A., (Brazil)
Dutopar Participacoes Ltda, (Brazil)
Gas de Alagoas S.A., (Brazil)
Enron International (Brazil) Gas Holdings Ltd., (Cayman Islands)

GEC Participacoes Ltda., (Brazil)
Companhia Estadual de Gas do Rio de Janeiro, (Brazil)
Enron International (Brazil) Investments Ltd., (Cayman Islands)
Global Petroleum & Gas Industry Limited, (Jersey)
Gas Participacoes S.A., (Brazil)
Companhia de Gas de Bahia S.A., (Brazil)
Companhia de Gas de Santa Catarina S.A., (Brazil)
Companhia Paraibana de Gas S.A., (Brazil)
Companhia Paraense de Gas S.A., (Brazil)
Companhia Pernambucana de Gas S.A., (Brazil)
Empresa Sergipana de Gas S.A., (Brazil)
Global Petroleum & Gas Industry II Limited, (Cayman Islands)
Enron International (Brazil) Power Holdings V Ltd., Pending.
Terraco Participacoes Ltda., (Brazil)
Elektro - Electricidade e Servicos S.A., (Brazil)
Terraco Investments Ltd., (Cayman Islands)

Enron International (Brazil) Power Investments V Ltd., Pending.
Terraco Participacoes Ltda., (Brazil)
Elektro - Electricidade e Servicos S/A, (Brazil)
Enron International B.V., (The Netherlands)
Enron International Capital Management Ltd., (Cayman Islands)
China Pipeline Holdings Ltd., (Cayman Islands)
Enron MHC India Development Ltd., (Mauritius)
Enron India Private Ltd., (India)
Enron International C.V., (The Netherlands)
Enron International Central America Holdings Ltd., (Cayman Islands)
Enron International Central America ltd., (Cayman Islands)
Enron International Energy (Asia) Pte. Ltd., (Singapore)
Enron International Gujarat Ltd., (Cayman Islands)
Enron MHC Gujarat Company, (Mauritius)
Enron International Holdings Corp., (Delaware)
Electricidad Enron de Guatemala, Sociedad Anonima, (Guatemala)
Enron Global, Inc., (Delaware)
Enron Holding Company, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A.

Puerto Quetzal Power LLC,

Tombstone Assets, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron Holding Company, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron International Haripur Ltd., (Cayman Islands)
Enron Holding Company, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Power Philippines Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron International India Ltd., (Cayman Islands)
Enron Distribution Ventures MHC Ltd., (Mauritius)
Enron International MHC Kannur Ltd., (Mauritius)
Enron Renovation and Modernization MHC Ltd., (Mauritius)
Enron International Kelatin Development, (Cayman Islands)
Enron International Korea Resources LLC, (Delaware)
Enron Cambay Exploration & Production Company, (Cayman Islands)
Enron International Morroco Ltd., (Cayman Islands)
Enron International (Philippines) Ltd., (Cayman Islands)
Enron International Sichuan Hydroelectric Ltd., (Cayman Islands)
Enron Vietnam Power II Ltd., (Cayman Islands)
Enron International Philippines Pipelines Ltd., (Cayman Islands)
Enron LNG Atlantic Holdings Ltd., (Cayman Islands)
Enron LNG Atlantic Investments Ltd., (Cayman Islands)
Enron Venezuela LNG (Antilles) Holdings, N.V., (Netherlands Antilles)
Enron Venezuela LNG (Netherlands) Holdings, B.V., (Netherlands Antilles)
Enron LNG Atlantic I, SRL, (Venezuela)
Enron LNG Atlantic II, SRL, (Venezuela)
LNG Power III, LLC, (Cayman Islands)
Buennergia Gas & Power Ltd., (Cayman Islands)
EcoElectrica Holdings, Ltd., (Cayman Islands)
EcoElectrica L.P., (Bermuda)
EcoElectrica, Ltd., (Cayman Islands)
EcoElectrica L.P., (Bermuda)
LNG Power IV Ltd., (Cayman Islands)
LNG Power II, LLC, (Cayman Islands)
LNG Power I, LLC, (Cayman Islands)
LNG Power III, LLC, (Cayman Islands)
Buennergia Gas & Power Ltd., (Cayman Islands)
EcoElectrica Holdings, Ltd., (Cayman Islands)
EcoElectrica L.P., (Bermuda)
EcoElectrica, Ltd., (Cayman Islands)
EcoElectrica L.P., (Bermuda)
Enron Mariana Holdings Corp., (Delaware)
Enron Mariana Power L.L.C., (Delaware)
Enron Mauritius Pakistan Company, L.L.C., (Mauritius)
Enron Mendoza Water Investments Ltd., (Cayman Islands)
Enron Oman Gas Ltd., (Cayman Islands)
Enron Oman Commodity Ltd., (Cayman Islands)
Enron Oman Gas II Ltd., (Cayman Islands)
Enron Oman Services Ltd., (Cayman Islands)
Enron Palestine Inc., (Cayman Islands)
Enron Gaza Power Private Limited Company,
(Palestine)
Enron Gaza International Ltd.,
(Cayman Islands)
Gaza Power Generating Private
Limited Company, (Palestine)
Palestine Power Private
Limited Company, (Palestine)
PEC International Inc., (Cayman Islands)
Enron Polska B.V., (The Netherlands)
Enron Power Services B.V., (The Netherlands)
Enron Reserve 4 B.V., (The Netherlands)
Enpak Power (Private) Company, (Pakistan)
Enron Reserve 6 B.V., (The Netherlands)
Enron Reserve I B.V., (The Netherlands)
Smith/Enron Cogeneracion Internacional, S.A., (Dominican Republic)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Islands)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Islands)
Visum Soft LLC, (Delaware)
ENRON INDUSTRIAL MARKETS LLC, (Delaware)
ENRON INVESTMENT PARTNERS CO., (Delaware)
HEOF Management Corp., (Delaware)
ENRON MIDDLE EAST LLC, (Delaware)
Enron Bahrain Gas Operations LLC, (Delaware)
Enron Jebel Ali Power Ltd., (Cayman Islands)
Enron Jubail Power Ltd., (Cayman Islands)
Enron Middle East Ltd., (Cayman Islands)
Enron Oman Cooling Ltd., (Cayman Islands)
Enron Oman Gas Pipeline Operations Ltd., (Cayman Islands)
Enron Saudi Energy Ltd., (Cayman Islands)
Enron Saudi Holdings Ltd., (Cayman Islands)
Enron Shuweihat Power Company, (Cayman Islands)
New Horizons Holdings Ltd., (Cayman Islands)
ENRON NORTH AMERICA CORP., (Delaware)
Antelope Valley Energy Facility, L.L.C., (Delaware)
Blue Ox Power Marketing, L.L.C., (Delaware)
Bob West Treasurer L.L.C., (Delaware)
Bridgeline, LLC, (Delaware)
Bridgeline Holdings, L.P., (Delaware)
Bridgeline Gas Distribution LLC, Louisiana
Bridgeline Gas Marketing LLC, (Delaware)
Bridgeline Storage Company, L.L.C., (Delaware)
Napoleonville Storage Company Limited Partnership, (Texas)
Brownsville Power I, L.L.C., (Delaware)
Caledonia Power I, L.L.C., (Delaware)
Calvert City Power I, L.L.C., (Delaware)
Central Valley Energy Facility, L.L.C., (Delaware)
Costilla Energy, Inc., (Delaware)
Cusiana-Cupiagua Oil Securitization 1996 Ltd., (Cayman Islands)
Deerfield Beach Energy Center, L.L.C., (Delaware)
Delta Land Development Company, LLC, (Delaware)
Calcasieu Development Company, L.L.C., (Delaware)
Jefferson Davis Development Company, L.L.C., (Delaware)
St. Charles Development Company, L.L.C., (Delaware)
Des Plaines Green Land Development L.L.C., (Delaware)
Doyle I, L.L.C., (Delaware)
East Fork Land Development Company, L.L.C., (Delaware)
ECT Cayman Reserve 5 Ltd., (Cayman Islands)
Enron Distribuidora de Petroleo e Derivados Ltda., (Brazil)
ECT Cayman Reserve 6 Ltd., (Cayman Islands)
ECT Cayman Reserve 9 Ltd., (Cayman Islands)
ECT Coal Company No. 1, L.L.C., (Delaware)
ECT Coal Company No. 2, L.L.C., (Delaware)
ECT Eocene Enterprises, Inc., (Delaware)
ECT Eocene Enterprises II, Inc., (Delaware)
ECT Eocene Enterprises III, Inc., (Delaware)
ECT Europe Finance, Inc., (Delaware)
ECT Funding L.L.C., (Delaware)
ECT Development and Funding, (England)
European Commercial Finance S.a.r.l., (Luxembourg)
ECT International L.L.C., (Delaware)
ECT Development and Funding, (England)
European Commercial Finance S.a.r.l., (Luxembourg)
ECT Investing Corp., (Delaware)
ECT Investing Partners, L.P., (Delaware)
ECT Investments Holding Corp., (Delaware)
ECT Investments Inc., (Delaware)
ECT Merchant Investments Corp., (Delaware)
Black Hay, L.L.C., (Delaware)
Bonne Terre Exploration Company, L.L.C., (Delaware)
East Sour Lake, LLC, (Delaware)
East Sour Lake Exploration & Production L.P.,
ECT Overseas Holding Corp., (Delaware)
Enron Capital & Trade Resources Korea Corp., (Delaware)
ECT-PR-B, L.L.C., (Delaware)
ECT-PR-C, L.L.C., (Delaware)
ECT-PR-Z, L.L.C., (Delaware)
Crestone Powder River, L.L.C., (Delaware)
Fort Union Gas Gathering LLC, (Delaware)
ECT Securities Corp., (Delaware)
ECT Securities GP Corp., (Delaware)
ECT Securities Limited Partnership, (Delaware)
ECT Securities LP Corp., (Delaware)
ECT Securities Limited Partnership, (Delaware)
ECT Strategic Value Corp., (Delaware)
ECT Thailand Investments, Inc., (Delaware)
ECT-WR-B, L.L.C., (Delaware)
ECT-WR-C, L.L.C., (Delaware)
ECT-WR-Z, L.L.C., (Delaware)
Crestone Wind River, L.L.C., (Delaware)
Lost Creek Gathering Company, L.L.C., (Delaware)
Coventry Land Development Company, L.L.C., (Delaware)
EGC 2000 Holding Company, L.P., (Delaware)
Energy Financing Company, L.L.C., (Delaware)
North Haven Energy Park, L.L.C., (Delaware)
Sprague Energy Park, L.L.C., (Delaware)
EGS Hydrocarbons Corp., (Texas)
EGS New Ventures Corp., (Delaware)
LGMI, Inc., (Delaware)

Louisiana Gas Pipeline Company L.P., (Oklahoma)
LRCI, Inc., (Delaware)
Louisiana Resources Pipeline Company L.P., (Oklahoma)
Louisiana Gas Marketing Company, (Delaware)
Louisiana Gas Pipeline Company L.P., (Oklahoma)
Louisiana Resources Company, (Delaware)
Louisiana Resources Pipeline Company L.P., (Oklahoma)
ENACT I, L.L.C., (Delaware)
ENACT II, L.L.C., (Delaware)
ENASCO L.L.C., (Delaware)
Enron Administrative Services Corp., (Delaware)
EES Europe 2 B.V., (The Netherlands)
Enron Capital Corp. (formerly JILP-G.P., Inc.), (Delaware)
Enron Capital Management Limited Partnership, (Delaware)

Enron Capital Management L.L.C., (Delaware)

Joint Energy Development Investments Limited Partnership, (Delaware)
Ameritex Venture II, Ltd., (Texas)
Cerrito Gathering Company, Ltd., N/A
CGAS, Inc., (Ohio)

CGAS Exploration, Inc., (Ohio)
Eagle Mountain Energy Corporation, (Ohio)
CGAS Investment Corp., (Ohio)
CGAS Services Corporation, (Ohio)

CGAS Securities, Inc., (Ohio)
Clinton Nominee Corporation, (Ohio)
Haulco, Inc., (Ohio)
LDC Securities, Inc., (Ohio)
Metertech, Inc., (Ohio)
Ohio Gasportation, Inc., (Ohio)
Eugene Offshore Holdings, LLC, (Delaware)
Hughes-Rawls, L.L.C., (Delaware)

JEDI Hydrocarbon Investments I Limited Partnership, (Delaware)

JEDI Hydrocarbon Investments II Limited Partnership, (Delaware)
JEDI-Lewis, L.L.C., (Delaware)

JEDI-Lewis Holdings, L.P., (Delaware)
JEDI-Lewis Holdings L.P., (Delaware)
JEDI-Lewis Holdings, L.P., (Delaware)
JEDI SPV, L.L.C., (Delaware)
Mariner Holdings, Inc., (Delaware)
Mariner Energy LLC, (Delaware)
Mariner Energy, Inc., (Delaware)

Meridian Ventures I, L.P., N/A
Michigan Gas Partners, L. P., N/A

Napoleonville Storage Company Limited Partnership, (Texas)
Enron Energy Services Netherlands B.V., (The Netherlands)
Rocksprings Energy I, L. P., (Texas)
Segundo Navarro Drilling, Ltd., (Texas)
South Dauphin Partners II, L.P., Pending.
Sweetwater Gas Partners, L. P., (Texas)

Enron Capital II Corp., (Delaware)

Enron Capital Management II Limited Partnership, (Delaware)

Joint Energy Development Investments II Limited Partnership, (Delaware)

East Coast Power Holding Company L.L.C.
(Delaware)
East Coast Power L.L.C., (Delaware)
  JEDI Bayonne GP, 
  L.L.C., (Delaware)
  Cogen Technologies NJ Venture, (Delaware)
JEDI Camden GP, L.L.C., (Delaware)
  Cogen Technologies Camden GP Limited Partnership, (Delaware)
  Camden Cogen, L.P., (Delaware)
JEDI Camden LP, L.L.C., (Delaware)
  Cogen Technologies Camden GP Limited Partnership, (Delaware)
  Camden Cogen, L.P., (Delaware)
  JEDI Linden NB, L.L.C., (Delaware)
  JEDI Linden GP, L.L.C.,

(Cogn Technologies Linden, Ltd, (Delaware)
(Cogen Technologies Linden Venture, (Delaware)
JEDI Linden, Inc., (Delaware)
JEDI Linden L.L.C., (Delaware)
  Cogen Technologies Linden, Ltd,

(Delaware)
JEDI Linden LP, L.L.C., (Delaware)
  Cogen Technologies Linden Venture, (Delaware)
  Cogen Technologies Linden, Ltd, (Delaware)
  Cogen Technologies Linden Venture, (Delaware)
  Eugene Offshore Holdings, LLC, (Delaware)
  Enron Capital III Corp., (Delaware)
  Enron Capital Management II Limited Partnership, (Delaware)
  Joint Energy Development Investments II Limited Partnership, (Delaware)
  East Coast Power Holding Company L.L.C., (Delaware)

(Delaware)
East Coast Power L.L.C., (Delaware)
  JEDI Bayonne GP, L.L.C.,
  (Delaware)
  Cogen Technologies NJ Venture, (Delaware)
JEDI Camden GP, L.L.C., (Delaware)
  Cogen Technologies Camden GP Limited Partnership, (Delaware)
  Camden Cogen, L.P., (Delaware)
JEDI Camden LP, L.L.C., (Delaware)
  Cogen Technologies Camden GP Limited Partnership, (Delaware)
  Camden Cogen, L.P., (Delaware)
  JEDI Linden NB, L.L.C.,
  JEDI Linden GP, L.L.C.,

(Cogen Technologies Linden, Ltd,
Cogen Technologies Linden Venture, (Delaware)
JEDI Linden LP,
(Delaware)
Cogen Technologies Linden, Ltd, (Delaware)
Cogen Technologies Linden Venture, (Delaware)
Eugene Offshore Holdings, LLC, (Delaware)
Enron Capital IV Corp., (Delaware)
Enron Capital Management III Limited Partnership, (Delaware)
Joint Energy Development Investments II Limited Partnership, (Delaware)
East Coast Power Holding Company L.L.C., (Delaware)
East Coast Power L.L.C., (Delaware)
JEDI Bayonne GP, L.L.C., (Delaware)
Cogen Technologies NJ Venture, (Delaware)
JEDI Camden GP, L.L.C., (Delaware)
Cogen Technologies Camden GP Limited Partnership, (Delaware)
Camden Cogen, L.P., (Delaware)
JEDI Camden LP, L.L.C., (Delaware)
Cogen Technologies Camden GP Limited Partnership, (Delaware)
Camden Cogen, L.P., (Delaware)
JEDI Linden NB, L.L.C., (Delaware)
JEDI Linden GP, L.L.C., (Delaware)
Cogen Technologies Linden, Ltd, (Delaware)
Cogen Technologies Linden Venture, (Delaware)
JEDI Linden, Inc., (Delaware)
JEDI Linden L.L.C., (Delaware)
Cogen Technologies Linden, Ltd, (Delaware)
Cogen Technologies Linden Venture, (Delaware)
JEDI Linden LP, L.L.C., (Delaware)
Cogen Technologies Linden, Ltd, (Delaware)
Cogen Technologies Linden Venture, (Delaware)
Eugene Offshore Holdings, LLC, (Delaware)
Enron Capital North America Corp., (Delaware)
Enron Capital Management III Limited Partnership, (Delaware)
Joint Energy Development Investments II Limited Partnership, (Delaware)
East Coast Power Holding Company L.L.C., (Delaware)
East Coast Power L.L.C., (Delaware)
JEDI Bayonne GP, L.L.C., (Delaware)
Cogen Technologies NJ Venture, (Delaware)
JEDI Camden GP, L.L.C., (Delaware)
Cogen Technologies Camden GP Limited Partnership, (Delaware)
Camden Cogen, L.P., (Delaware)
JEDI Camden LP, L.L.C., (Delaware)
Cogen Technologies Camden GP Limited Partnership, (Delaware)
Camden Cogen, L.P., (Delaware)
JEDI Linden NB, L.L.C.,
(Delaware)  
JEDI Linden GP,  
L.L.C.,  

(Delaware)  
Cogen Technologies Linden, Ltd, (Delaware)  
Cogen Technologies Linden Venture, (Delaware)  
JEDI Linden, Inc., (Delaware)  
JEDI Linden GP, L.L.C., (Delaware)  
Cogen Technologies Linden, Ltd,  

(Delaware)  
Cogen Technologies Linden Venture, (Delaware)  
JEDI Linden LP, L.L.C., (Delaware)  
Cogen Technologies Linden, Ltd, (Delaware)  
Cogen Technologies Linden Venture, (Delaware)  
Enron Capital & Trade Global Resources Corp., (Panama)  
Enron Capital & Trade Resources Canada Corp., (Alberta)  
Enron Capital & Trade Resources - Europe B.V., (The Netherlands)  
Closed Joint Stock Company EnronEnergo, (Russian Federation)  
Enron Capital and Trade Resources - Espana, S.L., (Spain)  
Enron Capital & Trade Resources - Greece B.V., (The Netherlands)  
Enron Capital & Trade Resources - Romania B.V., (The Netherlands)  
Petrom-Enron Gas S.R.L., (Romania)  
Enron Espana, S.L., (Spain)  
Enron Europe Finance B.V., (The Netherlands)  
Enron LPG Italy S.R.L., (Italy)  
Enron Miskolc Power Development Kft., (Hungary)  
Enron Netherlands B.V., (The Netherlands)  
Enron Capital & Trade Resources International Corp., (Delaware)  
Enron Capital & Trade Europe Finance LLC, (Delaware)  
Enron Capital & Trade Resources International Corp. - Singapore Branch, N/A  
Enron CASH Company No. 6, L.L.C., (Delaware)  
Enron Europe Finance & Trading Limited, (England)  
Enron Finland Energy Oy, (Finland)  
Enron Nordic Energy - Swedish branch of ECTRIC, N/A  
Enron Nordic Energy - Norwegian branch of ECTRIC, N/A  
Enron Capital & Trade Resources Mexico Holdings B.V., (The Netherlands)  

Enron Energia Industrial de Mexico B.V., (The Netherlands)  
Enron Industrial Energy of Mexico Holdings I, L.L.C., (Delaware)  
Enron Energia Industrial de Mexico, S. de R.L. de C.V., (Mexico)  

Enron Industrial Energy of Mexico Holdings II, L.L.C., (Delaware)  
Enron Energia Industrial de Mexico, S. de R.L. de C.V., (Mexico)  

Enron Mexico I B.V., (The Netherlands)  
Enron Mexico II B.V., (The Netherlands)  
Enron Mexico III B.V., (The Netherlands)  
Enron Mexico IV B.V., (The Netherlands)  
Enron Mexico V B.V., (The Netherlands)  
Enron Mexico Holdings XV, L.L.C., (Delaware)  
Enron Mexico V I B.V., (The Netherlands)  
Enron Mexico Risk Management, L.L.C.,
Enron Mexico VII B.V., (The Netherlands)
Enron Mexico VIII B.V., (The Netherlands)
Enron Mexico IX B.V., (The Netherlands)
Enron Mexico X B.V., (The Netherlands)
Enron Mexico XV B.V., (The Netherlands)
Desarrolladora de Predios del Centro, S. de R.L. de C.V., (Mexico)
Enron Mexico XVI B.V., (The Netherlands)
Desarrolladora de Predios del Este, S. de R.L. de C.V., (Mexico)
Enron Mexico Holdings XVI, L.L.C., (Delaware)
Enron Mexico XVII B.V., (The Netherlands)
Desarrolladora de Predios del Oeste, S. de R.L. de C.V., (Mexico)
Enron Mexico Holdings XVII, L.L.C., (Delaware)
Enron Mexico XVIII B.V., (The Netherlands)
Desarrolladora de Predios del Noreste, S. de R.L. de C.V., (Mexico)
Enron Mexico XIV B.V., (The Netherlands)
Desarrolladora de Predios del Norte, S. de R.L. de C.V., (Mexico)
Enron Mexico Holdings XIV, L.L.C., (Delaware)
Enron Mexico Holdings XVIII, L.L.C., (Delaware)
OEC Mexico, S. de R.L. de C.V., (Mexico)
OEC Services, S. de R.L. de C.V., (Mexico)
Enron CASH Company No. 1, (Delaware)
Enron CASH Company No. 2, (Delaware)
Enron CASH Company No. 3, (Delaware)
Enron CASH Company No. 5, (Delaware)
Enron Compression Services Company, (Delaware)
ECS Compression Company, L.L.C., (Delaware)
Enron CPO Holdings, Inc., (Delaware)
Enron International CPO B.V., (The Netherlands)
Enron International CPO, L.P., (Delaware)
Enron Cushing Oil Marketing, Inc., (Delaware)
Millennium PowerGen Copmany LLC, (Delaware)
Enron Field Services Corp., (Delaware)
Enron Finance Corp., (Delaware)
Enron Hydrocarbons Marketing Corp., (Delaware)
Enron Reserve Acquisition Corp., (Delaware)
Enron Generation Company, L.L.C., (Texas)
Titan Land Development Company, L.L.C., (Delaware)
Enron Global de Guatemala, S.A., (Guatemala)
Enron Mexico Corp., (Delaware)
Enron Mexico Holdings I Ltd., (Cayman Islands)
Enron Mexico Holdings I L.L.C., (Cayman Islands)
Enron de Mexico, S. de R.L. de C.V., (Mexico)
Enron Servicios de Mexico S. de R.L. de C.V., (Mexico)
Enron Mexico Holdings II L.L.C., (Cayman Islands)
Enron Servicios de Mexico S. de R.L. de C.V., (Mexico)
Enron de Mexico, S. de R.L. de C.V.,
Netherlands

Elektrarne Jertovec d.o.o., (Croatia)

JILP-L.P., Inc., (Delaware)
Juniper Energy L.P., (Texas)
Kendall New Century Development, LLC, (Delaware)
Kenobe, Inc., (Delaware)
EnSerCo, L.L.C., (Delaware)
Black Bay, LLC, (Delaware)
EB/GB, L.L.C., (Delaware)

EnSerco, Inc., (Delaware)
EnSerCo Offshore, L.L.C., (Delaware)

Lake Acquisition Company, L.L.C., (Delaware)
Lake Elsinore Advanced Pump Storage, L.L.C., (Delaware)
Lauderdale Land Development Company, L.L.C., (Delaware)

Broward Development Company, L.L.C., (Delaware)
Challenger Development Company, L.L.C., (Delaware)
Dade Development Company, L.L.C., (Delaware)
Endeavour Development Company, L.L.C., (Delaware)
Midway Development Company, L.L.C., (Delaware)
Palm Beach Development Company, L.L.C., (Delaware)
Sawgrass Development Company, L.L.C., (Delaware)
St. Lucie Development Company, L.L.C., (Delaware)
Voyager Development Company, L.L.C., (Delaware)

Louisiana Power Marketing Company, L.L.C., (Delaware)

Long Beach District Energy Facility, LLC, (Delaware)

Longview Energy, L.L.C., (Delaware)
Masada OxyNol LLC, (Delaware)

Master Land Development Holding Company, L.L.C., (Delaware)

Badger Land Development Company, L.L.C., (Delaware)

Wood Development Company, L.L.C., (Delaware)

Brave Land Development Company, L.L.C., (Delaware)

Buckeye Land Development Company, L.L.C., (Delaware)

Hoosier Land Development Company, L.L.C., (Delaware)

Legacy Land Development Company, L.L.C., (Delaware)

Liberty Land Development Company, L.L.C., (Delaware)

Lone Star Land Development Company, L.L.C., (Delaware)

Newton Development Company Limited Partnership,

(Delaware)

Lone Star Land Development GP Company, L.L.C.,

(Delaware)

Lone Star Land Development LP Company, L.L.C.,

(Delaware)

Lone Star Land Development Company Limited Partnership,

(Delaware)

Patriot Land Development Company, L.L.C., (Delaware)

Position Land Development Company, L.L.C., (Delaware)

Bollinger Development Company, L.L.C., (Delaware)

Cape Girardeau Development Company, L.L.C.,

(Delaware)

County Line Development Company, L.L.C.,

(Delaware)

Stoddard Development Company, L.L.C., (Delaware)

Tarheel Land Development Company, L.L.C., (Delaware)

Volunteer Land Development Company, L.L.C., (Delaware)

Haywood Power I, L.L.C., (Delaware)

Haywood Power II, L.L.C., (Delaware)

MEGS, L.L.C., (Delaware)

New Albany Power I, L.L.C., (Delaware)

OBI-1 Holdings, L.L.C., (Delaware)

Pastoria Energy Facility L.L.C., (Delaware)

Pikes Peak Power, L.L.C., (Delaware)
Pleasanton Local Reliability Facility, L.L.C., (Delaware)
Pompano Beach Energy Center, L.L.C., (Delaware)
Risk Management & Trading Corp., (Delaware)
Sanata Clara District Energy Facility, (Delaware)
Santa Maria LLC, (Delaware)
The Terradyne group LLC, (Delaware)
TLS Investors, L.L.C., (Delaware)
Southwest Power, L.L.C., (Delaware)
  Desert Arc I, L.L.C., (Delaware)
  Las Vegas Cogeneration Limited Partnership, Desert Arc II,
  L.L.C., (Delaware)
  Las Vegas Cogeneration Limited Partnership, (Delaware)
  Las Vegas Cogeneration II, L.L.C., (Delaware)
  West Fork Land Development Company, L.L.C., (Delaware)
  WRA Services Corp., (Delaware)
ENRON INTERNATIONAL ASSET MANAGEMENT CORP., (Delaware)
  Enron Hydro Modernization Company, (Delaware)
  Enron International Americas Corp., (Delaware)
    Enron Cuiaba Pipeline Services L.L.C., (Delaware)
    Enron Cuiaba Services L.L.C., (Delaware)
    Enron Electricidad de Nicaragua, S.A., (Nicaragua)
  EI Puerto Rico Operations Inc., (Delaware)
  Enron Panama Management Services L.L.C., (Delaware)
  Enron International North America Asset Management Corp., (Delaware)
    Enron Transredes Services L.L.C., (Delaware)
    Enron International Asia Corp., (Delaware)
      EI Operations Holdings, L.L.C., (Delaware)
      EI Operations MHC Ltd., (Mauritius)
  Enron Indonesia Operations L.L.C., (Delaware)
  EI Guam Operations, L.L.C., (Delaware)
  Enron International Europe Corp., (Delaware)
  Enron JVM Sarlux Corp., (Delaware)
  Enron Global Equity Ltd., (Cayman Islands)
    Enron Pipeline Company-Argentina S.A., (Argentina)
ENRON INTERNATIONAL HOLDINGS CORP., (Delaware)
  Electricidad Enron de Guatemala, Sociedad Anonima, (Guatemala)
  Enron Global Inc., (Delaware)
    Enron Holding Company L.L.C., (Delaware)
      Enron Dominican Republic Ltd., (Cayman Islands)
        Smith/Enron Cogeneration Limited Partnership,
        (Turks & Caicos Isles)
        Smith/Enron O&M Limited Partnership,
        (Turks & Caicos Isles)
    Enron Dominican Republic Operations Ltd.,
      (Cayman Islands)
        Smith/Enron Cogeneration Limited Partnership,
        (Turks & Caicos Isles)
        Smith/Enron O&M Limited Partnership,
        (Turks & Caicos Isles)
    Enron Global Power & Pipelines LLC, (Delaware)
      Enron Dominicana Holding Limited, (Cayman Islands)
      Enron Dominicana Limited Partnership,
      (Cayman Islands)
      Smith/Enron Cogeneration Limited Partnership,
      (Turks & Caicos Isles)
    Enron Holding Company L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Dominican Republic Operations Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited, (Cayman Islands)
Enron Dominicana Limited Partnership,
(Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Enron Global, Inc., (Delaware)
Enron Holding Company, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Pipeline Company-Argentina S.A., (Argentina)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Dominicana Holding Limited, (Cayman Islands)
Enron Dominicana Limited Partnership,
(Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron Holding Company, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
ENRON INTERNATIONAL INC., (Delaware)
Enron International Development Services, Inc., (Delaware)
Enron Java Power Corp., (Delaware)
P.T. East Java Power Corp., (Indonesia)
Enron Mauritius Services Company Ltd., (Mauritius)
Enron Pasuruan Power Corp., (Delaware)
Enron Pipeline Company - Colombia G. P. Inc., (Texas)
Enron Pipeline Company - Colombia Ltd., (Texas)
Enron Venezuela Ltd., (Cayman Islands)
EnerTek Partners, L.P., (N/A)
India Power Ventures Inc., (Delaware)
Verdenergia Enron de Puerto Rico, Inc., (Delaware)
ENRON INTERNATIONAL JOHANNESBURG LTD., (Cayman Islands)
ENRON INTERNATIONAL NORTH SEA LTD., (Cayman Islands)
ENRON INVESTMENT PARTNERS CO., (Delaware)
Bodyflash.com, Inc., (Delaware)
Community Call Center L.L.C., (Delaware)
HEOF Management Corp., (Delaware)
Houston Economic Opportunity Fund, L.P., (Delaware)
HEOF Management II Corp., (Delaware)
American Communication Services, Inc., (Texas)
Houston Economic Opportunity Fund II, L.P., (Delaware)
(Illusions Screen Printing, L.P., (Delaware)
ENRON LATVIA HOLDINGS, (Cayman Islands)
Enron Latvia Investments Ltd., (Cayman Islands)
Enron Latvia Development Ltd., (Cayman Islands)
Enron Latvia Limited, (Latvia)
Baltic Energy Corporation, (Latvia)
ENRON LAWHILL CAPITAL CORP., (Delaware)
ENRON LIQUID FUELS, INC., (Delaware)
Clyde River Inc., (Libera)
ENRON LIQUIDS HOLDING CORP., (Delaware)
Enron Gas Liquids, Inc., (Delaware)
Enron Capital & Trade Resources Singapore Pte. Ltd., (Singapore)
Enron Gas Liquids Europe S.A.R.L., (France)
Enron Gas Liquids Holding B.V., (The Netherlands)
Enron Gas Liquids B.V., (The Netherlands)
Enron Liquid Hydrocarbons Latin America Inc., (Delaware)
Halton International Limited, (Liberia)
Enron Gas Liquids Far East, Ltd., (Liberia)
Mundogas (Storage) Inc., (Liberia)
Mundo Services Ltd., (Liberia)
Mundogas Trading Ltd., (Liberia)
Enron Equipment Company, (Delaware)
Enron Louisiana Transportation Company, (Delaware)
Enron Methanol Company, (Delaware)
Enron Products Pipeline, Inc., (Delaware)
EOTT Energy Corp., (Delaware)
EOTT Canada Ltd., (Alberta)
EOTT Energy Canada Limited Partnership, (Delaware)
EOTT Energy Operating Limited Partnership, (Delaware)
EOTT Energy Canada Limited Partnership, (Delaware)
EOTT Energy Pipeline Limited Partnership, (Delaware)
EOTT Energy Partners, L.P., (Delaware)
EOTT Energy Finance Corp., (Delaware)
EOTT Energy Operating Limited Partnership, (Delaware)
EOTT Energy Pipeline Limited Partnership, (Delaware)
ENRON MAGYAR DEVELOPMENT B.V., (The Netherlands)
Enron Hungary Power Station Development Kft., (Hungary)
ENRON MANAGEMENT, INC., (Delaware)
Enron Energia de Merida S.R.L. de C.V., (Mexico)
Gasoductos Enron de Yucatan, S.R.L. de C.V., (Mexico)
ENRON-MEX SERVICES LTD., (Cayman Islands)
ENRON MINERALS COMPANY, (Delaware)
ENRON MISKOLC POWER DEVELOPMENT KFT., (Hungary)
ENRON NETHERLANDS HOLDING B.V., (The Netherlands)
ENRON OPERATING SERVICES CORP., (Delaware)
ENRON OPERATIONS, L.P., (Delaware)
Enron Gathering Company, (Delaware)
Enron Gulf Coast Gathering Limited Partnership, (Delaware)
Enron Liquid Services Corp., (Delaware)
Enron Processing Properties, Inc., (Delaware)
Port Arthur Olefins, L.L.C., (Delaware)
Enron Permian Gathering Inc., (Delaware)
Enron Transportation Services Company, (Delaware)
Enron Pipeline Company - Argentina S.A., (Argentina)
Compania de Inversiones de Energia S.A., (Argentina)
Enron de Inversiones de Energia S.C.A., (Argentina)
NBP Services Corporation, (Delaware)
ENRON SERVICES, INC., (Oregon)
Enron (California) Municipal Services, Inc., (Oregon)
Enron Microclimates, Inc., (Oregon)
ENRON BROADBAND SERVICES NETHERLANDS 2 B.V., (The Netherlands)
ENRON OVERTHRUSS PIPELINE COMPANY, (Delaware)
ENRON PERU DISTRIBUTION LTD., (Cayman Islands)
ENRON PERU TRANSPORTATION LTD., (Cayman Islands)
ENRON PIPELINE COMPANY, (Delaware)
Black Marlin Pipeline Company, (Texas)
Enron Alligator Alley Pipeline Company, (Delaware)
Enron Asset Management Resources, Inc., (Delaware)
Enron Capital & Trade Resources South America S.A., (Argentina)
Enron Gulf Coast Gathering Limited Partnership, (Delaware)
Enron America del Sur S.A., (Argentina)
Enron Machine and Mechanical Services, Inc., (Cayman Islands)
Enron Operations Services Corp., (Delaware)
Enron Pipeline Company-Argentina S.A., (Argentina)
Enron Pipeline Services Company, (Delaware)
Enron Preferred Capital Corp., (Delaware)
Northern Natural Gas Company, (Delaware)
Transwestern Gathering Company, (Delaware)
Transwestern Pipeline Company, (Delaware)
ENRON PONDEROSA MANAGEMENT HOLDINGS, INC., (Delaware)
Ponderosa Assets, L.P., (Delaware)
Sundance Assets, L.P., (Delaware)
ENRON POWER CORP., (Delaware)
Enron Development Corp., (Delaware)
Enron International Holdings Corp., (Delaware)
Enron Global Inc., (Delaware)
Enron Holding Company L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Islands)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Islands)
Enron Dominican Republic Operations Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Islands)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Islands)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited, (Cayman Islands)

Enron Dominicana Limited Partnership, (Cayman Islands)
Smith/Enron Cogeneration Limited
Partnership, (Turks & Caicos Isles)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Dominican Republic Operations Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited, (Cayman Islands)
Enron Dominicana Limited Partnership, (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
ECT Europe, Inc., (Delaware)
ECT (Germany) Inc., (Delaware)
Enron Norway Invest Inc., (Delaware)
Enron Romania B.V., (The Netherlands)
Slatina JV B.V., (The Netherlands)
Jertovec Management and Finance Limited, (Cayman Islands)
Elektrana Jertovec d.o.o., (Croatia)
SII Holdings B.V., (The Netherlands)
Enron Netherlands Generation B.V., (The Netherlands)
Jertovec Management & Finance B.V., (The Netherlands)
Elektrana Jertovec d.o.o., (Croatia)
SII Holdings B.V., (The Netherlands)
Enron Project Development B.V., (The Netherlands)
SII Espana B.V., (The Netherlands)
Enron Energia Catalana de Generacion, S.L., (Spain)
SII Espana 2 B.V., (The Netherlands)
SII Espana 3 B.V., (The Netherlands)
SII Espana 4 B.V., (The Netherlands)
SII Espana 5 B.V., (The Netherlands)
SII Holdings 2 B.V., (The Netherlands)
SII Holdings 3 B.V., (The Netherlands)
SII Holdings 4 B.V., (The Netherlands)
SII Holdings 5 B.V., (The Netherlands)
SII Holdings 6 B.V., (The Netherlands)
SII Italy 2 B.V., (The Netherlands)
SII Italy 3 B.V., (The Netherlands)
SII Italy 4 B.V., (The Netherlands)
SII Italy 5 B.V., (The Netherlands)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Ansets, L.L.C., (Delaware)
Enron International Holdings Corp., (Delaware)
Electricidad Enron de Guatemala, Sociedad Anonima,
(Guatemala)
Enron Global Inc., (Delaware)
Enron Holding Company, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C.,
(Delaware)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A.,
(Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron International Holdings Corp., (Delaware)
Electricidad Enron de Guatemala, Sociedad Anonima, (Guatemala)
Enron Global Inc., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Power Philippines Corp., (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A.,
(Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron Holding Company L.L.C., (Delaware)
Enron Holding Company, L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited
Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Dominican Republic Generations
Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited
Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited,
(Cayman Islands)
Enron Dominicana Limited Partnership,
(Cayman Islands)
Smith/Enron Cogeneration Limited
Partnership, (Turks & Caicos Isles)
Enron Holding Company L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited
Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Dominican Republic Operations Ltd.,
(Cayman Islands)
Smith/Enron Cogeneration Limited
Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited, (Cayman
Islands)
Enron Dominicana Limited Partnership,
(Cayman Islands)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Miss Kitty, L.L.C., (Delaware)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico,
S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron International Holdings Corp., (Delaware)
Enron Global Inc., (Delaware)
Enron Holding Company L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited
Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Dominicana Holding Limited, (Cayman Islands)
Enron Dominicana Limited Partnership,
(Cayman Islands)
Smith/Enron Cogeneration Limited
Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Global Power & Pipelines LLC, (Delaware)
Enron Dominicana Holding Limited, (Cayman Islands)
Enron Europe Limited, (England)
Bretton Holdings (One) Limited, (England)
SBI 3 Limited, (England)
ECT Spain Limited, (England)
ECT Espana Limited, (England)
Enron Capital & Trade Resources Limited, (England)
Enron Engineering Services, (England)
Enron Europe Operations Limited, (England)
Enron Gas & Petrochemicals Trading Limited, (England)
Enron Power Trading B.V., (The Netherlands)
Enron Europe Power 2 Limited, (England)
Enron Europe Power 1 Limited, (England)
Teesside Power Holdings Limited, (England)
Teesside Power Limited, (England)
Enron Europe Power 3 Limited, (England)
Enron Europe Power 1 Limited, (England)
Teesside Power Holdings Limited, (England)
Teesside Power Limited, (England)
Enron Europe Power 4 Limited, (England)
Enron Europe Power 3 Limited, (England)
Enron Europe Power 1 Limited, (England)
Teesside Power Holdings Limited, (England)
Teesside Power Limited, (England)
Enron Power Operations Limited, (England)
Enron Power Operations Teesside, (England)
Enron Eurasia Limited, (England)
Enron SB2, (England)
SBI 3 Limited, (England)
Enron SB2, (England)
Teesside Gas Processing Limited, (England)
Teesside Gas Transportation Limited, (England)
Teesside Operations (Holdings) 2 Limited, (England)
Teesside Operations (Holdings) Limited, (England)
Enron Teesside Operations Limited, (England)
Teesside Power Limited, (England)
Trenron Limited, (England)
Enron Power Operations Teesside, (England)
Enron Eurasia Limited, (England)
Wallerscote Power Operations Limited, (Pending)
Teesside Gas Transportation Limited, (England)
Enron International Holdings Corp., (Delaware)
Enron Global, Inc., (Delaware)
Enron Holding Company, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Dominican Republic Operations Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Power Philippines Corp. (Philippines)
Batangas Power Corp., (Philippines)
Subic Power Corp., (Philippines)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Enron Reserve Holdings, (Turks & Caicos Isles)
Enron LNG Development Corp., (Delaware)
Enron India Natural Gas, Inc., (Delaware)
Enron Transportation Services Ltd., (Cayman Islands)
Enron Development Corp. - Colombia Branch, (N/A)
Centragas - Transportadora de Gas de la Region, Central de Enron Development & Cia, S.C.A., (Colombia)
Enron Development Corp. - UK Branch, (N/A)
BHEL Company Limited, (England)
Enron Petrochemicals B.V., (The Netherlands)
Enron Europe Construction Limited, (England)
NEPCO UK Limited, (England)
Enron Europe Liquids Processing, (England)
Enron Pakistan Operating Company (Private) Limited, (Pakistan)
Enron Europe Power Holdings Limited, (England)
Enron Europe Power Unlimited, (England)
Teeside Power Holdings Limited, (England)
Teeside Power Limited, (England)
Enron Europe Power S Limited, (England)
Enron Europe Severnside Holdings Limited, (England)
Enron Europe Severnside (No. 2) Limited, (England)
Enron Europe Severnside Limited, (England)

Enron Gas Construction Limited, (England)
Enron Guç Santrallari Isletme Limited Sirketi, (Turkey)
Enron Power (Europe) Limited, (England)
Bretton Power, (England)
Enrici Power Marketing Limited, (England)
Enron Power Construction Limited, (England)
Enron Gas Processing (Europe) Limited, (England)
EnronCredit.com Limited, (England)
Enron Financial Energy Trading L.L.C., (Delaware)
Enron SB 2, (England)

IPG Power Limited, (England)

Enron SB Operations & Maintenance Limited, (England)
Falco UPG, Limited, (England)
UPG Falco Limited, (England)
Flotilla Power Limited, (England)
Flotilla Power (UK) Limited, (England)
Kent Power Limited, (England)
Teeside Gas Processing Limited, (England)
Teeside Gas Transportation Limited, (England)
Trenron Limited, (England)
Bretton Power, (England)
Enron Engineering Services, (England)
Enron Power Operations Teesside, (England)

Enron SB Operations & Maintenance Limited, (England)
Wallerstone Operations & Maintenance Ltd., (England)

Enron Power Operations Teesside, (England)

Wallerstone Operations & Maintenance Ltd., (England)

Teeside Gas Processing Limited, (England)

Enron International Holdings Corp., (Delaware)

Enron Global, Inc., (Delaware)

Enron Holding Company, L.L.C., (Delaware)
Enron Global Power & Pipelines L.L.C., (Delaware)

Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Enron Dominican Republic Operations Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership, (Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)
Enron Power Philippines Corp., (Philippines)
Smith/Enron O&M Limited Partnership, (Turks & Caicos Isles)

Enron Global Power & Pipelines L.L.C., (Delaware)
Enron Dominican Republic Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Enron Dominican Republic Operations Ltd., (Cayman Islands)
Smith/Enron Cogeneration Limited Partnership,
(Turks & Caicos Isles)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Enron Power Philippines Corp., (Philippines)
Smith/Enron O&M Limited Partnership,
(Turks & Caicos Isles)
Subic Power Corp., (Philippines)
Puerto Quetzal Power Corp., (Delaware)
Electricidad del Pacifico, S.A., (Guatemala)
Tombstone Assets, L.L.C., (Delaware)
Superior Construction Company Cayman Islands Branch,
(Cayman Islands)
Enron Pipeline Construction India Limited Partnership,
(Cayman Islands)
Enron Power Construction (Brazil) Ltda., (Brazil)
Enron Power Corp. - U.S., (Delaware)
Enron Equipment Installation Company, (Delaware)
Enron Equipment Procurement Company, (Delaware)
Enron Export Sales Ltd., (Barbados)
Enron Fuels International, Inc., (Delaware)
Enron Onshore Procurement Company, (Delaware)
Enron Power I (Puerto Rico), Inc., (Delaware)
Enron/CNF Power Construction Partnership, (Delaware)
Enron Power Construction Company, (Delaware)
Enron Power Construction Brazil Ltda., (Brazil)
Enron Power Oil Supply Corp., (Delaware)
Enron Power Philippines Operating Corp., (Delaware)
Superior Construction Company, (Delaware)
HorizEn, L.L.C., (Delaware)
Enron Power Holdings B.V., (The Netherlands)
Enron Power Holdings GmbH, (Germany)
Enron Energie GmbH, (Germany)
Kraftwerk Bitterfeld GmbH, (Germany)
Enron Power Operating Company, (Delaware)
Enron Subic Power Corp., (Philippines)
Enron Trans-Caspian Limited, (Cayman Islands)
ENRON POWER INTERNATIONAL LTD., (Cayman Islands)
ENRON PREFERRED FUNDING, L.P., (Delaware)
ENRON PREFERRED FUNDING II, L.P., (Delaware)
ENRON PROPERTY & SERVICES CORP., (Delaware)
ENRON REALTY ADVISORS, INC., (Delaware)
ENRON RUSSIA DEVELOPMENT, INC., (Delaware)
ENRON S. A. HOLDINGS LTD., (Cayman Islands)
Enron South Africa Ltd., (Cayman Islands)
Enron S. A. Investments Ltd., (Cayman Islands)
ENRON SOUTH AMERICA LLC, (Delaware)
Bijupira-Salema Development Company Ltd., (Cayman Islands)
EI (Brazil) Water Holdings Ltd., (Cayman Islands)
EI (Brazil) Water Investments Ltd., (Cayman Islands)
EI Communications Holdings Ltd., (Cayman Islands)
Enron Communications do Brasil Ltda., (Brazil)
Enron Communications Holdings Ltda., (Brazil)
Enron Argentina Development Ltd., (Cayman Islands)
CORDEX Americas 1997, L.L.C., (Delaware)
Enron Argentina Investments, Inc., (Delaware)
Enron CHESA (Delaware) Limited Liability Company, (Delaware)
Enron CHESA Texas Limited Liability Company, (Texas)
Companhia Hidroeléctrica Enron S.A., (Argentina)
Enron Argentina Ventures, Inc., (Delaware)
Enron (Brazil) Energy Investments Ltd., (Cayman Islands)
Enron (Brazil) Light Holdings Ltd., (Cayman Islands)
Enron (Brazil) Light Ltd., (Cayman Islands)
Enron (Brazil) Northeast Development Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings 21 Ltd., (Cayman Islands)
Enron (Brazil) Power Investments 21 Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings 22 Ltd., (Cayman Islands)
Enron (Brazil) Power Investments 22 Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings 23 Ltd., (Cayman Islands)
Enron (Brazil) Power Investments 23 Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings 24 Ltd., (Cayman Islands)
Enron (Brazil) Power Investments 24 Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings 25 Ltd., (Cayman Islands)
Enron (Brazil) Power Investments 25 Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings II Ltd., (Cayman Islands)
Enron (Brazil) Power Investments II Ltd., (Cayman Islands)
ESAE - Empresa Sul Americana de Energia Ltda., (Brazil)
Enron America do Sul Ltda., (Brazil)
Enron (Brazil) Power Holdings III Ltd., (Cayman Islands)
EEB-Empresa Brasileira de Energia Ltda., (Brazil)
Enron (Brazil) Power Investments III Ltd., (Cayman Islands)
EEB - Empresa Brasileira de Energia Ltda., (Brazil)
Enron (Brazil) Power Holdings IV Ltd., (Cayman Islands)
Enron (Brazil) Power Investments IV Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings V Ltd., (Cayman Islands)
Enron (Brazil) Power Investments V Ltd., (Cayman Islands)
Enron Investimentos Energeticos Ltda., (Brazil)
Elektro-Eletricidade e Servicos S/A, (Brazil)
EPC-Empresa Paranaense Comercializadora Ltda., Elektro-Eletricidade e Servicos S/A, (Brazil)
Enron (Brazil) Power Holdings VI Ltd., (Cayman Islands)
Enron Gas do Brasil Ltda., (Brazil)
Enron (Brazil) Power Investments VI Ltd., (Cayman Islands)
Enron Gas do Brasil Ltda., (Brazil)
Enron (Brazil) Power Holdings VII Ltd., (Cayman Islands)
Enron (Brazil) Power Investments VII Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings VIII Ltd., (Cayman Islands)
Enron (Brazil) Power Investments VIII Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings IX Ltd., (Cayman Islands)
Enron (Brazil) Power Investments IX Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings X Ltd., (Cayman Islands)
Enron (Brazil) Power Investments X Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings XI Ltd., (Cayman Islands)
Enron (Brazil) Power Investments XI Ltd., (Cayman Islands)
ETB-Energia Total do (Brazil) Ltda., (Brazil)
Elektro-Eletricidade e Servicos S/A, (Brazil)
ETB-Energia Total do (Brazil) Ltda., (Brazil)
Enron (Brazil) Power Holdings XII Ltd., (Cayman Islands)
SPE - Sociedade Paulista de Energia Ltda., (Brazil)
SPE - Sociedade Fluminense de Energia Ltda., (Brazil)
Enron (Brazil) Power Investments XII Ltd., (Cayman Islands)
SPE - Sociedade Paulista de Energia Ltda., (Brazil)
PSEP - Plena Energia Participacoes Ltda., (Brazil)
PPHP - Plena Energia Participacoes Ltda., (Brazil)
Enron (Brazil) Power Holdings XIII Ltd., (Cayman Islands)
Enron (Brazil) Power Investments XIII Ltd., (Cayman Islands)
Enron (Brazil) Power Holdings XIV Ltd., (Cayman Islands)
EPP-Energia Pura Participacoes Ltda., (Brazil)
Enron (Brazil) Power Investments XIV Ltd., (Cayman Islands)
ENERSIL-Energia Pura Participacoes Ltda., (Brazil)
Enron (Brazil) Power Holdings XV Ltd., (Cayman Islands)
Cone Sul Energia Ltda., (Brazil)
Enron (Brazil) Power Investments XV Ltd., (Cayman Islands)
Cone Sul Energia Ltda., (Brazil)
Enron (Brazil) Power Holdings XVI Ltd., (Cayman Islands)
BRASEN-Brasil Energia Ltda., (Brazil)
Enron (Brazil) Power Investments XVI Ltd., (Cayman Islands)
BRASEN-Brasil Energia Ltda., (Brazil)
Enron (Brazil) Power Holdings XVII Ltd., (Cayman Islands)
ENERSIL-Energia do Brasil Ltda., (Brazil)
Enron (Brazil) Power Investments XVII Ltd., (Cayman Islands)
ENERSIL-Energia do Brasil Ltda., (Brazil)
Enron (Brazil) Power Holdings XVIII Ltd., (Cayman Islands)
SPGIA-Sao Paulo Energia Ltda., (Brazil)
Enron (Brazil) Services Ltd., (Cayman Islands)
Enron (Brazil) Ltd., (Cayman Islands)
Enron America do Sul Ltda., (Brazil)
Enron America do Sul Ltda.-Salvador Branch, (Brazil)
Enron America do Sul Ltda.-Rio Branch, (Brazil)
Enron Development Beio Horizonte Ltd., (Cayman Islands)
Enron (Brazil) Development C.V., (The Netherlands)
Enron Development (Brazil) Ltd., (Cayman Islands)
Enron Electric Power (Brazil) C.V., (The Netherlands)
Enron do (Brazil) Holdings Ltd., (Cayman Islands)
EPE-Empressa Produtora de Energia Ltda., (Brazil)
Enron do (Brazil) Investments Ltd., (Cayman Islands)
EPE-Empressa Produtora de Energia Ltda., (Brazil)
EPE Holdings Ltd., (Cayman Islands)
EPE Generation Holdings Ltd., (Cayman Islands)
EPE Investments Ltd., (Cayman Islands)
EPE Generation Holdings Ltd., (Cayman Islands)
Enron Electric (Bolivia) Ltd., (Cayman Islands)
Enron Energia del Valle 2 Ltd., (Cayman Islands)
Enron Electric (Brazil) Holdings Ltd., (Cayman Islands)
Enron Electric (Brazil) Ltd., (Cayman Islands)
Enron Wenchang Investments Ltd., (Cayman Islands)
Enron Energia de Bolivia Holdings Ltd., (Cayman Islands)
Enron Energia de Bolivia Investments Ltd., (Cayman Islands)
Enron International Argentina Holdings Ltd., (Cayman Islands)
Enron Comercializadora de Energia Argentina S.A., (Argentina)
Enron International Argentina Investments Ltd., (Cayman Islands)
Enron America del Sur S.A., (Argentina)
Enron International Argentina Transmission Ltd., (Cayman Islands)
Enron International Argentina Transmission Investment Ltd.,
Enron International Bahia Ltd., (Cayman Islands)
Enron International Bahia Holdings Ltd., (Cayman Islands)
Enron Energia Gestao do Mercado Ltda., (Brazil)
Enron Latin America Ltd., (Cayman Islands)
GasOriente Boliviano S.A., (Bolivia)
Enron International Bolivia Investments Ltd., (Cayman Islands)
GasOriente Boliviano S.A., (Bolivia)
Enron International Latin America Ltd., (Cayman Islands)
Enron International Latin America Investments Ltd., (Cayman Islands)
Enron International Rio Investments 1997 Ltd., (Cayman Islands)
Enron Paysandu Holdings Ltd., (Cayman Islands)
Enron Paysandu Development Ltd., (Cayman Islands)
Enron Power Mato Grosso Do Sul Holdings Ltd., (Cayman Islands)
Enron Power Mato Grosso do Sul Ltd., (Cayman Islands)
Enron PSB Marketing Holdings Ltd., (Cayman Islands)
Enron PSB Marketing Holdings II Ltd., (Cayman Islands)
Enron PSB Marketing Investments Ltd., (Cayman Islands)
Enron Puerto Suarez Holdings Ltd., (Cayman Islands)
Enron Puerto Suarez investments Ltd., (Cayman Islands)
Enron Reserve 7 B.V., (The Netherlands)
Enron (Bolivia) C.V. (The Netherlands)
Gas TransBoliviana S. A., (Bolivia)
Enron Reserve 8 B.V., (The Netherlands)
Enron Caribe C.V., (The Netherlands)
Enron Power I C.V., (The Netherlands)
    Enron Power Honduras S. de R.L. de C.V., (Honduras)
Enron Servicios De Energia, S.A., (Bolivia)
Enron South America Turbine LLC, (Delaware)
Enron South America Energy Services Holdings Ltd., (Cayman Islands)
Enron South America Energy Services Investments Ltd., (Cayman Islands)
Enron Transportadora De Bolivia Ltd., (Cayman Islands)
Enron Transportadora (Bolivia) S.A., (Bolivia)
Enron Transportadora Uruguay Ltd., (Cayman Islands)
    Enron Pipeline Uruguay Ltd., (Cayman Islands)
    Perez Enron Transportadora Ltd., (Cayman Islands)
Gas Natural Sudamericano Ltd., (Cayman Islands)
International Energy Developments of Peru Corp., (Delaware)
International Energy Investments of Peru Corp., (Delaware)
International Energy Holdings of Peru Corp., (Delaware)
Millenium Energy Ltd., (Cayman Islands)
Rio Energia Holdings Ltd., (Cayman Islands)
    Rio Energia Investments Ltd., (Cayman Islands)
Southern (Brazil) Electric Holdings Ltd., (Cayman Islands)
    Enron Sao Paulo Investments Ltd., (Cayman Islands)
Enron Electric Sao Paulo C.V., (The Netherlands)
Southern Cone Gas, Ltd., (Cayman Islands)
Enron Reserve III B.V., (The Netherlands)
    Enron Wenchang Power C.V., (The Netherlands)
    Hainan Meinan Power Company CJV, (China)
    Hainan Meinan Power Services Company, Limited, (China)
    Hainan Meinan Power Company CJV, (China)
    Enron Wenchang Power C.V., (The Netherlands)
    Hainan Meinan Power Company CJV, (China)
    Hainan Holdings Ltd., (Cayman Islands)
Enron Reserve III B.V., (The Netherlands)
Enron Wenchang Power C.V., (The Netherlands)
Hainan Meinan Power Company CJV, (China)
Hainan Meinan Power Services Company, Limited, (China)
Hainan Meinan Power Company CJV, (China)
Enron Wenchang Power C.V., (The Netherlands)
Hainan Meinan Power Company CJV, (China)
Hainan Funding LLC, (Turks & Caicos Islands)
Southwest Electric Holdings Ltd., (Cayman Islands)
Enron Electric Mato Gross do Sul C.V., (The Netherlands)
Enron Mato Grosso do Sul Investments Ltd., (Cayman Islands)
Enron Electric Mato Gross do Sul C.V., (The Netherlands)
Enron West Africa Pipeline Ltd., (Cayman Islands)
Enron & Partners Limited, (England)
ET Power 1 L.L.C., (Delaware)
ET Power 2 L.L.C., (Delaware)
ET Power 3 L.L.C., (Delaware)
LFT Power I, LLC, (Delaware)
LFT Power II, LLC, (Delaware)
LFT Power III, LLC, (Delaware)
Mesquite Holdings B.V., (The Netherlands)
Enron Design C.V., (The Netherlands)
Enron Dutch Investment No. 2, (England)
Enron Power Holdings C.V., (The Netherlands)
Trakya Elektrik Uretim ve Ticaret A.S., (Turkey)
Enron Power Management B.V., (The Netherlands)
Enron Design C.V., (The Netherlands)
Enron Proje Yönetimi Limited Sirketi, (Turkey)
Enron Turkey Energy B.V., (The Netherlands)
Enron Power Holdings C.V., (The Netherlands)
Trakya Elektrik Uretim ve Ticaret A.S., (Turkey)
Enron Power Management B.V., (The Netherlands)
Enron Design C.V., (The Netherlands)
Enron Proje Yönetimi Limited Sirketi, (Turkey)
Enron Power Holdings (Turkey) B.V., (The Netherlands)
Tekarioca Holdings Ltd., (Cayman Islands)
ENRON SPORTS CORP., (Delaware)
Stadium Partners, L.P., (Texas)
ENRON STORAGE COMPANY, (Delaware)
Napoleonville Storage Company Limited Partnership, (Texas)
ENRON SUPPLY CORP., (Delaware)
ENRON TAWEELEAH POWER COMPANY, (Cayman Islands)
ENRON TRAILBLAZER PIPELINE COMPANY, (Delaware)
Trailblazer Pipeline Company, (Pending)
ENRON VENTURES CORP., (Delaware)
Catalytica Combustion Systems, Inc., (Delaware)
Enron Nuclear Services Corp., (Delaware)
Enron Vietnam Investments Ltd., (Cayman Islands)
ENRON WASHINGTON, INC., (Delaware)
ENRON VALKYRIE, LLC, (Delaware)
EOC PREFERRED, L.L.C., (Delaware)
EOC ENERGY PARTNERS, L.P., (Delaware)
ES POWER 1 L.L.C., (Delaware)
ES Power 3 L.L.C., (Delaware)
Enron Dutch Holdings B.V., (The Netherlands)
Sarlux S.R.L., (The Netherlands)
ES POWER 2 L.L.C., (Delaware)

00200000001169
ES Power 1 L.L.C., (Delaware)
ES Power 3 L.L.C., (Delaware)
Enron Dutch Holdings B.V., (The Netherlands)
Sarlux S.R.L., (Pending).

ES POWER 3 L.L.C., (Delaware)
Enron Dutch Holdings B.V., (The Netherlands)
Sarlux S.R.L., (Pending).
GRAND SLAM PARKING, INC., (Delaware)
GRIZZLY I, LLC, (Delaware)
Timberwolf I, LLC, (Delaware)
GULF COMPANY LTD., (Vermont)
HALF DOME LLC, (Delaware)
HARRIER I LLC, (Delaware)
Talon I LLC, (Delaware)
HOUSTON ECONOMIC OPPORTUNITY FUND, L.P., (Delaware)
HOUSTON PIPE LINE COMPANY, (Delaware)
A-S Line, (Delaware)
Austin Line, (Delaware)
Big Cowboy Line, (Delaware)
Citrus Corp., (Delaware)
Citrus Energy Services, Inc., (Delaware)
Citrus Trading Corp., (Delaware)
Florida Gas Transmission Company, (Delaware)
Border Gas, Inc., (Delaware)
Coal Properties Corporation, (Illinois)
Enron Engineering & Construction Company, (Texas)
Enron Power & Industrial Construction Company, (Delaware)
Enron Engineering Acquisition Corp., (Delaware)
Enron Advisory Services, Inc., (Delaware)
National Energy Production Corporation, (Delaware)
NEPCO Services International, Inc., (Delaware)
Thai Nepco, Ltd., (Thailand)
Operational Energy Corp., (California)
OEC Holding Ltd., (Cayman Islands)
Enron Gaza Operations Ltd., (Cayman Islands)
Enron Industrial Natural Gas Company, (Delaware)
Maliseet Properties, Inc., (Delaware)
Enron Texoma Gas Company, (Texas)
Houston Pipe Line Marketing Company, (Texas)
HPL Resources Company, (Delaware)
Overthrust Pipeline Company, N/A
Intratex Gas Company, (Delaware)
Kingfisher I L.L.C., (Delaware)
Whitewing Associates LP, (Delaware)
Blue Herron I LLC, (Delaware)
HPL Anset Holdings L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd., (Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A., E.S.P., (Barranquillas)
Surtigas S.A., E.S.P., (Pending).

00200000001170
Gasnamcol S.A., (Pending).
Tolgas S.A., (Pending).
European Power Holdings, (England)
Pelican Bidder LLC, (Delaware)
    Blackbird S.a.r.l., (Luxembourg)
    Enron Poland Investment B.V.,
        (The Netherlands)
    Elektrocieplownia Nowa Sarzyna Sp. Z.o.o., (Poland)
Pelican Bidder Cayman Limited,
    (Cayman Islands)
European Power Holdings, (England)
    SE Acquisition, L.P., (Delaware)
    Fiber Systems L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
    (Cayman Islands)
    Promigas S.A., E.S.P., (Pending).
    Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
    Gas de Risaralda S.A., (Pending).
Gasnamcol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
    Gases Del Occidente S.A., E.S.P.,
        (Barranquilla)
Surtigas S.A., E.S.P., (Pending).
Gasnamcol S.A., (Pending).
Tolgas S.A., (Pending).

HPL Asset Holdings L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
    (Cayman Islands)
    Promigas S.A., E.S.P., (Pending).
    Gases del Caribe S.A., E.S.P., (Pending).
    Gases de la Guajira S.A., E.S.P., (Pending).
    Gas de Risaralda S.A., (Pending).
Gasnamcol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A., E.S.P.,
    (Barranquilla)
Surtigas S.A., E.S.P., (Pending).
Gasnamcol S.A., (Pending).
Tolgas S.A., (Pending).

SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
    (Cayman Islands)
    Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P.,
    (Pending).
Gas de Risaralda S.A., (Pending).
Gaspacol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A., E.S.P.,
    (Barranquilla)
Surtigas S.A., E.S.P., (Pending).
Gasnamcol S.A., (Pending).
Tolgas S.A., (Pending).
SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)
SE Raptor L.P., (Delaware)
SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)
SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P.,
(Pending).
Gas de Risaralda S.A., (Pending).
Gasnacol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases del Occidente S.A., E.S.P.,
(Barranquilla)
Surtigas S.A., E.S.P., (Pending).
Gasnacol S.A., (Pending).
Tolgas S.A., (Pending).
SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)
Little Looper, L.L.C., (Delaware)
Little Piper, L.L.C., (Delaware)
Middle Piper, L.L.C., (Delaware)
Main Piper, L.P., (Texas)
Main Piper, L.P., (Texas)
Meter Acquisition Company LP, LLP, (Delaware)
MidTexas Pipeline Company (Joint Venture), (Pending)
Middle Looper, L.L.C., (Delaware)
Panhandle Gas Company, (Delaware)
Riverside Farms Company, (Illinois)
San Marco Pipeline Company, (Colorado)
Seagull Shoreline System, (Pending)
South Texas Line, (Pending).
Transgulf Pipeline Company, (Florida)
NORTHERN PLAINS NATURAL GAS COMPANY, (Delaware)
Longhorn Assets, L.L.C., (Delaware)
NBIL I, L.L.C., (Delaware)
NBIL II, L.L.C., (Delaware)
NBIL I, L.L.C., (Delaware)
Northern Border Intermediate Limited Partnership, (Delaware)
Black Mesa Holdings, Inc., (Delaware)
Black Mesa Pipeline Operations, L.L.C., (Delaware)
NBP Energy Pipelines, L.L.C., (Delaware)
Northern Border Pipeline Company, (Texas)
Williams Technologies, Inc., (Oklahoma)
China Pipeline Holdings Ltd., (Cayman Islands)
Northern Border Partners, L.P., (Delaware)
Northern Border Intermediate L.P., (Delaware)
Northern Border Pipeline Corporation, (Delaware)
Pan Border Gas Company, (Delaware)
NOWA SARZYNA HOLDING B.V., (The Netherlands)
Enron Poland Investment B.V. (The Netherlands)
Elektrocieplownia Nowa Sarzyna Sp. z o.o., (Pending)
OMICRON ENTERPRISES, INC., (Delaware)
Artemis Associates, L.L.C., (Delaware)
EFS Construction and Services Company, (Delaware)
EFS Holdings, Inc., (Delaware)
Affiliated Building Services, Inc. Holding Company,
(Delaware)
Affiliated Building Services, Inc., (Delaware)
Affiliated Building Services Pty. Ltd.,
(Australia)
Affiliated Building Services, Investment
Company, (Delaware)
EFS Corporate Services, Inc., (Delaware)
Limbach Facility Services, Inc., (Delaware)
EPG Holdings, Inc., (Delaware)
The LinC Corporation, (Pennsylvania)
The LinC Company, (Pennsylvania)
The LinC Corporation Investment
Company, (Pending).
Harper Mechanical Corporation, (Pending).
Harper Mechanical Corporation Investment Company,
(Delaware)
Limbach Company Holding Company, (Delaware)
The LinC Corporation Holding Company, (Delaware)
Limbach Company, (Pennsylvania)
Limbach Company Investment Company, (Delaware)
Mechanical Professional Services, Inc., (Pending).
The LinC Corporation Holding Company, (Delaware)
Willard, Inc., (Delaware)
Willard Inc, Investment Company, (Delaware)
Willard Plumbing Company, L.P., (Delaware)
Enron Facility Services, Inc., (Delaware)
OPTEC, INC., (Oregon)
ORGANIZATIONAL PARTNER, INC., (Delaware)
Peregrine I LLC, (Delaware)
HPL Asset Holdings L.P., (Delaware)
Whitewing Associates LP, (Delaware)
Blue Herron I LLC, (Delaware)
HPL Asset Holdings L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P.,
(Pending).
Gas de Risaralda S.A., (Pending).
Gascocul S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A.,
E.S.P., (Barranquilla)
Surtigas S.A., E.S.P., (Pending).
Gascocul S.A., (Pending).
Tolgas S.A., (Pending).
European Power Holdings, (England)
Pelican Bidder Cayman Limited,
(Cayman Islands)
European Power Holdings, (England)
SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P.,
(Pending).
Gas de Risaralda S.A., (Pending).
Gascocul S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A.,
E.S.P., (Barranquilla)
Surtigas S.A., E.S.P., (Pending).
Gasncol S.A., (Pending).
Tolgas S.A., (Pending).
HPL Asset Holdings L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P.,
(Pending).
Gas de Risaralda S.A., (Pending).
Gasncol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A.,
E.S.P., (Barranquilla)
Surtigas S.A., E.S.P., (Pending).
Gasncol S.A., (Pending).
Tolgas S.A., (Pending).
SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P.,
(Pending).
Gas de Risaralda S.A., (Pending).
Gasncol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A., E.S.P.,
(Barranquilla)
Surtigas S.A., E.S.P., (Pending).
Gasncol S.A., (Pending).
Tolgas S.A., (Pending).
SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)
SE Raptor L.P., (Delaware)
SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)
SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P.,
(Pending).
Gas de Risaralda S.A., (Pending).
Gasncol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A., E.S.P.,
(Barranquilla)
Surtigas S.A., E.S.P., (Pending).
Gasncol S.A., (Pending).
Tolgas S.A., (Pending).
SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)

PORTLAND GENERAL ELECTRIC COMPANY, (Oregon)
Portland General Transport Corporation, (Oregon)
121 S.W. Salmon St. Corporation, (Oregon)
Salmon Springs Hospitality Group, Inc., (Oregon)
World Trade Center Northwest Corporation, (Oregon)
PORTLAND GENERAL HOLDINGS, INC., (Oregon)
PGH Leasing, LLC, (Oregon)
    Seneca Leasing Partners, L.P., (Delaware)
PGH II, Inc., (Oregon)
    Columbia-Pacific Distribution Services Company, LLC, (Oregon)
    Enron Distribution Services Company, LLC, (Delaware)
    Peregrine Ventures II, L.P., (Pending)
Portland Energy Solutions Company, LLC, (Oregon)
Portland General Distribution Company, (Oregon)
    Columbia-Pacific Distribution Services Company, LLC, (Oregon)
    Enron Distribution Services Company, LLC, (Delaware)
Portland Energy Solutions Company, LLC, (Oregon)
Portland General Operations Company, Inc., (Oregon)
    Tule Hub Services Company, (Oregon)
Portland General Operations Company, Inc., (Oregon)
PGO Holding Company Ltd., (Cayman Islands)
PGO-Mexico ComUpgrade Ltd., (Cayman Islands)
    PGO-Mexico ComUpgrade 1, LLC, (Delaware)
    PGO-Mexico ComUpgrade 2, LLC, (Delaware)
    PGO-Mexico Ltd., (Cayman Islands)
    PGO-Mexico 1 LLC, (Delaware)
    PGO-Mexico 2 LLC, (Delaware)
PORTLAND GENERAL PROPERTY HOLDINGS, INC., (Oregon)
Tule Hub Services Company, (Oregon)
PORTLAND TRANSITION COMPANY, INC., (Oregon)
PRAIRIE HAWK, INC., (Delaware)
PRONGHORN I LLC, (Delaware)
    Porcupine I LLC, (Delaware)
ROADRUNNER I LLC, (Delaware)
    Bobcat I LLC, (Delaware)
SEMINOLE CAPITAL LLC, (Delaware)
    SENTINEL DOME LLC, (Delaware)
    SEQUOIA FINANCIAL ASSETS, LLC, (Delaware)
SHELBY LTD., (Cayman Islands)
SMITH STREET LAND COMPANY, (Delaware)
    Enron Renewable Energy Corp., (Delaware)
    Enron Solar Energy, Inc., (Delaware)
    ERECO Nepal Development Ltd., (Cayman Islands)
Enron Wind Corp., (California)
    Enron Wind Corp. Holdings B.V., (The Netherlands)
        Enron Wind Denmark ApS, (Denmark)
        Enron Wind Gunfleet Limited, (England)
    Owenreagh Power Partners Ltd., (Cayman Islands)
    Owenreagh Cayman Power Partners, LLC, (Cayman Islands)
    Owenreagh Power Partners, (Cayman Islands)
        Tacke Sverige AB, (Sweden)
        Vindkraftbolaget Utgrunden Aktiebolag, (Sweden)
Enron Wind Domestic Holding Corp., (California)
    Enron Wind Development Corp., (California)
    Enron Wind Cabazon Funding LLC, (Delaware)
    Cabazon Holdings LLC, (Delaware)
Cabazon Power Partners LLC, (Delaware)
Enron Wind Cabazon LLC, (Delaware)
Cabazon Holdings LLC, (Delaware)
Cabazon Power Partners LLC, (Delaware)
Enron Wind Indian Mesa, (Delaware)
Enron Wind Indian Mesa II LLC, (Delaware)
Indian Mesa Power partners II LP, (Delaware)
Enron Wind Indian Mesa I LLC, (Delaware)
Indian Mesa Power Partners III LP, (Delaware)
Enron Wind Lake Benton LLC, (Delaware)
Lake Benton Power Associates LLC, (Delaware)
Lake Benton Holdings LLC, (Delaware)
Lake Benton Power Partners LLC, (Delaware)
Enron Wind Midwest LLC, (Delaware)
Enron Wind Lake Benton II LLC, (Delaware)
Lake Benton Power Partners II LLC, (Delaware)
Enron Wind Storm Lake I LLC, (Delaware)
Storm Lake Power Partners I LLC, (Delaware)
Enron Wind Storm Lake II LLC, (Delaware)
Storm Lake Power Partners II LLC, (Delaware)
Storm Lake II Power Associates LLC, (Delaware)
Storm Lake II Holdings LLC, (Delaware)
Enron Wind Palm Springs LLC, (Delaware)
Palm Springs Power Partners LLC, (Delaware)
Enron Wind Southwest Texas I LLC, (Delaware)
Southwest Texas Power Partners I LP, (Delaware)
Enron Wind Texas Panhandle LLC, (Delaware)
Gorman Power Partners I LLC, (Delaware)
Green Power Partners I LLC, (Delaware)
Green Power Partners II LLC, (Delaware)
Indian Mesa Power Partners II LLC, (Delaware)
Indian Mesa Power Partners III LP, (Delaware)
Indian Mesa Power Partners II LP, (Delaware)
Indian Mesa Power Partners I LP, (Delaware)
Kahua Power Partners LLC, (Delaware)
Lake Wilson Power Partners I LLC, (Delaware)
Midwest Power Funding LLC, (Delaware)
Painted Hills Power Partners I LLC, (Delaware)
Rocky Mountain Power Partners LLC, (Delaware)
Rocky Mountain Power Partners II LLC, (Delaware)
Southwest Texas Power Partners I LP, (Delaware)
Texas Panhandle Power Partners I LP, (Delaware)
Victory Garden Power Partners I LLC, (Delaware)
Zond Cabazon Development Corporation, (Delaware)
Zond Iowa Development Corporation, (Delaware)
Zond Maine Development Corporation, (Delaware)
Zond Palm Springs Development Corporation, (California)
Palm Springs Wind Developers, (California)
Enron Wind Systems, Inc., (California)
Enron Wind Funding LLC, (Delaware)
Storm Lake II Power Associates LLC, (Delaware)
Enron Wind Overseas Development Limited, (England)
Cambrian Wind Energy Limited, (Wales)
Enron Wind Ireland Limited, (Ireland)
Mynydd Gochdu Maintenance Limited, (England)
Parco Bolico Faeto S.R.L., (Italy)
Zond International Contractors Limited, (England)
Mesa Wind Developers, (California)
Painted Hills Wind Developers, (California)
Sky River LLC, (Delaware)
Sky River Partnership, (California)
Sagebrush Partner Fifteen, Inc., (California)
Triveni Zond Private Limited, (India)
Victory Garden LLC, (Delaware)
Victory Garden Phase IV Partnership,
Sixteen, Inc., (California)
Zond Mesa-VGIV Corporation, (California)
Zond Construction Corporation, (California)
Zond Construction II Corporation, (California)
Mesa Construction Company, (California)
Mesa Construction II Company, (California)
Zond Pacific, Inc., (Hawaii)
Zond Windsysteems Management Corporation, (California)
Zond-PanAero Windsysteems Partners I, (California)
Zond Windsysteems Management Corporation II, (California)
Zond-PanAero Windsysteems Partners II, (California)
Zond Windsysteems Management Corporation III, (California)
Zond Windsysteems Partners, Ltd.Series 85-A, (California)
Sagebrush Partner Seventeen, Inc., (California)
Zond Windsysteems Management Corporation IV, (California)
Zond Windsysteems Partners, Ltd.Series 85-B, (California)
Sagebrush Partner Eighteen, Inc., (California)
Zond Windsysteems Management Corporation V, (California)
Zond Windsysteems Partners, Ltd. Series 85-C, (California)
Sagebrush Partner Nineteen, Inc., (California)
Zond Windsysteems Operating Corporation, (California)
ZWHC, L.L.C., (California)
Sagebrush Partners Twenty, Inc., (California)
Enron Wind Holdings B.V., (The Netherlands)
Enron Wind Holding GmbH, (Germany)
Enron Wind GmbH, (Germany)
Enron Wind Service GmbH, (Germany)
Enron Wind International Development Corp., (California)
Enron Wind International Holding Corp., (California)
Enron Wind Cayman Holding Corp., (Cayman Islands)
Enron Wind Development Holdings B.V.,
(The Netherlands)
Enron Wind Hellas Holdings B.V.,
(The Netherlands)
Aeolos S.A., (Greece)
IWECO Megali Vrissi S.A., (Greece)
Enron Wind Hellas S.A.-Construction Management
Services of Wind Power Stations, (Greece)
Enron Wind Hellas S.A.—Operation Maintenance Services
of Wind Power Stations, (Greece)
Mynydd Eleni Limited, (Cayman Islands)
Zond Cayman Corporation, (Cayman Islands)
Mynydd Eleni Limited, (Cayman Islands)
Zond Cayman Corporation, (Cayman Islands)
Zond Honduras L.L.C., (Cayman Islands)
Zond Power Partners of Chandras L.L.C.,
(Cayman Islands)
Zond Power Partners of Honduras L.L.C.,
(Cayman Islands)
Zond Power Partners of Megali Vrissi L.L.C.,
(Cayman Islands)
Zond Power Partners of Mynydd Gorddu L.L.C.,
(Cayman Islands)
Mynydd Gorddu Investment Company,
(Cayman Islands)
Zond Power Partners of Owenreagh L.L.C.,
(Cayman Islands)
Enron Wind de Espana, S.L., (Spain)
Zond Chile S.A., (Chile)
Zond de Espana Parques Eolicos, S.L., (Spain)
  Zond Honduras L.L.C., (Cayman Islands)
  Zond Power Partners of Chandras L.L.C.,
      (Cayman Islands)
  Zond Power Partners of Honduras L.L.C.,
      (Cayman Islands)
  Zond Power Partners of Megali Vrissi L.L.C.,
      (Cayman Islands)
  Zond Power Partners of Mynydd Gorddu L.L.C.,
      (Cayman Islands)
  Zond Power Partners of Owenreagh L.L.C.,
      (Cayman Islands)
      Owenreagh Power Partners, (Cayman Islands)
Iweco S.A., (Greece)
  Aeolos S.A., (Greece)
  Iweco Megali Vrissi S.A., (Greece)
Iweco Megali Vrissi S.A., (Greece)
X2Y2 Corporation, (California)
Zond Construction Corporation, (California)
Zond Construction Corporation II, (California)
Mesa Construction Company II, (California)
Zond Construction Corporation III, (California)
Zond Construction Corporation IV, (California)
Zond Constructors, Inc., (California)
Zond Constructors II, Inc., (California)
  Zond Minnesota Construction Company L.L.C., (California)
Zond Minnesota Construction Company L.L.C., (California)
Enron Wind Development Corp., (Pending)
Enron Wind Energy Systems Corp., (California)
Zond International Sales Corporation, (Barbados)
Enron Wind Maintenance Corp., (California)
Zond Victory Garden Phase IV Maintenance Corporation,
    (California)
SPORS FINANCING CORP., (Delaware)
  Stadium Facilities, L. P., (Texas)
TRANSBORDER GAS SERVICES II LTD., (Cayman Islands)
TRANSBORDER SHIPPING SERVICES LTD., (Cayman Islands)
WHITWING ASSOCIATES LP, (Delaware)
  Blue Herron I LLC, (Delaware)
      HPL Asset Holdings L.P., (Delaware)
      Merlin Acquisition L.P., (Delaware)
      ECT Colombia Pipeline Holdings 2 Ltd.,
          (Cayman Islands)
Promigas S.A., E.S.P., (Pending)
      Gases del Caribe S.A., E.S.P., (Pending)
      Gases de la Guajira S.A., E.S.P.,
                      (Pending).
Gas de Risaralda S.A., (Pending)
Gasncol S.A., (Pending)
Gases de la Guajira S.A., E.S.P.,
    (Pending).
Gases Del Occidente S.A., E.S.P.,
    (Barranquilla)
Surtigas S.A., E.S.P., (Pending)
Gasncol S.A., (Pending)
Tolgas S.A., (Pending)
European Power Holdings, (England)
Pelican Bidder Cayman Limited,
    (Cayman Islands)
European Power Holdings, (England)

SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gas de Risaralda S.A., (Pending).
Gasncol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A., E.S.P., (Barranquilla)
Surtugas S.A., E.S.P., (Pending).
Gasncol S.A., (Pending).
Tolgas S.A., (Pending).

HPL Asset Holdings L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gas de Risaralda S.A., (Pending).
Gasncol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A., E.S.P., (Barranquilla)
Surtugas S.A., E.S.P., (Pending).
Gasncol S.A., (Pending).
Tolgas S.A., (Pending).

SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
Gases del Caribe S.A., E.S.P., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gas de Risaralda S.A., (Pending).
Gasncol S.A., (Pending).
Gases de la Guajira S.A., E.S.P., (Pending).
Gases Del Occidente S.A.,
E.S.P., (Barranquilla)
Surtugas S.A., E.S.P., (Pending).
Gasncol S.A., (Pending).
Tolgas S.A., (Pending).

SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)
SE Raptor L.P., (Delaware)
SE Raven L.P., (Delaware)
SE Thunderbird, L.P., (Delaware)

SE Acquisition, L.P., (Delaware)
Merlin Acquisition L.P., (Delaware)
ECT Colombia Pipeline Holdings 2 Ltd.,
(Cayman Islands)
Promigas S.A., E.S.P., (Pending).
<TEXT>CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS</TEXT>


ARTHUR ANDERSEN LLP

00200000001180
CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS


ARTHUR ANDERSEN LLP

Houston, Texas
March 26, 2001

POWER OF ATTORNEY
KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 19th day of March, 2001.

/s/ ROBERT A. BELFER
Robert A. Belfer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 26th day of March, 2001.
KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 20th day of March, 2001.

/s/ RONNIE C. CHAN
Ronnie C. Chan

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying
and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 19th day of March, 2001.

/s/ JOHN H. DUNCAN
John H. Duncan

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), her true and lawful attorney-in-fact and agent, for her and on her behalf and in her name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set her hand this 19th day of March, 2001.

/s/ WENDY L. GRAMM
Wendy L. Gramm

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), her true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any
and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 21st day of March, 2001.

/s/ KEN L. HARRISON  
Ken L. Harrison

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 26th day of March, 2001.

/s/ ROBERT K. JAEDICKE  
Robert K. Jaedicke

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay,
Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 19th day of March, 2001.

/s/ KENNETH L. LAY
Kenneth L. Lay

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 19th day of March, 2001.

/s/ CHARLES A. LEMAISTRE
Charles A. LeMaistre

POWER OF ATTORNEY
KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 19th day of March, 2001.

/s/ JOHN MENDELSON
John Mendelson

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 21st day of March, 2001.
KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 19th day of March, 2001.

/s/ PAULO V. FERRAZ PEREIRA
Paulo V. Ferraz Pereira

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned
might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 21st day of March, 2001.

/s/ FRANK SAVAGE
Frank Savage

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 19th day of March, 2001.

/s/ JEFFREY K. SKILLING
Jeffrey K. Skilling

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection with the filing by Enron Corp., an Oregon corporation (the "Company"), of its Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission, the undersigned officer or director of the Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any
amendments or supplements thereto, with all exhibits and any
and all documents required to be filed with respect thereto
with any regulatory authority, granting unto said attorneys,
and each of them, full power and authority to do and perform
each and every act and thing requisite and necessary to be
done in and about the premises in order to effectuate the
same as fully to all intents and purposes as the undersigned
might or could do if personally present, hereby ratifying
and confirming all the said attorneys-in-fact and agents, or
any of them, may lawfully do or cause to be done by virtue
hereof.

IN WITNESS WHEREOF, the undersigned has hereto set
his hand this 19th day of March, 2001.

/s/ JOHN A. URQUHART
John A. Urquhart

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection
with the filing by Enron Corp., an Oregon corporation (the
"Company"), of its Annual Report on Form 10-K for the year
ended December 31, 2000 with the Securities and Exchange
Commission, the undersigned officer or director of the
Company hereby constitutes and appoints Kenneth L. Lay,
Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and
Rebecca C. Carter, and each of them (with full power to each
of them to act alone), his true and lawful attorney-in-fact
and agent, for him and on his behalf and in his name, place
and stead, in any and all capacities, to sign, execute and
file such Annual Report on Form 10-K together with any
amendments or supplements thereto, with all exhibits and any
and all documents required to be filed with respect thereto
with any regulatory authority, granting unto said attorneys,
and each of them, full power and authority to do and perform
each and every act and thing requisite and necessary to be
done in and about the premises in order to effectuate the
same as fully to all intents and purposes as the undersigned
might or could do if personally present, hereby ratifying
and confirming all the said attorneys-in-fact and agents, or
any of them, may lawfully do or cause to be done by virtue
hereof.

IN WITNESS WHEREOF, the undersigned has hereto set
his hand this 21st day of March, 2001.

/s/ JOHN WAKEHAM
John Wakeham

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that in connection
with the filing by Enron Corp., an Oregon corporation (the
"Company"), of its Annual Report on Form 10-K for the year
ended December 31, 2000 with the Securities and Exchange
Commission, the undersigned officer or director of the
Company hereby constitutes and appoints Kenneth L. Lay, Jeffrey K. Skilling, Richard A. Causey, Andrew S. Fastow and Rebecca C. Carter, and each of them (with full power to each of them to act alone), his true and lawful attorney-in-fact and agent, for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and file such Annual Report on Form 10-K together with any amendments or supplements thereto, with all exhibits and any and all documents required to be filed with respect thereto with any regulatory authority, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as the undersigned might or could do if personally present, hereby ratifying and confirming all the said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereto set his hand this 19th day of March, 2001.

/s/ HERBERT S. WINOKUR, JR.
Herbert S. Winokur, Jr.

 REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Atlantic Water Trust:

We have audited the accompanying consolidated balance sheets of Atlantic Water Trust (a Delaware statutory business trust) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income (loss), comprehensive income (loss), cash flows and changes in trust equity for the years ended December 31, 2000 and 1999 and for the period from November 30, 1998 (Date of Inception) to December 31, 1998. These financial statements are the responsibility of Atlantic Water Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the
accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlantic Water Trust and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and cash flows for the years ended December 31, 2000 and 1999, and for the period from November 30, 1998 (Date of Inception) to December 31, 1998, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP
Houston, Texas
March 26, 2001

<TABLE>

<table>
<thead>
<tr>
<th></th>
<th>November 30, 1998 (Date of Inception) to December 31, Year Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1998</td>
</tr>
<tr>
<td>December 31, 2000</td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$19.5</td>
</tr>
<tr>
<td></td>
<td>757.3</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
</tr>
<tr>
<td>Operations and</td>
<td>4.8</td>
</tr>
<tr>
<td>maintenance</td>
<td></td>
</tr>
<tr>
<td>General and</td>
<td>3.3</td>
</tr>
<tr>
<td>administrative</td>
<td></td>
</tr>
<tr>
<td>Depreciation and</td>
<td>3.6</td>
</tr>
<tr>
<td>amortization</td>
<td></td>
</tr>
<tr>
<td>Impairment of</td>
<td>-</td>
</tr>
<tr>
<td>long-lived assets</td>
<td></td>
</tr>
<tr>
<td>Restructuring charge</td>
<td>-</td>
</tr>
<tr>
<td>Total operating</td>
<td>11.7</td>
</tr>
<tr>
<td>expenses</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>7.8</td>
</tr>
<tr>
<td>(loss)</td>
<td>(322.3)</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td></td>
</tr>
<tr>
<td>Equity in earnings</td>
<td>(0.1)</td>
</tr>
<tr>
<td>(loss) of</td>
<td></td>
</tr>
<tr>
<td>unconsolidated</td>
<td></td>
</tr>
<tr>
<td>affiliates</td>
<td></td>
</tr>
<tr>
<td>Impairment of</td>
<td>-</td>
</tr>
<tr>
<td>investment in</td>
<td></td>
</tr>
<tr>
<td>unconsolidated</td>
<td></td>
</tr>
<tr>
<td>affiliate</td>
<td></td>
</tr>
</tbody>
</table>

002000000001192
Gain on sale of subsidiary common stock | - | 31.5
Interest income | 0.9 | 33.8
Interest expense | (2.0) | (86.6)
Gain on sale of asset | - | -
Income (loss) before minority interest, income taxes and extraordinary loss | 6.6 | 109.7
(474.8)
Minority interest | - | 3.9
Income tax expense | 2.7 | 21.5
Income (loss) before extraordinary loss | 3.9 | 84.3
(327.9)
Extraordinary loss, net of income tax benefit | - | 6.8
Net income (loss) | $ 3.9 | $ 77.5 | $ 327.9

<FN>
The accompanying notes are an integral part of these consolidated financial statements.</FN>

<TABLE>
<CAPTION>
ATLANTIC WATER TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

November 30, 1998
(Date of Inception)
Year Ended
December 31,
 to December 31, 1998  1999
2000

Net income (loss) | <C> | <C> | <C> | <C> |
\$ (327.9)
Other comprehensive income (loss), net of tax:
Foreign currency translation adjustment | (11.5) | (26.5)
Unrealized loss on available for sale securities | - | (0.8)
Comprehensive income (loss) | $ (7.6) | $ 50.2 | $ (401.1)

</TABLE>
The accompanying notes are an integral part of these consolidated financial statements.

ATLANTIC WATER TRUST
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

<p>| ASSETS | December 31, |</p>
<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 27.2</td>
<td>$ 30.0</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents (Note 4)</td>
<td>464.2</td>
<td>108.0</td>
</tr>
<tr>
<td>Trade receivables (net of allowance for doubtful accounts of $40.7 and $66.9, respectively)</td>
<td>115.7</td>
<td>128.9</td>
</tr>
<tr>
<td>Unbilled receivables</td>
<td>32.5</td>
<td>42.0</td>
</tr>
<tr>
<td>Other</td>
<td>76.9</td>
<td>75.2</td>
</tr>
<tr>
<td>Total current assets</td>
<td>716.5</td>
<td>384.1</td>
</tr>
<tr>
<td>Property, plant and equipment, at cost</td>
<td>2,559.1</td>
<td>2,691.7</td>
</tr>
<tr>
<td>Less accumulated depreciation (90.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(228.2)</td>
<td>Property, plant and equipment, net</td>
<td>2,468.7</td>
</tr>
<tr>
<td>Investments in unconsolidated affiliates</td>
<td>93.4</td>
<td>60.5</td>
</tr>
<tr>
<td>Notes and interest receivable - affiliates</td>
<td>197.1</td>
<td>105.5</td>
</tr>
<tr>
<td>Concession intangibles, net</td>
<td>451.3</td>
<td>86.4</td>
</tr>
<tr>
<td>Goodwill, net</td>
<td>1,029.6</td>
<td>971.4</td>
</tr>
<tr>
<td>Other assets</td>
<td>81.1</td>
<td>135.5</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$5,037.7</td>
<td>$4,206.9</td>
</tr>
</tbody>
</table>

LIABILITIES AND TRUST EQUITY

| Current liabilities: |       |      |
| Accounts payable and accruals | $ 236.0 | $ 275.9 |
| Deferred income | 54.6 | 43.3 |
| Accrued taxes | 21.1 | 9.4 |
| Short-term debt | 602.2 | 298.7 |
| Current maturities of long-term debt | 35.0 | 80.7 |
| Total current liabilities | 948.9 | 708.0 |
| Long-term debt | 1,301.9 | 1,346.1 |
| Long-term debt affiliates | 53.3 | 103.1 |
| Deferred income taxes | 443.3 | 457.8 |
| Other long-term liabilities | 31.2 | 32.5 |
| Total liabilities | 2,778.6 | 2,647.5 |
| Commitments and contingencies (Note 20) |       |      |
| Minority interest | 643.4 | 413.5 |
| Trust equity: |       |      |
| Beneficial Interest - Class A | 958.0 | 957.8 |
| Beneficial Interest - Class B | 721.7 | 325.3 |
| Beneficial Interest - Class B Accumulated other comprehensive loss | (64.0) |       |
| [137.2] |       |      |
| Total Trust equity | 1,615.7 | 1,145.9 |
| Total Liabilities and Trust Equity | $5,037.7 | $4,206.9 |

002000000001194
ATLANTIC WATER TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
</tr>
<tr>
<td>1998</td>
</tr>
</tbody>
</table>

**Operating Activities:**

- **Net income (loss)**: $3.9
- **Depreciation and amortization**: 3.6
- **Impairment of long-lived assets and investment in unconsolidated affiliates**: 104.8
- **Accretion and amortization of debt expenses and write-off of deferred financing costs**: 0.1
- **Deferred income taxes**: 2.0
- **Equity in (earnings) loss of unconsolidated affiliates**: (2.0)
  - **Minority interest**: (3.9)
  - **Gain on sale of Azurix common stock**: (31.5)
  - **Gain on sale of asset**: (2.5)

**Changes in operating assets and liabilities:**

- **Increase (decrease) in trade receivables and other CURRENT ASSETS**: (6.2)
- **Increase (decrease) in current liabilities, excluding debt**: (9.3)
- **Increase in other assets**: (0.9)

Increase (decrease) in other
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>long-term liabilities</td>
<td>0.5</td>
</tr>
<tr>
<td>(7.4) 2.0</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>(6.2)</td>
</tr>
<tr>
<td>158.3 86.5</td>
<td></td>
</tr>
<tr>
<td>Investing Activities:</td>
<td>(10.3)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td></td>
</tr>
<tr>
<td>(287.3) (297.1)</td>
<td></td>
</tr>
<tr>
<td>Investments in and advances to unconsolidated affiliates</td>
<td>-</td>
</tr>
<tr>
<td>(34.5) (3.2)</td>
<td></td>
</tr>
<tr>
<td>Business acquisitions, net of cash required</td>
<td>-</td>
</tr>
<tr>
<td>(698.5) (15.5)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of assets</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>5.4</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>(56.5) (53.1)</td>
<td></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(10.3)</td>
</tr>
<tr>
<td>(1,076.8) (363.5)</td>
<td></td>
</tr>
<tr>
<td>Financing Activities:</td>
<td></td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>8.3</td>
</tr>
<tr>
<td>1,176.7 599.2</td>
<td></td>
</tr>
<tr>
<td>Repayments of long-term borrowings</td>
<td>(12.6)</td>
</tr>
<tr>
<td>(254.6) (573.0)</td>
<td></td>
</tr>
<tr>
<td>Net proceeds from (repayments of) short-term borrowings</td>
<td>25.1</td>
</tr>
<tr>
<td>80.7 (183.5)</td>
<td></td>
</tr>
<tr>
<td>Cash acquired in the issuance of Class B beneficial interest</td>
<td>1.0</td>
</tr>
<tr>
<td>- (Deposit to) withdrawal from restricted cash and cash equivalents accounts</td>
<td></td>
</tr>
<tr>
<td>(407.7) 394.0</td>
<td></td>
</tr>
<tr>
<td>Advances from affiliates, net of repayments</td>
<td>44.4</td>
</tr>
<tr>
<td>44.4 47.9</td>
<td></td>
</tr>
<tr>
<td>Issuance of subsidiary stock</td>
<td>-</td>
</tr>
<tr>
<td>300.5 1.7</td>
<td></td>
</tr>
<tr>
<td>Contribution to subsidiary from minority shareholder</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>4.3</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>21.8</td>
</tr>
<tr>
<td>940.0 290.6</td>
<td></td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash</td>
<td>-</td>
</tr>
<tr>
<td>0.4 (10.8)</td>
<td></td>
</tr>
<tr>
<td>Change on cash and cash equivalents</td>
<td>5.3</td>
</tr>
<tr>
<td>21.9 2.8</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of period</td>
<td>5.3</td>
</tr>
<tr>
<td>5.3 27.2</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents, end of period</td>
<td>$ 5.3</td>
</tr>
<tr>
<td>27.2 $ 30.0</td>
<td></td>
</tr>
</tbody>
</table>

<FN>
The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>
## ATLANTIC WATER TRUST

**CONSOLIDATED STATEMENTS OF CHANGES IN TRUST EQUITY**

(In millions)

<table>
<thead>
<tr>
<th></th>
<th>Beneficial Interest</th>
<th>Beneficial Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Class A</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Class B</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Comprehensive</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date/Adjustment</th>
<th>Class A</th>
<th>Class B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at November 30, 1998 (Date of inception)</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>- Issuance of Beneficial Interests</td>
<td>1,149.0</td>
<td>905.8</td>
</tr>
<tr>
<td>(25.2)</td>
<td>2,029.6</td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(11.5)</td>
<td>(11.5)</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>3.3</td>
<td>0.6</td>
</tr>
<tr>
<td>- Balance at December 31, 1998</td>
<td>1,152.3</td>
<td>906.4</td>
</tr>
<tr>
<td>(36.7)</td>
<td>2,022.0</td>
<td></td>
</tr>
<tr>
<td>Distributions to Beneficial Interests</td>
<td>(271.4)</td>
<td>(184.5)</td>
</tr>
<tr>
<td>- (455.9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment and unrealized loss on available for sale securities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(27.3)</td>
<td>(27.3)</td>
<td></td>
</tr>
<tr>
<td>Unearned compensation</td>
<td>-</td>
<td>(0.6)</td>
</tr>
<tr>
<td>- (0.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>77.1</td>
<td>0.4</td>
</tr>
<tr>
<td>- Balance at December 31, 1999</td>
<td>958.0</td>
<td>721.7</td>
</tr>
<tr>
<td>(64.0)</td>
<td>1,615.7</td>
<td></td>
</tr>
<tr>
<td>Distributions to Beneficial Interests</td>
<td>(69.1)</td>
<td>-</td>
</tr>
<tr>
<td>- (69.1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment and unrealized loss on available for sale securities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(73.2)</td>
<td>(73.2)</td>
<td></td>
</tr>
<tr>
<td>Unearned compensation</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>- 0.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>68.9</td>
<td>(396.8)</td>
</tr>
<tr>
<td>- (327.9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2000</td>
<td>$ 957.8</td>
<td>$ 325.3</td>
</tr>
<tr>
<td>$(137.2)</td>
<td>$1,145.9</td>
<td></td>
</tr>
</tbody>
</table>
The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

<PAGE>

ATLANTIC WATER TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Atlantic Water Trust is a statutory business trust established on November 30, 1998 ("Date of Inception") under the laws of the State of Delaware pursuant to a trust agreement ("Trust Agreement"). Enron Corp. ("Enron") and Marlin Water Trust ("Marlin") each hold a 50% voting interest in Atlantic Water Trust (see Note 2). Atlantic Water Trust has not conducted any operations, other than those activities incidental to its formation and its ownership of all of the beneficial ownership interest in Bristol Water Trust ("Bristol") and of its subsidiary Azurix Corp., including the sale of a portion of the shares of Azurix Corp. it held during 1999 (see Note 2). Subsequent to such sale, Atlantic Water Trust holds an approximate 67.1% interest in Azurix Corp. Azurix Corp. and its consolidated subsidiaries (collectively "Azurix") are engaged in the business of acquiring, owning, operating and managing water and wastewater assets, providing water and wastewater related services and managing and developing resources in the global water industry. Hereafter, Atlantic Water Trust and its consolidated subsidiaries will be referred to as "Atlantic Water."

Atlantic Water was established on November 30, 1998, and as a result, the 1998 Consolidated Statement of Income, Consolidated Statement of Comprehensive Income (Loss), Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Trust Equity are from the Date of Inception to December 31, 1998. However, substantially all of Atlantic Water's 1998 results of operations, cash flows and capital transactions occurred during the last 15 days of December 1998 (see Note 2).

On March 16, 2001, shareholders of Azurix approved and adopted the Agreement and Plan of Merger by and among Enron, Enron BW Corp., a wholly owned indirect subsidiary of Enron, and Azurix dated as of December 15, 2000. The merger was consummated on March 16, 2001, at which time Enron BW Corp. was merged into Azurix with Azurix being the surviving corporation (see Note 2 and 21).

Consolidation Policy and Use of Estimates

The consolidated financial statements include the accounts of all majority owned subsidiaries and those affiliates over which Atlantic Water has the ability to control and are prepared in accordance with generally accepted accounting principles in the United States. All significant intercompany balances and transactions have been eliminated in consolidation. Atlantic Water uses the equity method of accounting for all investments
where it owns less than a majority of the voting stock, and cannot control, but is able to exercise significant influence over the operating and financial policies of the investee.

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Operating revenues represent income earned in the ordinary course of business, excluding value added tax. Water and wastewater revenue for metered customers is recognized based on actual usage and accrued based on the estimated amount of water sold but not billed as of the balance sheet date. Water and wastewater revenue for non-metered customers, who pay an annual fixed charge based on the rateable value of their property, is recognized uniformly over the year. Revenue for water and wastewater related services is recognized as services are provided. Revenues derived from services provided under fixed-price contracts are recognized on the percentage-of-completion basis.

Derivative Financial Instruments

Atlantic Water utilizes derivative financial instrument contracts for non-trading purposes to manage exposure to fluctuations in interest rates and foreign currency exchange rates. Hedge accounting is utilized in non-trading activities where there is a high correlation of price movements in the derivative and the contract is designated as a hedge. In instances where the anticipated correlation of price movements no longer exists, hedge accounting is terminated and future changes in the value of the derivative financial instruments are recognized as gains or losses to net income.

Interest rate swaps involve the exchange of amounts based on a fixed interest rate for amounts based on variable interest rates over the life of the contract without an exchange of the notional amount upon which payments are based. The difference to be received or paid is recognized in income over the life of the contracts as adjustments to interest expense.

Currency swap contracts are denominated in one foreign currency and are to be repaid in another currency. These contracts are designated as hedges of firm commitments to pay interest and principal on debt, which would otherwise expose Atlantic Water to foreign currency risk.

The fair values of the swap contracts are not recognized in the financial statements. The income and cash flow impact of financial instruments is reflected as an adjustment of the hedged item. Gains and losses on terminations of interest rate and currency swap contracts are deferred as an adjustment to the carrying amount of the outstanding obligation and amortized as an adjustment to interest expense related to the obligation using
the effective interest method over the remaining term of the original contract life of the hedged item. In the event of early extinguishment of the obligation, any realized or unrealized gain or loss from the swap would be recognized in net income at the time of extinguishment. See Note 1 - Recent Accounting Pronouncements.

Income Taxes

Atlantic Water and its wholly owned subsidiary, Bristol, are not taxable entities for U.S. federal income tax purposes, and accordingly, no recognition has been given to income taxes related to their stand-alone activities. Azurix's operations are taxable for U.S. federal and certain foreign income tax purposes. Accordingly, for financial reporting purposes, no recognition has been given to income taxes related to the operations of Atlantic Water other than those recorded by Azurix.

Azurix accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under the asset and liability method of Statement of Financial Accounting Standards No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. For U.S. tax purposes, Azurix was a member of Enron's consolidated group through June 8, 1999 and accordingly is included in Enron's consolidated federal income tax return through that date. Members of the consolidated group are charged with the amount of income tax expense (benefit) determined as if they filed separate federal income tax returns. For periods subsequent to June 9, 1999, Azurix will file its own consolidated tax return.

Cash Equivalents

Atlantic Water considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Cost of acquired property, plant and equipment includes an allocation of the purchase price based on the asset's fair market value. Cost of property, plant and equipment placed in service includes direct charges for material, labor and services and indirect charges related to construction, such as engineering, supervision, payroll taxes and employee benefits. Additions, replacements, modifications and enhancements to units of property are capitalized. Major improvements to leasehold properties are amortized over the shorter of the asset life or the life of the respective lease. Repairs, maintenance and minor replacements are charged to operations and maintenance expense as incurred. Interest capitalized is based on the average value of construction work in progress at Atlantic Water's average borrowing rate during the period. The amount of interest capitalized during 1998, 1999 and 2000 was approximately $2.3 million, $8.6 million and $13.5 million, respectively.

Atlantic Water's infrastructure assets comprise a network of
systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and infrastructure investigations and studies.

The cost of property, plant and equipment, excluding land, is charged to depreciation using the straight-line method over the estimated useful lives of the assets. Depreciation is computed based on estimated useful lives as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and operational structures</td>
<td>5 to 80</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>5 to 115</td>
</tr>
<tr>
<td>Plant machinery and vehicles</td>
<td>3 to 30</td>
</tr>
<tr>
<td>Other assets</td>
<td>3 to 15</td>
</tr>
</tbody>
</table>

Atlantic Water's accounting policy for the costs of computer software (all of which is for internal use only) is to capitalize direct costs of materials and services consumed in developing or obtaining software, including payroll and payroll-related costs for employees who are directly associated with and who devote time to the software project. Costs begin to be capitalized once the application development stage has begun. All other costs are expensed as incurred. Atlantic Water amortizes the costs on a straight-line basis over the useful life of the software. Impairment is evaluated based on changes in the expected usefulness of the software.

Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," long-lived assets held and used by Atlantic Water are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability, a test is performed comparing the estimated future undiscounted cash flows associated with the asset to the asset’s carrying amount, including allocated goodwill, to determine if a write-down to fair value is required.

Goodwill

Goodwill represents the excess of purchase price and related costs over the value assigned to the net assets of businesses acquired (see Note 3) and is presented on the Consolidated Balance Sheets net of accumulated amortization. Goodwill is amortized on a straight-line basis over the estimated useful life, not to exceed 40 years. Accumulated amortization of goodwill at December 31, 1999 and 2000 was $28.8 million and $51.9 million, respectively.

Concession Intangibles

Concession intangible assets represent prepaid amounts for the rights as the concession holder and operator of public water and wastewater facilities to provide service and charge a tariff in the service area subject to the concession and is presented on the Consolidated Balance Sheets net of accumulated amortization and accumulated impairments.
The total costs associated with retaining concession rights, including prepaid amounts and amounts payable in the future, are allocated among the service areas awarded by the concession agreement and amortized on a straight-line basis over the life of the concession for each service area commencing when access is attained. Accumulated amortization of concession intangibles at December 31, 1999 and 2000 was $5.4 million and $13.4 million, respectively, and accumulated impairments of concession intangible assets at December 31, 2000 was $357.2 million (see Note 18).

Other Assets

Other assets consist primarily of deferred tax assets, deferred pension assets and deferred charges, such as financing costs and external costs of acquisition activities. Deferred financing charges are amortized to interest expense over the lives of the related debt issuances using the effective interest method and external acquisition costs are capitalized as a cost of successful acquisitions or expensed during the period in which it is determined that the project is unsuccessful or the pursuit is terminated.

Deferred Income

Atlantic Water bills certain customers in advance of providing water and wastewater services and classifies these amounts as "Deferred income" on the Consolidated Balance Sheets until earned.

Pension Benefits

The pension plans maintained by Atlantic Water's indirect subsidiaries, Wessex, Azurix Buenos Aires and Lurgi Bamag (see Note 13) are of the defined benefit type, and are valued by an independent actuary. Current service costs for the plans are accrued in the period to which they relate. Prior service costs and actuarial gains and losses, if any, relating to amendments to the plans, are recognized on a basis designed to spread the costs over the remaining average service lives of employees.

Atlantic Water's indirect subsidiary, Azurix North America, has defined contribution plans for a number of its employees and makes contributions to a multi-employer pension plan for certain employees. Atlantic Water's contributions to these plans are based on various percentages of compensation, years of service and, in some instances, are based upon the amount of the employees' contributions to the plans (see Note 13).

Foreign Currency Translation

The functional currency for Atlantic Water's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using the current exchange rates in effect at the balance sheet date and for revenue and expense accounts, using the weighted average exchange rate during the period or, where known or determinable, at the rate on the date of the transaction for significant items. The resulting translation adjustments are recorded in accumulated other comprehensive loss as a component of trust equity and are
included in income only upon the sale or liquidation of the underlying investments.

Environmental Costs

Environmental expenditures that relate to current operations are expensed as incurred. Expenditures providing a future benefit are capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated.

Recent Accounting Pronouncements

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by Statement of Financial Accounting Standards No. 137 and No. 138. Statement of Financial Accounting Standards No. 133 must be applied to all derivative instruments and certain derivative instruments embedded in hybrid instruments and requires that such instruments be recorded in the balance sheet either as an asset or liability measured at their fair value through earnings, with special accounting allowed for certain qualifying hedges. Atlantic Water adopted Statement of Financial Accounting Standards No. 133 as of January 1, 2001. Due to its adoption, Atlantic Water will recognize an after-tax non-cash gain of approximately $1.0 million in earnings and an after-tax non-cash loss in "Accumulated other comprehensive loss," a component of trust equity, of approximately $0.3 million, both from the cumulative effect of a change in accounting principle.

Segment Reporting

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports. Operating segments are defined as components of an enterprise about which separate financial information is available and evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The operating subsidiaries of Atlantic Water operated in one segment for all periods presented in this report and therefore such disclosures are not applicable.

Reclassifications

Certain reclassifications have been made to the consolidated financial statements for prior years to conform with the current presentation.

NOTE 2 - CAPITAL TRANSACTIONS

All of the following transactions occurred on December 17, 1998. The Class B Beneficial Interest was issued by Atlantic Water to Enron in exchange for Enron's contribution of (i) its entire interest in Enron Water (Holding) L.L.C. ("Enron Water"),
the former parent of Azurix, (ii) its rights under a United Kingdom pounds sterling ("U.K. Pounds Sterling" or "GBP") note receivable from an indirect wholly owned subsidiary of Enron Water in the amount of GBP73.0 million and (iii) $200.0 million in the form of a release of indebtedness in such amount owed to Enron by Enron Water under a $1.1 billion loan. The Class A Beneficial Interest was issued by Atlantic Water to Marlin for $1.149 billion. Atlantic Water utilized the proceeds from Marlin to purchase a note receivable from Enron for $249.0 million (see Note 12) and to repay $900.0 million of debt to Enron that was held by Enron Water under a $1.1 billion loan. The proceeds to be received by Atlantic Water from Marlin on December 17, 1998 were also to be disbursed by Atlantic Water on that same date to Enron as described above. In addition, Enron Water was merged into Azurix, with Azurix being the surviving entity.

In connection with Azurix's public offering in 1999, Azurix sold 17.1 million shares and Atlantic Water sold 21.5 million shares of Azurix. The net proceeds to Atlantic Water from the sale of Azurix stock, net of expenses associated with the offering, was $380.2 million. The net proceeds were used to make a return of capital to Enron and Marlin of $184.5 million and $195.7 million, respectively.

On March 16, 2001, shareholders of Azurix approved and adopted the Agreement and Plan of Merger, as a result of the merger, each issued and outstanding share of Azurix common stock, other than those shares held by Atlantic Water, Enron, Enron BW Corp., Azurix and any of their wholly owned subsidiaries, was cancelled and converted into the right to receive $8.375 per share. On the date of the merger, Enron BW Corp. had $325.9 million of cash that was used to pay consideration to the public shareholders whose shares were cancelled. As a result of the merger and effective on the merger date, Azurix had three shares of common stock outstanding, of which Atlantic Water holds two, and Azurix common stock ceased to be publicly held. (See Note 21.)

NOTE 3 - BUSINESS ACQUISITIONS

On October 2, 1998, Azurix, through its indirect wholly owned subsidiary Azurix Europe Ltd., acquired over 90% of the outstanding ordinary share capital of Wessex Water Plc. Azurix completed the acquisition of the ordinary share capital of Wessex in November 1998. The cost of the Wessex acquisition, including transaction costs, was $2.4 billion. The purchase method of accounting was utilized and the results of operations of Wessex have been included in the consolidated financial statements since the date of acquisition.

Azurix entered into an agreement on December 19, 1998 to purchase 49.9% of an entity whose principal asset is the water concession for the city of Cancun, Mexico. This agreement was not binding until specific material conditions were met, and these conditions were met subsequent to December 31, 1998. As a result, the Cancun concession is not reflected in Atlantic Water's 1998 financial statements. The purchase price was $13.5 million and Azurix agreed to provide up to $25.0 million in debt financing. The balance of the loans outstanding to the Cancun concession at December 31, 2000 was $20.1 million. The Cancun concession acquisition closed on March 24, 1999. The results of the Cancun concession acquisition are reflected in the financial statements.
as of the acquisition closing date utilizing the equity method of accounting.

On May 18, 1999, Azurix acquired 100% of the stock of Canadian-incorporated Philip Utilities Management Corporation for $107.4 million, including transaction costs. This business subsequently was renamed Azurix North America. Azurix North America is a water and wastewater services company that provides operations and management, engineering, residuals management and underground infrastructure development services for municipal water and wastewater facilities in the U.S. and Canada. Subsequent to its acquisition by Azurix, Azurix North America has expanded through the acquisition of several water and wastewater service companies for an aggregate purchase price of $17.7 million.

During the second quarter of 1999, Azurix was the successful bidder in a tender for a 30-year concession to operate the water and wastewater systems in two regions of the Province of Buenos Aires, Argentina, previously operated by Administracion General de Obras Sanitarias Buenos Aires. On June 30, 1999, Azurix, through Azurix Buenos Aires S.A., an indirect wholly owned subsidiary, entered into a concession contract with the provincial government covering the two regions and paid the government $438.6 million. On July 1, 1999, Azurix assumed operation of the water and wastewater systems and risk of ownership of the concession.

In connection with the funding of this acquisition, Azurix made an equity investment in Azurix Buenos Aires of $45.0 million, and Azurix Buenos Aires borrowed $394.0 million under a new credit agreement. This loan was secured by cash and other short-term liquid investments which Azurix deposited into a cash collateral account and pledged as security for the loan (see Note 4). Azurix used $210.6 million of the proceeds from its initial public offering, $208.0 million in funds drawn under the senior credit facility of its indirect wholly owned subsidiary, Azurix Europe Ltd., and interest on those funds and other funds of Azurix, to fund the equity investment in Azurix Buenos Aires and the deposit into the cash collateral account. Under the concession contract, a 10% interest in Azurix Buenos Aires was subsequently transferred to the employees of Azurix Buenos Aires.

On September 24, 1999, Azurix acquired 49% of the capital stock of IASA Holding, S.A. de C.V. for $22.5 million, excluding transaction costs. IASA Holding owns 100% of Industrias del Agua, S.A. de C.V., a water and wastewater services company based in Mexico City, Mexico that provides metering, billing, collections, operations and maintenance services for one quarter of the Federal District within Mexico City, a service area with a population of approximately two million people. Industrias del Agua has provided these services since 1993, when it signed a 10-year contract with the Water Commission of the Federal District. In addition to holding an interest in Industrias del Agua, Azurix provides technical services and serves as a technical participant under the Federal District contract. Contemporaneous with its purchase of the common stock of IASA Holding, Azurix entered into separate agreements that resulted in Azurix having effective control over IASA Holding. Accordingly, IASA Holding is consolidated for financial statement purposes.

On September 24, 1999, Azurix acquired from an affiliate of
AMX-Acqua Management Inc. 100% of three Brazilian companies, Geoplana-Assessoria, Planejamento e Perfuracoes Ltda., Aguacertasistemas de Abastecimento Ltda. and Aguacerta Saneamento Ltda., which provide water drilling, water supply and wastewater treatment services in Brazil, for $55.6 million in cash, excluding transaction costs. Azurix has contingent payment obligations to a former owner under certain negotiated formulas that depend on the future performance of the business and has retained a former affiliate as a consultant to its Brazilian operations.

On October 4, 1999, Azurix purchased 13,600 acres of property in Madera County, California, for $31.5 million, excluding transaction costs, with plans of developing, owning and operating a ground water storage project in the aquifer beneath it.

On October 18, 1999, Azurix acquired Lurgi Bamag Gmbh, a water and wastewater engineering services company, for $30.2 million, excluding transaction costs. Lurgi Bamag and its subsidiaries have offices in Germany, Brazil, Egypt and the United Kingdom.

For each 1999 acquisition that is consolidated in Atlantic Water’s financial statements, the purchase method of accounting was utilized, and accordingly, the assets and liabilities have been recorded at their estimated fair values on the date of each acquisition. The excess of the purchase price over the fair values of the net assets acquired for each acquisition has been recorded as goodwill, and is being amortized on a straight-line basis over 40 years. The results of operations of the acquisitions have been included in the consolidated financial statements since the date of each acquisition.

NOTE 4 - RESTRICTED CASH AND CASH EQUIVALENTS

At December 31, 1999, Azurix had restricted cash and cash equivalents of $407.7 million, on deposit in a cash collateral account that secured a $394.0 million bank loan to an Azurix subsidiary that was used to fund the Buenos Aires concession acquisition (see Note 3). The amount payable under the loan at December 31, 1999 is included in "Short-term debt" on the Consolidated Balance Sheets (see Note 7). In April 2000, Azurix used the proceeds from this account to repay the loan and related interest. In addition, at December 31, 1999 and 2000, Azurix had other restricted cash on deposit of $56.5 million and $108.0 million, respectively, that primarily secured borrowings under the Azurix Europe credit facility (see Note 7).

NOTE 5 - OTHER CURRENT ASSETS

Other current assets is comprised of the following:

<table>
<thead>
<tr>
<th>&lt;TABLE&gt;</th>
<th>&lt;CAPTION&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 1999</td>
<td>2000</td>
</tr>
<tr>
<td>(In millions)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Prepayments</td>
<td>$20.0</td>
</tr>
<tr>
<td>Other receivables</td>
<td>34.4</td>
</tr>
<tr>
<td>Other</td>
<td>22.5</td>
</tr>
</tbody>
</table>
NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999</td>
<td>2000</td>
</tr>
<tr>
<td>[In millions]</td>
<td>[            ]</td>
<td>[          ]</td>
</tr>
<tr>
<td>Land</td>
<td>$ 42.7</td>
<td>$ 41.4</td>
</tr>
<tr>
<td>Buildings and operational structures</td>
<td>500.4</td>
<td>595.8</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1,269.7</td>
<td>1,231.7</td>
</tr>
<tr>
<td>Plant machinery and vehicles</td>
<td>489.2</td>
<td>650.9</td>
</tr>
<tr>
<td>Construction work-in-progress</td>
<td>216.0</td>
<td>84.7</td>
</tr>
<tr>
<td>Other assets</td>
<td>41.1</td>
<td>87.2</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(90.4)</td>
<td>(228.2)</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>$2,460.7</td>
<td>$2,463.5</td>
</tr>
</tbody>
</table>

Included in accumulated depreciation at December 31, 2000 are accumulated impairments of $44.6 million which were recorded in 2000 (see Note 18).

NOTE 7 - SHORT-TERM DEBT

As of December 31, 1999 and 2000, Azurix, through Wessex, had committed credit facilities with major commercial banks providing for an aggregate of $121.1 million and $224.3 million, respectively, of availability for general corporate purposes. These facilities expire in October 2001 and April 2002. As of December 31, 1999, no amounts were outstanding under these credit facilities. As of December 31, 2000, outstanding borrowings consisted of $62.8 million under the facilities that expire in 2002. Borrowings are for a period of less than one year but may be refinanced through 2002. Therefore, amounts outstanding at December 31, 2000 were reclassified to long-term debt. The facilities accrue interest at the London interbank offered rate plus 0.275% to 0.35% per annum. Wessex pays an annual commitment fee equal to 0.15% of the unused portion of committed lines of credit.

On May 10, 1999, Azurix Europe entered into a credit facility. At December 31, 1999 and 2000, the maximum capacity of the facility was $686.4 million and $635.6 million, respectively. At December 31, 1999 and 2000, $298.8 million and $276.7 million, respectively, of the facility capacity could be used to refinance indebtedness of Azurix Europe, $101.3 million and $80.8 million, respectively, of such capacity was reserved to provide for the refinancing of outstanding Azurix Europe loan notes. At December 31, 1999, the remaining $387.6 million of capacity could be used for acquisitions of water and wastewater related assets or businesses. In February 2000, the facility was amended so that as of December 31, 2000, Azurix Europe may borrow $358.9 million of the facility capacity in a manner allowing for its use by Azurix for general corporate purposes. At December 31, 1999, $474.8
million was outstanding under the facility. In February 2000, Azurix issued long-term debt (see Note 8) and used a portion of the proceeds to repay $386.0 million outstanding under the portion of this facility that had been borrowed for acquisitions. Accordingly, this amount was reclassified to long-term at December 31, 1999. At December 31, 2000, $156.0 million was outstanding under that portion of the facility that can be used by Azurix for general corporate purposes and $95.7 million was outstanding under that portion of the facility that can be used to refinance the indebtedness of Azurix Europe. In January 2001, Azurix borrowed $40.0 million under its credit agreement with Enron (see Note 8) and repaid borrowings that were outstanding at December 31, 2000 under the Azurix Europe credit facility. In March 2001, borrowings outstanding under the Enron credit agreement, including the $40.0 million borrowed and used to repay borrowings outstanding under the Azurix Europe credit facility, were retired through the issuance of long-term mandatorily redeemable preferred stock (see Note 21). Accordingly, $40 million of the balance outstanding was reclassified as long-term at December 31, 2000.

The Azurix Europe credit facility bears interest at the London interbank offered rate plus 0.75% or 1.0%, depending on the level of utilization of the borrowing capacity. The weighted average interest rates on the U.S. dollar and U.K. pound sterling borrowings outstanding at December 31, 1999 were 6.9% and 6.8%, respectively, and at December 31, 2000 were 7.5% and 6.8%, respectively. Azurix incurs commitment fees of 0.375% on the unused borrowing capacity of this facility. The facility terminates on May 10, 2002, but contains a clause permitting banks, with two-thirds or more of the commitments, to terminate at an earlier time if, in their reasonable opinion, changes have occurred resulting in a material adverse effect on the borrower's ability to repay the outstanding debt. Therefore, amounts outstanding under this facility are classified as short-term debt, except amounts refinanced subsequent to December 31, 1999 and 2000 through the issuance of long-term debt (see Note 8) and long-term mandatorily redeemable preferred stock (see Note 21). The facility contains restrictive covenants that include limitations on borrowings, maintenance of financial ratios such as interest coverage and debt to equity and contracts to perform or refrain from undertaking certain acts. The facility includes customary events of default, including non-payment, cross-defaults and insolvency and prohibits Azurix Europe from paying dividends.

As of December 31, 1999 and 2000, Azurix, through Wessex, had $15.8 million and $6.0 million, respectively, outstanding under credit facilities with major commercial banks on an uncommitted basis. Interest accrues on the uncommitted facilities based on the market rate plus a negotiated margin. The interest rate on the uncommitted bank borrowings outstanding as of December 31, 1999 and 2000 was 5.2% and 5.5%, respectively.

In connection with the funding of the Buenos Aires concession acquisition (see Note 3), Azurix, through its indirect wholly owned subsidiary, Azurix Buenos Aires S.A., entered into a credit agreement and borrowed $394.0 million in June 1999. The agreement was between Azurix Buenos Aires and Westdeutsche Landesbank Girozentrale, a German bank, as the agent and lender. The loan was secured by cash and other short-term liquid investments in
the aggregate amount of $407.7 million as of December 31, 1999, which Azurix deposited into a cash collateral account, including interest earned on amounts deposited, and pledged as security for the loan (see Note 4). In April 2000, Azurix used proceeds from the cash collateral account to repay the $394.0 million bank loan and related interest of $19.7 million (see Note 4).

On September 29, 1999, Azurix entered into a 364-day $150.0 million unsecured revolving credit facility with a group of banks. The facility, as subsequently amended, was scheduled to mature in September 2000. As of December 31, 1999, $150.0 million was outstanding under the facility and the borrowings were primarily used to reduce other debt obligations and finance acquisitions. The weighted average interest rate on borrowings outstanding under this facility at December 31, 1999 was 7.7%. Azurix used a portion of the proceeds from the long-term senior notes issued in February 2000 to repay all amounts outstanding under this facility (see Note 8). Accordingly, the borrowings under this facility at December 31, 1999 were reclassified as long-term. Azurix terminated the facility in March 2000.

Azurix, through Azurix Europe, had outstanding U.K. pound sterling denominated loan notes as of December 31, 1999 and 2000 of $101.3 million and $0.8 million, respectively. The loan notes were issued to Wessex shareholders in lieu of cash consideration for the ordinary shares purchased in the Wessex acquisition (see Note 3). The loan notes are redeemable, at the option of the holder, semiannually beginning September 30, 1999, with final redemption occurring September 30, 2005. The loan notes may be redeemed at the holders' option within one year, and therefore, are potential current obligations. At December 31, 1999 and 2000, the loan notes are secured by the Azurix Europe credit facility. As a result of a subjective acceleration clause contained in that facility as discussed above, the loan notes are classified as short-term at December 31, 1999 and 2000. Interest on the loan notes accrues at the London interbank offered rate and is payable semiannually. The interest rates for the period the loan notes were outstanding during 1999 and 2000 was 5.9% and 6.3%, respectively.

At December 31, 1999 and 2000, Azurix, through various subsidiaries, had other short-term borrowings outstanding of $2.3 million and $0.2 million, respectively.

NOTE 8 - LONG-TERM DEBT AND LONG-TERM DEBT - AFFILIATES

The components of long-term debt are as follows:

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999</td>
<td>2000</td>
</tr>
<tr>
<td>(In millions)</td>
<td>(In millions)</td>
<td></td>
</tr>
<tr>
<td>Amounts reclassified from short-term debt (see Note 7)</td>
<td>$ 536.0</td>
<td>$ 102.8</td>
</tr>
<tr>
<td>Azurix Corp. senior notes</td>
<td>-</td>
<td>589.6</td>
</tr>
<tr>
<td>Wessex senior unsecured bonds</td>
<td>479.2</td>
<td>444.3</td>
</tr>
<tr>
<td>Wessex European Investment Bank credit facilities</td>
<td>223.1</td>
<td>201.7</td>
</tr>
</tbody>
</table>

002000000001209
Capital lease obligations  86.3  61.9
Other  12.1  26.5
Less current maturities  1,336.9  1,426.8
(35.0)  (80.7)
Total long-term debt  $1,301.9  $1,346.1

In February 2000, Azurix issued U.S. dollar and U.K. pound sterling senior notes with a U.S. dollar equivalent face value at December 31, 2000 of $589.6 million. The senior notes consisted of $240.0 million and GBP100.0 million, each due in 2007 and bearing an interest rate of 10.375%, and $200.0 million due in 2010 and bearing an interest rate of 10.75%. Net proceeds after underwriters' discount and other offering costs were $583.1 million. Of this amount, $150.0 million was used to pay down the Azurix revolving credit facility, $386.0 million was used to pay down the Azurix Europe credit facility and $18.1 million was used to pay down amounts outstanding under the credit agreement with Enron. In addition, $11.5 million was used to pay accrued interest on the three credit facilities. The remaining proceeds were made available for general corporate purposes. The senior notes were issued under an indenture that contains certain covenants that limit Azurix's ability to incur additional debt, pay dividends or make other distributions, incur liens on its assets, enter into sale/leaseback transactions, enter into transactions with affiliates, or sell assets to, or merge with, another entity.

In March 1999, Azurix, through a wholly owned subsidiary of Wessex, issued U.K. pound sterling denominated senior unsecured bonds with a face value of $484.8 million and $448.7 million as of December 31, 1999 and 2000, respectively. The net proceeds were primarily used to refinance all short-term bank borrowings that were outstanding on the date of issue. The bonds mature on March 30, 2009 and bear interest at a rate of 5.875% payable annually.

The European Investment Bank credit facilities consist of four separate loans. The U.S. dollar denominated loan has a floating interest rate based on the London interbank offered rate less 0.25%, is due October 2001 and had an outstanding balance of $48.5 million and $44.9 million at December 31, 1999 and 2000, respectively. The weighted average interest rate on the U.S. dollar loan was 5.1% and 6.2% for the years ended December 31, 1999 and 2000, respectively. The Italian lira denominated loan bears interest at 11.6% per annum, is payable in semiannual installments through June 2002 and had an outstanding balance of $13.1 million and $7.3 million at December 31, 1999 and 2000, respectively. The other two obligations are U.K. pound sterling denominated and were entered into in 1999. Interest on one of the U.K. pound sterling denominated obligations is based on the London interbank offered rate less 0.13%, is payable in full in December 2005 and had an outstanding balance of $126.6 million and $117.2 million at December 31, 1999 and 2000, respectively. Interest on this loan was 5.9% for the period outstanding in 1999 and 6.0% in 2000. The other U.K. pound sterling denominated obligation bears interest based on the London interbank offered rate less 0.10%, is payable in full in December 2005 and had an outstanding balance of $34.9 million and $32.3 million at December 31, 1999 and 2000, respectively. The interest rate on this loan was 5.9% for the period outstanding in 1999 and 6.1% in
2000.

At December 31, 2000, future minimum lease payments under capital leases total $69.4 million, including $7.5 million representing interest. At December 31, 2000, $150.7 million of historical cost and $26.5 million of related accumulated depreciation are recorded under capital leases and included in property, plant and equipment.

At December 31, 1999 and 2000, Azurix, through various subsidiaries, had other long-term debt outstanding of $12.3 million and $26.5 million, respectively.

Each of these financing agreements contains certain restrictive covenants, including among other things, limitations on borrowings, the maintenance of certain financial ratios such as interest coverage, net worth and debt to equity and contracts to perform or refrain from undertaking certain acts. The financing contracts include standard events of default, including non-payment, cross-defaults and insolvency. Azurix is currently in compliance with these covenants.

At December 31, 2000, long-term debt and capital lease obligation maturities over the next five years were $80.7 million in 2001, $101.8 million in 2002, $4.7 million in 2003, $3.7 million in 2004 and $120.1 million in 2005.

Azurix has entered into interest rate and currency swap contracts related to certain outstanding debt instruments (see Note 9).

Effective May 1, 1999, Azurix entered into a credit agreement with Enron, which was amended as of January 24, 2000. Under this agreement, Enron loaned funds to Azurix for general, administrative and operating expenses. As of December 31, 1999 and 2000, $53.3 million and $103.1 million, respectively, was outstanding under this credit agreement. The credit agreement originally terminated on the earlier of December 15, 2001 or 90 days following the date that Enron does not own or have the power to vote at least one-third of Azurix's capital stock ordinarily entitled to vote for the election of directors and fewer than one-third of Azurix's directors are officers, directors or employees of Enron. The total commitment under the credit agreement would not exceed $60 million, $120 million and $180 million at any time during the years 1999, 2000 and 2001, respectively. Advances under the credit agreement bear interest at the federal funds rate plus 1.50%. The effective interest rate on these borrowings in 1999 and 2000 was 6.8% and 8.1%, respectively. In January 2001, Azurix borrowed $40.0 million under the Enron credit agreement and paid down that portion of the Azurix Europe credit facility that can be used by Azurix for general corporate purposes. Interest expense recorded for 1999 and 2000 was $2.2 million and $7.6 million, respectively. In addition, on March 16, 2001, the then outstanding balance of the Enron credit agreement of $180 million was retired through the issuance to Enron of mandatorily redeemable preferred stock and the credit agreement was terminated. As a result, the balance outstanding at December 31, 2000 under the credit agreement was classified as long-term debt - affiliates and not as current maturities of long-term debt - affiliates.
Atlantic Water and Azurix use derivative financial instruments in the normal course of their businesses for purposes other than trading. These financial instruments include interest rate, currency swap and forward foreign exchange contracts. At December 31, 2000, Azurix had U.K. pound sterling interest rate swap contracts having a total notional principal amount of $272.4 million. Interest rate swap contracts relating to notional principal amounts of $179.4 million and $93.0 million terminate in 2001 and 2002 through 2009, respectively. At December 31, 2000, Azurix had cross-currency swap contracts to exchange U.S. dollars of $51.0 million to U.K. pound sterling of GBP30.0 million, which expires in 2001, and Italian lire of 10.7 billion to U.K. pound sterling of GBP4.9 million, which expires in 2002. At December 31, 2000, Azurix had forward foreign exchange contracts having a total notional principal amount of $5.5 million which terminate in 2001. In addition, Atlantic Water also has a currency option agreement with Enron whereby Atlantic Water can exchange U.K. pounds sterling up to GBP73.0 million for U.S. dollars at an exchange rate of $1.71233 to GBP1.00. This agreement expires in 2001.

The carrying amount of cash and cash equivalents, trade accounts receivable (net of an allowance for doubtful accounts), affiliate notes and interest receivable, accounts payable and accruals and short-term debt approximates their fair value due to their short-term nature. The fair value of long-term debt and affiliate long-term debt is based on the quoted market prices for the same or similar issues or on the current rates offered to Azurix for debt of the same remaining maturities. The fair value of currency swap, forward exchange and interest rate swap contracts shown below was determined based on a model which estimates the fair value of these contracts using market rates in effect at each respective date or was based on quoted market prices for similar instruments with similar maturities. Judgment is necessarily required in interpreting market data and the use of different market assumptions or estimation methodologies may affect the estimated fair value amounts. The comparison of estimated fair value and carrying amount are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 1999</th>
<th>December 31, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt (including current maturities)</td>
<td>(In millions)</td>
<td></td>
</tr>
<tr>
<td>Estimated fair value</td>
<td>$1,219.8</td>
<td>$1,136.6</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>1,338.1</td>
<td>1,430.9</td>
</tr>
<tr>
<td>Long-term debt - affiliates (including current maturities)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated fair value</td>
<td>54.6</td>
<td>103.5</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>53.3</td>
<td>103.1</td>
</tr>
<tr>
<td>Derivatives:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated fair value</td>
<td>7.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Currency swap contracts(1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

00200000001212
Estimated fair value  (2.8)  2.9
Carrying amount      (1.2)  (4.1)
Forward exchange contracts
  Estimated fair value (0.8)  (0.3)
  Carrying amount    -      -
Currency option agreement - affiliate
  Estimated fair value  7.1  0.2
  Carrying amount     7.1  0.2

<fn>(1) The sum of the carrying amount for long-term debt and the currency swaps, as indicated above, equals long-term debt including current maturities (see Note 8).
</fn>

Atlantic Water and Azurix are exposed to certain risks due to the nature of derivative financial instruments. In the event of non-performance by third parties, the amounts of interest rate, forward exchange and currency swap contracts are potentially subject to credit risk. Third parties to these contracts are major commercial banks with high-quality credit ratings. Accordingly, Atlantic Water does not anticipate non-performance by any of these counterparties on these financial instruments. Atlantic Water is exposed to market risk in the form of foreign exchange rate and interest rate risks. Several variable and fixed rate loans in foreign currencies are hedged through a combination of cross-currency swaps, forward exchange contracts and interest rate swaps.

NOTE 10 - INCOME TAXES

As discussed in Note 1, Atlantic Water and its wholly owned subsidiary, Bristol, are not taxable entities for U.S. federal income tax purposes. The following information relates to Azurix's activities.

The components of income before minority interest and income taxes are as follows:

<TABLE>
<CAPTION>
November 30, 1998
(Date of Inception)
to December 31, Year Ended December 31, 1998 1999 2000
(In millions)

<table>
<thead>
<tr>
<th></th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$(2.0)</td>
<td>$(86.5)</td>
<td>$(121.6)</td>
</tr>
<tr>
<td>United States trust income not subject to tax</td>
<td>0.9</td>
<td>43.7</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Foreign</td>
<td>7.7</td>
<td>152.5</td>
<td>(351.8)</td>
</tr>
<tr>
<td></td>
<td>$ 6.6</td>
<td>$109.7</td>
<td>$(474.8)</td>
</tr>
</tbody>
</table>
</TABLE>

<TABLE>
<CAPTION>
November 30, 1998
(Date of Inception)
to December 31, Year Ended December 31, 1998 1999 2000
(In millions)

<table>
<thead>
<tr>
<th></th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$(2.0)</td>
<td>$(86.5)</td>
<td>$(121.6)</td>
</tr>
<tr>
<td>United States trust income not subject to tax</td>
<td>0.9</td>
<td>43.7</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Foreign</td>
<td>7.7</td>
<td>152.5</td>
<td>(351.8)</td>
</tr>
<tr>
<td></td>
<td>$ 6.6</td>
<td>$109.7</td>
<td>$(474.8)</td>
</tr>
</tbody>
</table>
</TABLE>
### 1998 Income Tax Expense

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax expense:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$ -</td>
<td>$ 0.9</td>
<td>$ -</td>
</tr>
<tr>
<td>State</td>
<td>-</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Foreign</td>
<td>0.7</td>
<td>14.1</td>
<td>7.9</td>
</tr>
<tr>
<td></td>
<td>0.7</td>
<td>15.3</td>
<td>8.1</td>
</tr>
<tr>
<td>Deferred tax expense (benefit):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>-</td>
<td>(33.1)</td>
<td>(39.3)</td>
</tr>
<tr>
<td>State</td>
<td>-</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td>Foreign</td>
<td>2.0</td>
<td>39.2</td>
<td>48.8</td>
</tr>
<tr>
<td></td>
<td>2.0</td>
<td>6.2</td>
<td>9.5</td>
</tr>
<tr>
<td>Total income tax expense</td>
<td>$2.7</td>
<td>$ 21.5</td>
<td>$ 17.6</td>
</tr>
</tbody>
</table>

Income tax benefit for the components of other comprehensive loss was $0.3 million and $0.1 million for the years ended December 31, 1999 and 2000, respectively.

The differences between taxes computed at the U.S. federal statutory tax rate and Atlantic Water's effective income tax rate are as follows (dollars in millions):

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statutory federal income tax provision</th>
<th>$2.3</th>
<th>35.0%</th>
<th>$38.4</th>
<th>35.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. loss not benefited (valuation allowance reversal)</td>
<td>0.7</td>
<td>10.4%</td>
<td>(5.1)</td>
<td>(4.6)%</td>
</tr>
<tr>
<td>Trust income not subject to tax</td>
<td>(0.3)</td>
<td>(4.5)%</td>
<td>(15.3)</td>
<td>(13.9)%</td>
</tr>
<tr>
<td>Foreign subsidiary company losses not benefited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nondeductible goodwill amortization</td>
<td>0.3</td>
<td>4.5%</td>
<td>6.3</td>
<td>5.7%</td>
</tr>
<tr>
<td>Consolidated foreign earnings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>taxes at other than the U.S.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
rate
(7.1) (1.5)
Equity income (loss) of foreign investment
- - (0.5) (0.5)
13.6 2.9
Minority interest
- - (0.3) (0.3)
(1.1) (0.2)
Other
- - 0.5 0.5
3.9 0.8
Total income tax expense $ 2.7 40.9% $ 21.5 19.6%
$ 17.6 3.7%
</TABLE>

The principal components of Azurix's net deferred income tax liability are as follows:

<TABLE>
<CAPTION>
December 31,
1999 2000
(In millions)
</CAPTION>
<HEAD>
Deferred income tax assets:
</HEAD>
<ROW>
U.K. Advance Corporation Tax (ACT) carryforward
$ 67.8 $ 23.2
</ROW>
<ROW>
U.S. tax loss and start-up expenditure carryforwards
36.3 80.6
</ROW>
<ROW>
Foreign net operating loss carryforwards
13.0 9.7
</ROW>
<ROW>
Tax credits in foreign jurisdictions
2.8 7.4
</ROW>
<ROW>
Basis differences in concession intangibles, property, plant and equipment and Other
7.9 163.4
</ROW>
<ROW>
Valuation allowance
(4.8) (180.5)
</ROW>
<ROW>
Total deferred tax assets
123.0 103.8
</ROW>
<HEAD>
Deferred income tax liabilities:
</HEAD>
<ROW>
Basis differences in property, plant and equipment
(515.1) (466.8)
</ROW>
<ROW>
Liabilities not recognized for tax purposes and Other
(1.6) (6.0)
</ROW>
<ROW>
Total deferred tax liabilities
(516.7) (472.8)
</ROW>
<ROW>
Net deferred tax liabilities
$ (393.7) $ (369.0)
</ROW>
</TABLE>

Atlantic Water's results of operations for the year ended December 31, 2000 included the impairment of the equity method investment of the Mendoza concession company of $55.0 million and the impairment of long-lived assets at the Buenos Aires concession of $389.5 million. Due to the significant uncertainty regarding the Argentine investments (see Note 18), no deferred tax benefits were recorded for these impairments. In addition, at December 31, 2000, Azurix determined that a valuation allowance on its prior and current year Argentine deferred tax assets was required, resulting in a fourth quarter 2000 tax expense of $18.5 million.

Azurix had U.K. Advance Corporation Tax credit carryforwards at December 31, 2000 of approximately $23.2 million that can be used to offset U.K. taxes payable in future years. At December 31, 2000, the U.K. ACT credit had an indefinite carryforward period. At December 31, 2000, Azurix had foreign subsidiary company loss carryforwards of approximately $27.6 million. Due to
restrictions on the use of such loss carryforwards and uncertainty as to their ultimate usage, the related tax benefits have not been reflected in Atlantic Water's results of operations.

At December 31, 2000, Azurix had carryforwards of U.S. tax losses and start-up expenditures of approximately $230.2 million that will begin to expire in 2019. During 1998, Azurix recorded a valuation allowance on a deferred tax asset of approximately $5.1 million related to losses incurred in the United States. During the second quarter of 1999, Azurix determined that the available evidence attributable to the increased level of 1999 business activities (including consideration of the proceeds generated from the initial public offering and available U.S. tax planning strategies) indicated that it is more likely than not that the deferred tax asset associated with the 1998 U.S. losses will be realized. Accordingly, the valuation allowance of approximately $5.1 million was reversed in the second quarter of 1999. Management has determined that no valuation allowance is necessary for the U.S. losses generated through the year ended December 31, 2000 due to expected future income and available tax planning strategies.

U.S. and foreign income taxes have been provided for earnings of foreign subsidiary and affiliate companies that are expected to be remitted to the U.S. Foreign subsidiaries' and affiliates' cumulative undistributed earnings of approximately $277.7 million are considered to be indefinitely reinvested outside the United States and, accordingly, no U.S. income taxes have been provided thereon. In the event of a distribution of those earnings in the form of dividends, Azurix may be subject to both foreign withholding taxes and U.S. income taxes net of allowable foreign tax credits.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes and interest expense is as follows:

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Date of Inception)</td>
<td>1999</td>
</tr>
<tr>
<td>(In millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Interest expense</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>of amounts capitalized</td>
<td>$ -</td>
<td>$29.6</td>
</tr>
<tr>
<td></td>
<td>9.6</td>
<td>47.7</td>
</tr>
</tbody>
</table>

Non-cash Transactions

The capital transactions, equity distributions and sale of Azurix stock described in Note 2, and principal repayments on a note receivable from Enron described in Note 12 were non-cash transactions. The related receipts and disbursements were made through a trustee in accordance with the Trust Agreement.

00200000001216
2000, Azurix acquired assets by entering into capital leases totaling $5.4 million.

NOTE 12 - RELATED PARTY TRANSACTIONS

On December 17, 1998, Atlantic Water entered into two unsecured loan agreements with Enron whereby Enron will pay to Atlantic Water an aggregate of $249.0 million in six semi-annual installments beginning in June 1999. Each of the loan agreements accrues interest on the unpaid principal portion at 6.0% per annum. During 1999 and 2000, respectively, Enron funded to the trustee in accordance with the Trust Agreement, $83.0 million and $83.0 million in principal payments. These notes receivable are classified as non-current assets as the proceeds are not expected to be available to meet working capital requirements (see Note 17). The balance outstanding at December 31, 1999 and 2000 was $166.0 million and $83.0 million, respectively. Interest income of $0.6 million, $13.5 million and $8.5 million was recorded during 1998, 1999 and 2000, respectively.

In accordance with the terms of the Trust Agreement, Atlantic Water incurred general and administrative expenses of $7.3 million and $13.8 million related to administrative services provided by Enron during 1999 and 2000, respectively.

Enron and Azurix have entered into an agreement that limits the scope of Azurix’s business and provides that Enron and its affiliates may engage in water related businesses, even if those businesses have a competitive impact on Azurix. In general, Enron is permitted to engage in any business whatsoever, including water, wastewater and other businesses competing with Azurix, provided the business is conducted and opportunities are identified and developed through Enron’s own personnel and not through those of Azurix. If an opportunity in the water industry is presented to a person who is an officer or director of both Enron and Azurix, the opportunity must first be offered to Azurix, unless water constitutes a minority of the fair market value of the opportunity, as determined by that officer or director in good faith based on information available at the time.

During 1998, 1999 and 2000, Enron provided various services to Azurix. In 1999, Azurix signed agreements with Enron pursuant to which Enron will continue to provide such services which include among other things, information technology, office space, building maintenance, security and other office services as well as employee development, training, maintenance of compensation and other benefits programs and the use of Enron-owned aircraft. Azurix may utilize Enron’s regulatory affairs, marketing affairs, treasury and risk assessment and control departments. In addition, Azurix may continue to participate in Enron’s corporate insurance program. The agreement provides that Azurix may use the international offices of Enron and its affiliates for projects, subject to mutual agreement with Enron or its affiliates on a project-by-project basis. The agreement provides that Azurix will reimburse Enron for direct charges related to Enron services and facilities that it utilizes. Azurix is also allocated an amount for overhead charges related to Enron corporate staff and support services which it utilizes. This overhead charge is allocated based upon factors such as employee headcount, payroll and square footage. The agreement is for an indefinite term, but either
party may terminate the agreement on 180 days' notice. During 1998, 1999 and 2000, the expense recorded for these services was approximately $1.5 million, $6.6 million and $2.9 million, respectively.

Employees of Azurix are covered by various employee benefit plans of Enron such as medical, dental, life insurance and other benefit plans. These costs are allocated to Azurix based upon Enron's costs of administering and providing the benefit plans. During 1998, 1999 and 2000, the expense recorded under the plan arrangements was approximately $1.4 million, $2.3 million and $1.4 million, respectively.

Management believes the above allocation methods and costs are reasonable.

During 1998 and 1999, Enron advanced to Azurix $17.7 million and $53.4 million, respectively, related to office space and other services provided by Enron and the cost of various benefit plans for certain employees, each described above, and to fund Azurix's investment in and advances to its Cancun affiliate. The entire amount of the advances were repaid in June 1999 with the proceeds from Azurix's initial public offering of its common stock.

A former director of a subsidiary of Wessex owns certain assets utilized in the subsidiary's operations. The subsidiary was charged $0.1 million and $0.2 million for the use of those assets during 1998 and the period in 1999 while serving as a director, respectively.

Enron has made available letters of credit on behalf of Azurix's subsidiaries in the aggregate amount of approximately $16 million as of December 31, 1999. Azurix paid, or reimbursed Enron for, the fees associated with these letters of credit. There were no letters of credit made available by Enron on behalf of Azurix as of December 31, 2000.

During 1999 and through March 31, 2000, Enron guaranteed debt and letter of credit obligations of up to $25 million on behalf of Azurix North America to a bank under terms of the bank credit facilities in exchange for, among other things, the elimination of requirements for various assets to be pledged. As of December 31, 1999, $16.4 million of letter of credit obligations were outstanding under this credit facility, and thus guaranteed by Enron. While the guarantee was outstanding, Azurix paid a fee to Enron of $0.3 million per annum.

During 2000, Azurix provided certain services that included arranging, negotiating and structuring water supply arrangements for a project being developed by an Enron subsidiary. Revenues earned and received during 2000 related to these services were $1.1 million. Under a separate agreement with the Enron subsidiary, Azurix has agreed to provide future water supply and water management services to the project for a period of approximately 25 years. Future services to be provided under this agreement are contingent upon the Enron subsidiary receiving certain government approvals to proceed with its project.

Azurix has long-term debt with affiliates (see Note 6).
NOTE 13 - PENSION AND OTHER POSTRETIREMENT BENEFITS

Azurix has various pension plans through its subsidiaries which include both defined benefit and defined contribution plans.

During 1999, Wessex maintained three defined benefit pension plans that covered substantially all of its employees. On January 1, 2000, these plans were merged into a single plan. The plan assets are held in separate trustee administered funds and consist primarily of equity and debt securities. Wessex’s funding policy is to contribute to the plan sufficient to satisfy legal funding requirements. Azurix Buenos Aires maintains a defined benefit plan and Lurgi Bamag maintains a defined benefit plan and a postretirement benefit plan. These plans have no assets because Azurix Buenos Aires and Lurgi Bamag have not previously provided funding. The pension costs for these plans charged to the Consolidated Statements of Income (Loss) have been determined on the advice of independent qualified actuaries and are accrued over the service lives of the employees expected to be eligible to receive such benefits.

The weighted average assumptions used in the actuarial computations for the defined benefit plans of Wessex, Azurix Buenos Aires and Lurgi Bamag and the postretirement plan of Lurgi Bamag are shown below:

<TABLE>
<CAPTION>
Postretirement Benefits

<table>
<thead>
<tr>
<th>Pension Benefits</th>
<th>Year Ended December 31, 1999</th>
<th>Year Ended December 31, 2000</th>
<th>Year Ended December 31, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.8%</td>
<td>5.8%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>6.5%</td>
<td>6.8%</td>
<td>-</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.3%</td>
<td>3.5%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>
</TABLE>

For the measurement purposes of postretirement benefits, a 4.0% annual rate of increase in healthcare costs was assumed for the years ended December 31, 1999 and 2000.

The following represents the obligations, plan assets and funded status for the defined benefit pension plans and postretirement plan:

<TABLE>
<CAPTION>
Postretirement Benefits

<table>
<thead>
<tr>
<th>Pension Benefits</th>
<th>Year Ended December 31, 1999</th>
<th>Year Ended December 31, 2000</th>
<th>Year Ended December 31, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.8%</td>
<td>5.8%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>6.5%</td>
<td>6.8%</td>
<td>-</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>4.3%</td>
<td>3.5%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>
</TABLE>

002000000001219
<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2000 (In millions)</th>
<th>Year Ended 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999</td>
<td>2000</td>
</tr>
<tr>
<td><strong>Change in benefit obligation:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit obligation at beginning of period</td>
<td>$246.2</td>
<td>$289.3</td>
</tr>
<tr>
<td>$ 0.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligation acquired from business acquisitions</td>
<td>11.9</td>
<td>-</td>
</tr>
<tr>
<td>Service cost</td>
<td>7.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Past service cost</td>
<td>13.9</td>
<td>-</td>
</tr>
<tr>
<td>Interest cost</td>
<td>13.2</td>
<td>16.1</td>
</tr>
<tr>
<td>Plan participants' contributions</td>
<td>3.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Actuarial loss (gain)</td>
<td>8.4</td>
<td>7.4</td>
</tr>
<tr>
<td>(0.1) Benefits paid</td>
<td>(7.7)</td>
<td>(12.1)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(7.9)</td>
<td>(21.6)</td>
</tr>
<tr>
<td>Benefit obligation at end of period</td>
<td>$289.3</td>
<td>$289.8</td>
</tr>
<tr>
<td>$ 0.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change in plan assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets at beginning of period</td>
<td>$259.2</td>
<td>$290.2</td>
</tr>
<tr>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>40.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Employer contribution</td>
<td>1.9</td>
<td>15.8</td>
</tr>
<tr>
<td>Plan participants' contributions</td>
<td>3.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(7.6)</td>
<td>(11.5)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(7.3)</td>
<td>(21.6)</td>
</tr>
<tr>
<td>Fair value of plan assets at end of period</td>
<td>$290.2</td>
<td>$277.7</td>
</tr>
<tr>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Funded status:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>$290.2</td>
<td>$277.7</td>
</tr>
<tr>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>289.3</td>
<td>289.8</td>
</tr>
<tr>
<td>0.6 Funds</td>
<td>0.9</td>
<td>(12.1)</td>
</tr>
<tr>
<td>(0.6) Unrecognized past service cost</td>
<td>13.8</td>
<td>11.8</td>
</tr>
<tr>
<td>Unrecognized net actuarial gain (loss)</td>
<td>(22.5)</td>
<td>4.2</td>
</tr>
</tbody>
</table>
(0.1)
Prepaid benefit cost (accrued benefit liability) $ (7.8) $ 3.9 $(0.7)
</TABLE>

Net periodic benefit cost includes the following components:

<P> Table >
<P> Caption >
Postretirement Benefits

<table>
<thead>
<tr>
<th>Pension Benefits</th>
<th>Year Ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999</td>
<td>2000</td>
</tr>
<tr>
<td>(In millions)</td>
<td>1999</td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 7.8</td>
<td></td>
</tr>
<tr>
<td>Interest cost</td>
<td>$ 13.2</td>
<td></td>
</tr>
<tr>
<td>Amortization of prior service costs</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(16.3)</td>
<td></td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>$ 4.7</td>
<td></td>
</tr>
</tbody>
</table>

A 1% change in assumed healthcare cost trend rates would have the following effects for the year ended December 31, 2000:

<P> Table >
<P> Caption >

<table>
<thead>
<tr>
<th>1% Increase</th>
<th>1% Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In millions)</td>
<td></td>
</tr>
<tr>
<td>Effect on total service and interest cost components</td>
<td>$ -</td>
</tr>
<tr>
<td>Effect on post retirement benefit obligation</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Azurix North America contributes to defined contribution plans for a number of its employees in the U.S. and Canada. Contributions to these plans totaled $0.4 million during the period in 1999 that Azurix owned Azurix North America and $0.3 million in 2000. Contributions to the defined contribution plans are based on percentages of compensation varying from 1% to 15% of compensation, and in some instances are based upon the amount of the employees' contributions to the plans. In any event, contributions are limited to $3,000 per employee per annum.

Azurix North America also contributes to a multi-employer union pension plan for certain union employees. These contributions are based on amounts negotiated between the union
and the participating employers. There were no contributions related to the multi-employer plan during 1999 or 2000 because the plan is currently over funded.

NOTE 14 - STOCK PLANS

In February 1999, Azurix established a stock plan that provides for the granting or awarding of stock options and restricted stock to directors, officers and key employees of Azurix and members of the Azurix Board of Directors. Options granted may be either incentive stock options or non-qualified stock options and are granted at not less than the fair market value of the stock on the date of grant. At any particular time, the number of shares of common stock issued under the plan may not exceed 15% of the total number of shares of common stock outstanding. These stock options generally vest over three to five years and will be exercisable for 10 years after the date of grant. On March 16, 2001, all options and unvested restricted stock outstanding under the stock plan were cancelled (see Note 21).

Azurix applies Accounting Principles Board Opinion No. 25, "Accounting For Stock Issued To Employees," and related interpretations in accounting for stock options issued under the plan. Accordingly, no compensation expense has been recognized for the stock options granted. Had compensation cost been recognized based on the fair value of options granted at the grant dates for awards under the plan, Atlantic Water's net income (loss) for the years ended 1999 and 2000 would have been $62.2 million and $(325.2) million, respectively.

The fair value of options granted in 1999 and 2000 was estimated on the date of grant using the Black-Scholes option pricing model assuming no expected dividend yield, weighted average expected life of 3.8 years and 4.2 years, respectively, expected volatility of 82.5% and 57.4%, respectively, and a weighted average risk-free interest rate of 5.4% and 6.4%, respectively.

Summarized information for Azurix's stock option plan is as follows:

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted Average</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise Options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price (Options in Thousands)</td>
<td>Options</td>
<td>Price</td>
</tr>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Options outstanding, beginning of year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$13.79</td>
<td>12,374</td>
<td>$14.31</td>
</tr>
</tbody>
</table>

00200000001222
Exercised  
6.94  
Forfeited  
(2,121) 16.81  (4,917)  
14.42  
Options outstanding, end of year 10,253 13.79 7,101  
11.82  

Weighted average fair value of options granted 8.58 3.85  
</TABLE>

The following table summarizes information about stock options outstanding at December 31, 2000 (options in thousands):

<TABLE>
<CAPTION>

<table>
<thead>
<tr>
<th>Range of Exercise Prices</th>
<th>Options Outstanding</th>
<th>Weighted Average Remaining Life</th>
<th>Weighted Contractual Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4.00 to $7.63</td>
<td>3,742</td>
<td>9.4 years</td>
<td>$7.17</td>
</tr>
<tr>
<td>14.25 to 21.56</td>
<td>3,359</td>
<td>8.1 years</td>
<td>16.99</td>
</tr>
</tbody>
</table>

</TABLE>

NOTE 15 - EXTRAORDINARY LOSS

In May 1999, Azurix Europe retired borrowings under its former senior credit facility and terminated the facility prior to its maturity. Unamortized deferred financing fees related to this facility of $9.8 million ($6.8 million net of tax benefit) were charged to income as an extraordinary loss.

NOTE 16 - RESTRUCTURING CHARGE

In 1998, Azurix adopted a business strategy focused on growth through acquisitions and development projects around the world. During the fourth quarter of 1998 and the first half of 1999, Azurix initiated a business development effort requiring increased personnel to pursue and support acquisition and privatization activities worldwide. The initiative was based on Azurix’s expectations as to the size, number, location and timing of privatization projects that would be awarded in 1999, 2000 and beyond. During the second half of 1999, several large privatization projects were postponed or cancelled. In the fourth quarter of 1999, Azurix reevaluated its cost structure in relation to its business development efforts. As a result, Azurix announced a plan to restructure its operations, which resulted in Azurix recording a one-time, pre-tax expense totaling $34.2 million in the fourth quarter of 1999. The restructuring plan included reducing personnel, reducing leased office space and eliminating other costs relating to the pursuit of concessions in certain regions.

The restructuring plan was completed in the fourth quarter of 2000 and involved the elimination of 213 employee positions working in the concession acquisition effort. Certain employee contracts allowed Azurix to make payments for up to five years.
The restructuring liability of $5.4 million at December 31, 2000 is related to these long-term severance agreements and $2.7 million has been classified in "Accounts payable and accruals" and $2.7 million has been classified in "Other long-term liabilities" on the Consolidated Balance Sheet. There were no adjustments necessary to the restructuring liability during the year ended December 31, 2000.

NOTE 17 - TRUST EQUITY

Beneficial Interest

During 1998, Atlantic Water issued both Class A and Class B Beneficial Interests (see Note 2).

Equity Allocations and Distributions

In accordance with the terms of the Trust Agreement, the holders of the Class A and Class B Beneficial Interests share disproportionately in cash distributions during the life of the Trust, or upon liquidation rather than based upon the respective voting ownership percentages in Atlantic Water. The holder of the Class A Beneficial Interest will receive distributions on a priority basis or pro rata with the Class B Beneficial Interest, based on various factors described in the Trust Agreement.

Atlantic Water is required to make an equity distribution to Marlin semi-annually. Payments of the equity distributions totaled $75.7 million and $69.1 million in 1999 and 2000, respectively.

NOTE 18 - ASSET IMPAIRMENTS

In 1999, Azurix, through its subsidiary Azurix Buenos Aires S.A., was awarded and assumed operations of a water and wastewater concession in the Province of Buenos Aires, Argentina. In addition to the $438.6 million paid to the provincial government to acquire the concession contract, under the terms of the concession contract, Azurix is required to complete an investment program which it began in 1999. Azurix currently owns 99% of Azurix Buenos Aires.

Azurix believes that the provincial government has violated the terms of the concession contract through such acts as limiting the amount Azurix can charge customers to levels below those specified in the concession contract and failing to complete and deliver infrastructure and other assets, including algae treatment works at Bahia Blanca. Azurix notified the provincial government of these and other violations in 2000. These violations have negatively impacted concession cash flows, ability to raise capital to fund the investment program of the concession and ability to provide services to the concession customers.

Failure by the provincial government to comply with the terms of the concession contract, lack of progress in reaching resolution on these issues, despite oral assurances from provincial officials to reach resolution by year-end 2000, and prominent government officials publicly stating that Azurix should be removed as operator of the concession during the last week of 2000, resulted in Azurix evaluating its investment in the
concession and related property, plant and equipment for impairment. Based on this review, in the fourth quarter of 2000, Azurix adjusted the carrying values of the concession intangible and related property, plant and equipment to their fair value by recording an impairment of $389.5 million (pre-tax and after-tax) which is included in "Impairment of long-lived assets" in the Consolidated Statements of Income (Loss). Fair value was determined based on the present value of expected future cash flows from the concession, discounted using a risk-adjusted rate.

During 2000, there were water supply and quality problems experienced by areas within the concession, which Azurix attributes to failure of the Province to meet the terms of the concession agreement. In addition, there was negative publicity generated from growing political opposition as discussed above. Azurix recorded an additional charge of $11.0 million (pre-tax and after-tax) in the fourth quarter of 2000 to reflect the impact of these items on accounts receivable collections. This amount is included in "Operations and maintenance" expense in the Consolidated Statements of Income (Loss).

As a result of the review of future cash flows discussed above, Azurix believes that sufficient uncertainty exists regarding the realizability of Argentine tax loss carryforwards such that a valuation allowance was appropriate at December 31, 2000 (see Note 10). This resulted in an additional tax expense of $18.5 million in the fourth quarter of 2000.

Azurix has a 32.1% equity method investment in Obras Sanitarias Mendoza S.A., which owns a water and wastewater concession in the Province of Mendoza, Argentina. As a result of events related to its investment in the concession in the Province of Buenos Aires, Argentina discussed above, Azurix evaluated the fair value of its investment in the Mendoza concession. Fair value was determined based on the present value of expected future cash flows from the concession, discounted using a risk-adjusted rate. The resulting fair value was less than Azurix's carrying value and this loss in value was determined to be other than a temporary decline. Accordingly, Azurix recorded an impairment of $55.0 million (pre-tax and after-tax) in the fourth quarter of 2000. This amount is included in "Impairment of investment in unconsolidated affiliate" in the Consolidated Statements of Income (Loss).

During 2000, Azurix decided to sell its investment in its e-business marketplace WaterDesk.com™. An initial attempt to sell WaterDesk as a public marketplace solution for the water and wastewater industry was terminated in the fourth quarter of 2000. Azurix is currently attempting to sell WaterDesk as a private marketplace or an internal procurement tool for one or several companies to conduct inter-company commerce. Azurix believes the fair market value of WaterDesk used in this latter capacity has a lower value than if it were utilized as a public marketplace solution for the entire water and wastewater industry. As a result, Azurix recorded in the fourth quarter of 2000, a $12.3 million pre-tax impairment of its long-lived assets that comprise WaterDesk. This amount is included in "Impairment of long-lived assets" in the Consolidated Statements of Income (Loss).

NOTE 19 - RESTRICTED NET ASSETS OF SUBSIDIARIES
Certain subsidiaries of Atlantic Water have governmental and regulatory restrictions or approvals required in order to pay dividends or to make intercompany loans and advances to it. The amount of restricted net assets of Atlantic Water subsidiaries at December 31, 1999 and 2000 is approximately $1.6 billion.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Commitments

Azurix leases office space from Enron (see Note 12). Azurix has no contractual obligation under these office lease agreements but pays to Enron the amount determined in the lease or the contract rate applied to square footage occupied. Azurix incurred rent expense to Enron for office space totaling $0.3 million, $1.7 million and $1.8 million in 1998, 1999 and 2000, respectively.

Azurix leases property under various operating leases. Rental expense related to these leases for the years ended December 31, 1998, 1999 and 2000 were $0.2 million, $2.1 million and $7.4 million, respectively. Future minimum operating lease payments as of December 31, 2000, in the aggregate and for each of the five succeeding fiscal years, are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Lease Payments (In millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$ 4.7</td>
</tr>
<tr>
<td>2002</td>
<td>4.0</td>
</tr>
<tr>
<td>2003</td>
<td>3.1</td>
</tr>
<tr>
<td>2004</td>
<td>1.7</td>
</tr>
<tr>
<td>2005</td>
<td>0.3</td>
</tr>
<tr>
<td>2006 and beyond</td>
<td>0.2</td>
</tr>
<tr>
<td>Total Minimum Lease Payments</td>
<td>$14.0</td>
</tr>
</tbody>
</table>

Azurix, through Wessex and Azurix Buenos Aires, as owner of government regulated water and wastewater concessions, is required to undertake a significant capital investment program to meet statutory water quality and environmental standards. It is currently estimated that the capital expenditure programs at Wessex and Azurix Buenos Aires, along with the capital expenditure commitments of other Azurix subsidiaries, will require expenditures over the next five years of approximately $1.4 billion.

The former parent of Lurgi Bamag had guaranteed reimbursement obligations for approximately $27 million of letters of credit issued on behalf of Lurgi Bamag. Azurix has agreed to indemnify the former parent of any payments under that guarantee.

Azurix has contingent payment obligations to former owners of acquired entities under certain negotiated formulas. Currently, Azurix cannot assess the likelihood that payments under these obligations will occur.

Litigation

Azurix is involved in various claims and lawsuits, the
significant items of which are discussed below. Although no assurances can be given, Azurix believes, after considering appropriate reserves that have been established and except where noted below, that the ultimate resolution of such items will not have a material adverse effect on its financial position or results of operations.

As previously reported in Azurix's Annual Report on Form 10-K for the year ended December 31, 1999 and other filings, on November 1, 1999, Synagro filed a lawsuit against Azurix styled Synagro Technologies, Inc. v. Azurix Corp., in the 270th Judicial District Court of Harris County, Texas. The lawsuit relates to various agreements between the parties regarding potential business transactions and the possible acquisition by Azurix of two subsidiaries of Waste Management, Inc., commonly called BioGro. On May 9, 2000, Synagro filed its First Amended Petition in the District Court seeking (i) damages in excess of $57 million resulting from the alleged breach by Azurix to purchase up to $23 million of Synagro convertible preferred stock and (ii) unspecified damages resulting from Azurix's alleged breach of confidentiality and standstill agreements. On August 4, 2000, Azurix filed its First Amended Answer and Counterclaim (i) denying all of the material allegations contained in Synagro's First Amended Petition and (ii) seeking damages in excess of $175 million for misrepresentations by Synagro that induced Azurix to agree to restrictions on its ability to purchase BioGro and to enter into negotiations with Synagro and Synagro's interference with Azurix's acquisition of BioGro. Azurix intends to continue to vigorously defend itself against Synagro's claims and to continue to pursue its claims for damages resulting from Synagro's conduct regarding BioGro. The parties have agreed to a trial date in September 2001. Although no assurances can be given, Azurix believes that the ultimate resolution of this litigation will not have a material adverse effect on its financial position or results of operations.

On October 6, 2000, a lawsuit was filed in the United States District Court for the Southern District of Texas, Houston Division, by Irving Rosenzweig, on behalf of himself and others similarly situated, against Azurix Corp., Enron Corp. and certain of their officers and directors. The suit is a purported class action filed on behalf of those persons who purchased the common stock of Azurix during the period from June 9, 1999, the date of Azurix's initial public offering, through and including August 8, 2000. The suit generally alleges that the defendants violated Sections 11, 12(a) and 15 of the Securities Act of 1933, Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5. The plaintiff contends that the defendants issued and disseminated materially false and misleading information to the plaintiff and the investing public in connection with Azurix's initial public offering and during the class period. The plaintiff seeks rescissory and/or compensatory damages, interest and costs, including attorneys and experts fees. The plaintiff also seeks extraordinary and/or injunctive relief, including attaching, impounding, imposing a constructive trust upon or otherwise restricting the proceeds of defendants' trading activities or their other assets so as to assure that plaintiffs have an effective remedy. Several similar actions have been filed in the United States District Court for the Southern District of Texas and have been consolidated. These lawsuits are subject to the Private Securities Litigation Reform Act of 1995 and in each
case the plaintiff seeks to have the action certified as a class action with plaintiff as the class representative. Azurix intends to deny the allegations in each complaint and defend these cases vigorously. At this early stage of the litigation, it is not possible to estimate potential damages, if any. If liability were established, an unfavorable judgment or settlement could have a material adverse effect on Azurix's financial position and results of operations.

On October 27, 2000, a lawsuit was filed in the Court of Chancery in the State of Delaware, New Castle County, by Thomas Turberg against Azurix Corp., Enron Corp., and certain of their officers and directors. The suit is a purported class action filed on behalf of Azurix's public shareholders for the purpose of enjoining a transaction proposed by Enron for taking Azurix private at a price of $7.00 for each of Azurix's publicly held shares. The letter from Enron making this proposal and the related press release issued by Azurix were filed with the Securities and Exchange Commission on October 27, 2000, as exhibits to Azurix's Current Report on Form 8-K. The suit generally alleged that the buy-out price of $7.00 per share was unconscionable and unfair and grossly inadequate and that the defendants have breached their duties of loyalty and care with respect to Azurix's public shareholders. The plaintiff sought a judgment (i) enjoining the acquisition under the terms proposed in the letter; (ii) to the extent the transaction is consummated prior to a final judgment, rescinding the transaction or awarding rescissory damages to the class; (iii) directing that the defendants account to the plaintiff and the class for all damages caused to them and account for all profits and any special benefits obtained by the defendants as a result of their alleged unlawful conduct; (iv) awarding to the plaintiff the costs and disbursements of the lawsuit, including a reasonable allowance for attorney fees and expenses; and (v) granting such other and further relief as the court deems appropriate. Six similar actions were subsequently filed in the Court of Chancery in the State of Delaware, New Castle County and all Delaware actions have been consolidated into a single action. In addition, a similar action was filed in the 55th Judicial District Court of Harris County, Texas. Certain of the actions filed in the Delaware court have added Atlantic Water as a defendant. On December 13, 2000, the parties to the litigation executed a Memorandum of Understanding that settled both the Delaware and Texas actions in principle. Under the proposed settlement, the defendants acknowledged that the prosecution of the litigation was a material factor in causing Enron to increase the merger consideration from $7.00 to $8.375 per share. The proposed settlement provides that the defendants will not oppose plaintiffs' application for attorneys' fees and expenses up to $2.25 million, which Enron has agreed to pay. The proposed settlement is subject to the execution of definitive settlement documents, confirmatory discovery, and court approval.

Issues regarding water quality or quantity have arisen in various areas served by Azurix Buenos Aires. Azurix believes these episodes for the most part are due to failures by the Province to deliver infrastructure that it committed to deliver under the concession contract. In a few instances, customers of Azurix Buenos Aires have filed claims for damages due to allegedly inadequate water quality. Although to date these claims have not been for material amounts, other claims regarding
quality or quantity may be filed in the future, the amount of which Azurix cannot predict. Azurix would defend any such claims vigorously, if made, and would seek to have the Province of Buenos Aires brought in as a defendant and reimbursement from the Province for any liability, if assessed. Because no material claims have been asserted to date, Azurix is not in a position to assess the likelihood of assertion or of Azurix Buenos Aires prevailing on those claims.

Regulation

Azurix is subject to extensive federal, foreign, state and local environmental laws and regulations. Azurix anticipates future changes in, or decisions affecting, regulatory regimes that will serve to expand or tighten regulatory controls. Some of these changes or decisions could have a material adverse effect on its financial position and results of operations.

Most of Azurix's revenues are subject to governmental regulation of the rates that it charges to its customers. On November 25, 1999, the U.K. water regulator, the Director General of Water Services, announced price limits for U.K. water companies for the period April 1, 2000 through March 31, 2005. Wessex was notified of a determination of a 12.0% price cut effective April 2, 2000, before adjustment for inflation. The announcement included level prices through March 2003 with annual price increases effective April 1, 2003 of 3.6% and April 1, 2004 of 4.7%, before adjustment for inflation. Wessex's regulated operating revenues represented approximately 53% of Azurix's total operating revenues for the year ended December 31, 2000. The outcome of the periodic review is expected to reduce Wessex's regulated operating revenues from 1999-2000 to 2000-2001 by 12.0%, before adjustment for inflation (or by approximately 10% after adjustments for inflation and other factors), and thus materially reduce Azurix's cash flow and earnings. However, Azurix does not expect this will have a material adverse effect on its financial position.

Wessex currently has a virtual monopoly over water supply and wastewater services within its service region, with the exception of the areas around and including the cities of Bristol and Bournemouth and a small area of rural Wiltshire, where three other companies provide only water and Wessex provides wastewater services. This may change in the future, however, as the U.K. Government and the Director are seeking to increase competition in the water sector.

At the end of 2000, the U.K. government published new proposals. The key features include, among other things, that the Director would have the primary duty to protect consumer interests, which can include promoting competition, that competition would be reviewed in light of industry proposals on restructuring, increased level of fines, that companies would be required to provide consumers with comparative performance data and licenses for abstracting water would be reformed, including placing time limits on licenses, allowing civil actions for damages caused by abstraction and ending compensation for removal of a license after 2012. The final contents of this legislation and the timing of its enactment are uncertain, but it is unlikely to take effect prior to 2002.
In connection with Wessex's most recent periodic review of price limits, the Director has estimated that the cost of the capital expenditures that Wessex will be required to make during the period 2000 to 2004, will be approximately GBP764 (\$1,143) million. The determination assumed an after-tax cost of capital for Wessex of 4.75%.

Azurix believes that the provincial government of Buenos Aires has failed to permit Azurix Buenos Aires to charge rates in accordance with the tariff set by the concession contract and to deliver infrastructure and other assets as required by the concession contract, thereby affecting its ability to raise capital and to serve its customers. Negotiations with the province thus far have failed to result in resolution of disputed items, despite oral assurances from provincial officials to Azurix Buenos Aires management that various matters would be resolved by the end of 2000, including allowing Azurix to charge rates at levels consistent with the concession contract. In addition, during the last week of December 2000, some prominent officials in the Province publicly advocated canceling the concession. Azurix does not believe the Province has grounds for cancellation without compensation and is vigorously challenging the Province's actions and will continue to do so; however, the lack of resolution on rates by December 31, 2000, and a shift in the political environment during the last week of 2000 caused Azurix to revise its expectation of future cash flows from this concession, including collection rates from customers, and to evaluate the recoverability of related tax assets. Accordingly, Azurix has written down the carrying value of the concession intangible and related property, plant and equipment to its fair value. In addition it has recorded an increase in bad debt expense and recorded a valuation allowance against its Argentine tax loss carryforwards (see Note 17).

On February 15, 2001, the Province and Azurix Buenos Aires entered into a Memorandum of Understanding regarding a variety of issues between them. The Memorandum of Understanding, among other things, established an investment program for 2001 at a lower level than previously required and established a framework for negotiating issues associated with tariff levels and the remaining capital program. There is no assurance, however, that these negotiations will result in a resolution satisfactory to Azurix or the Province.

NOTE 21 - SUBSEQUENT EVENTS

On March 16, 2001, shareholders of Azurix approved and adopted the Agreement and Plan of Merger by and among Enron, Enron BW Corp., a wholly owned indirect subsidiary of Enron, and Azurix dated as of December 15, 2000. The merger was consummated on March 16, 2001, at which time Enron BW Corp. was merged into Azurix with Azurix being the surviving corporation.

Under the Agreement and Plan of Merger, each issued and outstanding share of Azurix common stock, other than those shares held by Atlantic Water, Enron, Enron BW Corp., Azurix and any of their wholly owned subsidiaries, was cancelled and converted into the right to receive $0.375 per share. On the date of the merger, Enron BW Corp. had $326.9 million of cash that was used to pay consideration to the public shareholders whose shares were cancelled. As a result of the merger and
effective on the merger date, Azurix had three shares of common stock outstanding, of which Atlantic Water holds two, and Azurix common stock ceased to be publicly held.

Pursuant to the terms of the Agreement and Plan of Merger, on March 16, 2001, all Azurix stock options and unvested restricted stock outstanding were cancelled. Holders of the options received a cash payment, less applicable withholding taxes, for both vested and unvested options, based on the excess of $8.375 over the exercise price per share. Holders of unvested restricted stock received a cash payment of $8.375 per share, less applicable withholding taxes. These payments resulted in Azurix recognizing a pre-tax charge of approximately $4.3 million in the first quarter of 2001.

In addition, under the Agreement and Plan of Merger, Azurix retired $180 million of borrowings outstanding on March 16, 2001 under the Enron credit agreement through the issuance to Enron of 11% cumulative mandatorily redeemable preferred stock with an initial liquidation preference of $180 million. The preferred stock may not be redeemed by Azurix prior to the date that all of its senior notes due 2007 and 2010 have been redeemed. The preferred stock must be redeemed on or before the second anniversary of the date that the senior notes are no longer outstanding. Dividends will accrue, but will not be paid until all of its senior notes have been redeemed.

</TEXT>
</DOCUMENT>
</SEC-DOCUMENT>
-----END PRIVACY-ENHANCED MESSAGE-----
-----BEGIN PRIVACY-ENHANCED MESSAGE-----
Proc-Type: 2001,MIC-CLEAR
Originator-Name: webmaster@www.sec.gov
Originator-Key=Asymmetric:
MFgwCqYEVQgBAGICAf8DSQAwJ5ZT8aNn9AVLZyZmz6aGjLWyK3Xm2v3TINen
TWSM7vry1JdDmYQai0ng5sDW3P6oaN5D3tdezXMm7z1T+B+twIDAQAB
MIC-Info: RSA-MD5,RSA,
WVMBbDi67mqGZHeq9b+2C7mE5a9Dii4mYnXU+j8/U7MY4nL/1Y9LZpo4elsZ/5
uySx4MVYDqjrU107b8UMYw==

<SEC-DOCUMENT>0001024401-01-500010.txt : 20010409
<SEC-HEADER>0001024401-01-500010.hdr.xml : 20010409
ACCESSION NUMBER: 0001024401-01-500010
CONFORMED SUBMISSION TYPE: 10-K
PUBLIC DOCUMENT COUNT: 9
CONFORMED PERIOD OF REPORT: 20001231
FILED AS OF DATE: 20010402

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME: ENRON CORP/OR/
CENTRAL INDEX KEY: 0001024401
STANDARD INDUSTRIAL CLASSIFICATION: SECURITY BROKERS,
DEALERS & FLOTATION COMPANIES [6211]
IRS NUMBER: 470255140
STATE OF INCORPORATION: OR
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 10-K
SEC ACT:
SEC FILE NUMBER: 001-13159
FIML NUMBER: 1586971

BUSINESS ADDRESS:
STREET 1: 1400 SMITH ST
CITY: HOUSTON
STATE: TX
ZIP: 77002-7369
BUSINESS PHONE: 7138536161

MAIL ADDRESS:
STREET 1: 1400 SMITH ST
CITY: HOUSTON
STATE: TX
ZIP: 77002-7369

FORMER COMPANY:
FORMER CONFORMED NAME: ENRON OREGON CORP
DATE OF NAME CHANGE: 19961008

</SEC-HEADER>
</DOCUMENT>
<Type>10-K</Type>
<Sequence>1</Sequence>
<Filename>ene10-k.txt</Filename>
<Description>FORM 10-K</Description>

00200000001232
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000
OR
[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-13159

ENRON CORP.
(Exact name of registrant as specified in its charter)

Oregon 47-0255140
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

ENRON BUILDING
1400 Smith Street, Houston, Texas 77002-7369
(Address of principal executive offices) (zip code)
Registrant's telephone number, including area code:
713-853-6161

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of each exchange
on which registered

Common Stock, no par value New York Stock Exchange;
Chicago Stock Exchange;
and Pacific Stock Exchange

Cumulative Second Preferred New York Stock Exchange
Convertible Stock, and Chicago Stock Exchange
no par value

7% Exchangeable Notes due New York Stock Exchange
July 31, 2002

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the Registrant (1) has
filed all reports required to be filed by Section 13 or
15(d) of the Securities Exchange Act of 1934 during the
preceding 12 months (or for such shorter period that the
Registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90
days.
Yes [X] No []

Indicate by check mark if disclosure of delinquent filers
pursuant to Item 405 of Regulation S-K is not contained
herein, and will not be contained, to the best of
registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this
Form 10-K or any amendment to this Form 10-K.
Aggregate market value of the voting stock held by non-affiliates of the registrant, based on closing prices in the daily composite list for transactions on the New York Stock Exchange on February 15, 2001, was approximately $60,207,479,342. As of March 1, 2001, there were 754,296,597 shares of registrant's Common Stock, no par value, outstanding.

Documents incorporated by reference. Certain portions of the registrant's definitive Proxy Statement for the May 1, 2001 Annual Meeting of Shareholders ("Proxy Statement") are incorporated herein by reference in Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

<table>
<thead>
<tr>
<th>Item 1. Business</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1</td>
</tr>
<tr>
<td>Business Segments</td>
<td>1</td>
</tr>
<tr>
<td>Transportation and Distribution</td>
<td>2</td>
</tr>
<tr>
<td>Wholesale Services</td>
<td>5</td>
</tr>
<tr>
<td>Developed Markets</td>
<td>7</td>
</tr>
<tr>
<td>Developing Markets</td>
<td>8</td>
</tr>
<tr>
<td>Retail Energy Services</td>
<td>11</td>
</tr>
<tr>
<td>Broadband Services</td>
<td>11</td>
</tr>
<tr>
<td>Other Enron Businesses</td>
<td>12</td>
</tr>
<tr>
<td>Regulation</td>
<td>13</td>
</tr>
<tr>
<td>Current Executive Officers of the Registrant</td>
<td>19</td>
</tr>
</tbody>
</table>

| Item 2. Properties         | 21   |
| Natural Gas Transmission   | 21   |
| Electric Utility Properties| 21   |
| Domestic Power Plants      | 22   |
| International Power Plants, Pipelines and Electric Utility Properties | 23 |

| Item 3. Legal Proceedings  | 23   |

| Item 4. Submission of Matters to a Vote of Security Holders | 25 |

PART II

| Item 5. Market for the Registrant's Common Equity and Related Shareholder Matters | 26 |

| Item 6. Selected Financial Data (Unaudited) | 27 |

| Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations | 28 |

| Item 7A. Financial Risk Management | 41 |
| Information Regarding Forward Looking Statements | 46 |

| Item 8. Financial Statements and Supplementary Data | 47 |
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

PART III

Item 10. Directors and Executive Officers of the Registrant

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

<PAGE>

PART I

Item 1. BUSINESS

GENERAL

Headquartered in Houston, Texas, Enron Corp., an Oregon corporation, provides products and services related to natural gas, electricity and communications to wholesale and retail customers. Enron’s operations are conducted through its subsidiaries and affiliates, which are principally engaged in:

* the transportation of natural gas through pipelines to markets throughout the United States;
* the generation, transmission and distribution of electricity to markets in the northwestern United States;
* the marketing of natural gas, electricity and other commodities and related risk management and finance services worldwide;
* the development, construction and operation of power plants, pipelines and other energy related assets worldwide;
* the delivery and management of energy commodities and capabilities to end-use retail customers in the industrial and commercial business sectors; and
* the development of an intelligent network platform to provide bandwidth management services and the delivery of high bandwidth communication applications.

As of December 31, 2000, Enron employed approximately 20,600 persons.

As used herein, unless the context indicates otherwise, "Enron" or the "Company" refers to Enron Corp. and its subsidiaries and affiliates.
BUSINESS SEGMENTS

Enron has divided its operations into the following reportable segments:

Transportation and Distribution - Regulated industries; interstate transmission of natural gas; management and operation of pipelines; electric utility operations.

Wholesale Services - Commodity sales and services, risk management products and financial services to wholesale customers; development, acquisition and operation of power plants, natural gas pipelines and other energy-related assets.

Retail Energy Services - Sales of natural gas and electricity and related products directly to end-use customers, particularly in the commercial and industrial sectors, and the outsourcing of energy-related activities.

Broadband Services - Construction and management of a nationwide fiber-optic network, the marketing and management of bandwidth and the delivery of high-bandwidth content.

Corporate and Other - Includes operation of water, renewable energy businesses and clean fuels plants, as well as overall corporate activities.

For financial information by business segment for the fiscal years ended December 31, 1998 through December 31, 2000, please see Note 20 to the Consolidated Financial Statements, "Geographic and Business Segment Information", on page F-38.

TRANSPORTATION AND DISTRIBUTION

Enron's Transportation and Distribution business is comprised of the Company's North American interstate natural gas transportation systems and its electricity transmission and distribution operations in Oregon.

Interstate Transmission of Natural Gas

Enron and its subsidiaries operate domestic interstate natural gas pipelines extending from Texas to the Canadian border and across the southern United States from Florida to California. Included in Enron's domestic interstate natural gas pipeline operations are Northern Natural Gas Company ("Northern"), Transwestern Pipeline Company ("Transwestern") and Florida Gas Transmission Company ("Florida Gas") (50% owned by Enron). Northern, Transwestern and Florida Gas are interstate pipelines and are subject to the regulatory jurisdiction of the Federal Energy Regulatory Commission (the "FERC"). Each pipeline serves customers in a specific geographical area: Northern, the upper Midwest; Transwestern, principally the California market and pipeline interconnects on the east end of the Transwestern system; and Florida Gas, the State of Florida. In addition, Enron holds an interest in Northern Border Partners, L.P., which
owns a 70% interest in the Northern Border Pipeline system. An Enron subsidiary operates the Northern Border Pipeline system, which transports gas from Western Canada to delivery points in the midwestern United States.

Northern Natural Gas Company. Through its approximately 16,500-mile natural gas pipeline system stretching from the Permian Basin in Texas to the Great Lakes, Northern transports natural gas to points in its traditional market area of Illinois, Iowa, Kansas, Michigan, Minnesota, Nebraska, South Dakota and Wisconsin. Gas is transported to town border stations for consumption and resale by non-affiliated gas utilities and municipalities and to other pipeline companies and gas marketers. Northern also transports gas at various points outside its traditional market area in the production areas of Colorado, Kansas, New Mexico, Oklahoma, Texas and North Dakota for utilities, end-users and other pipeline and marketing companies. Northern provides transportation and storage services to approximately 90 utility customers and end-users in the upper midwestern United States. Most of Northern's revenues are comprised of monthly demand charges that are based on contracted capacity rather than throughput.

In Northern's market area, natural gas is an energy source available for traditional residential, commercial and industrial uses. Northern's throughput totaled approximately 1,291 trillion British thermal units ("TBTu") in 2000. Northern also operates three natural gas storage facilities and two liquefied natural gas storage peaking units. These storage facilities provide Northern the operational capacity to balance its system on a daily basis and assist in meeting customers' heating season system requirements. Northern competes with other interstate pipelines in the transportation and storage of natural gas.

Transwestern Pipeline Company. Transwestern is an interstate pipeline engaged in the transportation of natural gas. Through its approximately 2,500-mile pipeline system, Transwestern transports natural gas from West Texas, Oklahoma, eastern New Mexico and the San Juan Basin in northwestern New Mexico and southern Colorado primarily to the California market and to markets off the east end of its system. Transwestern has access to three significant gas basins for its gas supply: the San Juan Basin, the Permian Basin in West Texas and eastern New Mexico and the Anadarko Basin in the Texas and Oklahoma Panhandles. Additionally, gas from the Rocky Mountain Basin can access Transwestern through pipeline interconnections. Transwestern's peak delivery capacity was approximately 1.7 billion cubic feet ("Bcf") per day in 2000. Transwestern and its customers agreed to contract rates through 2006 and agreed that Transwestern would not be required to file a new rate case for rates to be effective prior to November 1, 2006. Transwestern's current firm capacity for both west and east flow is fully subscribed under a combination of short-term and long-term contracts. Relatively small increments of operational capacity become available from time to time and are generally sold on a daily or short-term basis.

Transwestern's mainline includes a lateral pipeline to
the San Juan Basin which allows Transwestern to access San Juan Basin gas supplies. Via Transwestern's San Juan lateral pipeline, the San Juan Basin gas may be delivered to California markets as well as markets off the east end of Transwestern's system. This bi-directional flow capability enhances pipeline utilization. Transwestern added bi-directional flow capability in 1995 to increase system flexibility and utilization. Transwestern has firm transportation service on the east end of its system and transports Permian, Anadarko and San Juan Basin supplies into Texas, Oklahoma and the midwestern United States. More recently, Transwestern has modified its operations to enhance its ability to supply the California market. In May 2000, Transwestern completed an expansion which increased delivery capability to California by 140 million cubic feet ("MMcf") per day. Transwestern is pursuing additional expansions to its pipeline of approximately 50 MMcf per day and 150 MMcf per day with expected completions in 2001 and 2002, respectively. Transwestern competes with several interstate pipelines in the California market and its markets off the east end of its system.

Florida Gas Transmission Company. Enron owns a 50% interest in Florida Gas by virtue of its 50% interest in Citrus Corp., which owns all of the capital stock of Florida Gas.

Florida Gas is an interstate pipeline company that transports natural gas for third parties. Its approximately 4,795-mile pipeline system extends from South Texas to a point near Miami, Florida. Florida Gas provides a high degree of gas supply flexibility for its customers because of its proximity to the Gulf of Mexico producing region and its interconnections with other interstate pipeline systems which provide access to virtually every major natural gas producing region in the United States. Florida Gas serves a mix of customers anchored by electric utility generators.

Florida Gas has periodically expanded its system capacity to keep pace with the growing demand for natural gas in Florida. In February 2000, Florida Gas received FERC certification for its Phase IV expansion. Phase IV will increase system capacity approximately 200 MMcf per day and is backed by 20-year firm transportation agreements. The Ft. Myers extension, part of the Phase IV expansion which brought natural gas service to southwest Florida for the first time, went into service on October 1, 2000. The remainder of the Phase IV expansion is scheduled to go in service in May 2001. The Phase IV expansion is expected to cost approximately $250 million. Florida Gas has also received preliminary approvals from the FERC for its Phase V expansion, which will increase capacity an additional approximately 400 MMcf per day at an estimated cost of $420 million. Subject to final regulatory approvals, Phase V is expected to be in service in 2002. Florida Gas' current firm average delivery capacity into Florida is approximately 1,495 billion British thermal units ("Btus") per day. Florida Gas also owns an interest in facilities that link its system to the Mobile Bay producing area. Florida Gas' customers have reserved over 90% of the existing capacity on the Florida Gas system pursuant to firm, long-term
transportation service agreements.

Florida Gas is the only interstate natural gas pipeline serving peninsular Florida. Florida Gas faces competition from residual fuel oil in the Florida market. In addition, there is a proposed pipeline project that would compete with Florida Gas that has received approval from the FERC; the project sponsor has announced that construction will begin in June 2001.

Northern Border Partners, L.P. Northern Border Partners, L.P., a Delaware limited partnership, owns 70% of Northern Border Pipeline Company, a Texas general partnership ("Northern Border"). An Enron subsidiary holds an 11.8% interest in Northern Border Partners L.P. and serves as operator of the pipeline. Northern Border owns an approximately 1,214-mile interstate pipeline system that transports natural gas from the Montana-Saskatchewan border near Port of Morgan, Montana to interconnecting pipelines and local distribution systems in the States of North Dakota, South Dakota, Minnesota, Iowa and Illinois. Northern Border has pipeline access to natural gas reserves in the provinces of Alberta, British Columbia and Saskatchewan, as well as the Williston Basin in the United States. The pipeline system also has access to production of synthetic gas from the Dakota Gasification Plant in North Dakota. Interconnecting pipeline facilities provide Northern Border shippers access to markets in the Midwest, as well as other markets throughout the United States by transportation, displacement and exchange agreements. Therefore, Northern Border is strategically situated to transport significant quantities of natural gas to major gas consuming markets. Based upon existing contracts and capacity, 100% of Northern Border's firm capacity (approximately 2.4 Bcf of natural gas per day) is fully contracted under long-term agreements with an average term of six years. In March 2000, Northern Border received FERC approval for Project 2000, an approximately $94 million proposed expansion and extension of the pipeline system into the heavy industrial area of northern Indiana. Construction has commenced, and the project is expected to be in service in late 2001. Northern Border competes with two other interstate pipeline systems that transport gas from Canada to the Midwest.

Crude Oil Transportation Services

EOTT Energy Partners, L.P. ("EOTT"), a Delaware limited partnership, is engaged in the purchasing, gathering, transporting, trading, storage and resale of crude oil and refined petroleum products, and related activities. EOTT Energy Corp. (a wholly-owned subsidiary of Enron) serves as the general partner of EOTT. Enron owns a minority interest in EOTT. Through its North American crude oil gathering and marketing operations, EOTT purchases crude oil produced from approximately 40,000 leases in 18 states and is a purchaser of lease crude oil in Canada. EOTT provides transportation and trading services for third party purchasers of crude oil. EOTT competes with the crude oil marketing affiliates of major oil companies and with smaller independent marketers.
Electricity Transmission and Distribution Operations

Enron's electric utility operations are conducted through its wholly-owned subsidiary Portland General Electric Company ("PGE"). PGE is engaged in the generation, purchase, transmission, distribution and sale of electricity in the State of Oregon. PGE also sells energy to wholesale customers throughout the western United States. PGE's Oregon service area is approximately 3,150 square miles, including 51 incorporated cities of which Portland and Salem are the largest, within a state-approved service area allocation of 4,070 square miles. As of December 31, 2000 PGE served approximately 725,000 customers.

Enron and Sierra Pacific Resources announced on November 8, 1999 that they had entered into a purchase and sale agreement whereby Enron will sell PGE to Sierra Pacific Resources for $2.1 billion, comprised of $2.02 billion in cash and the assumption of Enron's approximately $80 million merger payment obligation. Sierra Pacific Resources will also assume $1 billion in PGE debt and preferred stock. The proposed transaction, which is subject to regulatory approvals and closing conditions, has been delayed by the effect of recent events in California and Nevada on the purchaser.

PGE serves a diverse retail customer base. Residential customers constitute the largest customer class and accounted for approximately 43% of the retail revenues in 2000. Residential demand is highly sensitive to the effects of weather, with revenues highest during the winter heating season. Commercial customers comprised approximately 37% and industrial customers represented approximately 20% of retail revenues in 2000. The commercial and industrial classes are not dominated by any single industry. While the 20 largest customers constituted approximately 21% of 2000 retail demand, they represented eight different industrial groups including paper manufacturing, high technology, metal fabrication, general merchandising and health services. No single customer represents more than 3.5% of PGE's total retail load.

PGE operates within a state-approved service area and under current regulation is substantially free from direct retail competition with other electric utilities. PGE's competitors within its Oregon service territory include other fuel suppliers, such as the local natural gas company, which compete with PGE for the residential and commercial space and water heating market.

WHOLESALE SERVICES

Enron's wholesale business ("Wholesale Services") includes its worldwide wholesale energy and other commodities businesses. Wholesale Services operates in developed markets such as North America and Europe, as well as newly deregulating or developing markets including Japan, Australia, South America and India.

Enron builds its wholesale businesses through the
creation of networks involving selective asset ownership, contractual access to third-party assets and market-making activities. Each market in which Wholesale Services operates utilizes these components in a slightly different manner and is at a different stage of development. This network strategy has enabled Wholesale Services to establish a significant position in its markets. Wholesale Services' activities are categorized into two business lines: (a) Commodity Sales and Services, and (b) Assets and Investments. Activities may be integrated into a bundled product offering for Enron's customers.

Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities). Additionally, Wholesale Services manages its liquidity and exposure to third-party credit risk through monetization of its contract portfolio or third-party insurance contracts. Wholesale Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

Commodity Sales and Services. Wholesale Services provides reliable commodity delivery and predictable pricing to its customers through forwards and other contracts. This market-making activity includes the purchase, sale, marketing and delivery of natural gas, electricity, liquids and other commodities, as well as management of Wholesale Services' own portfolio of contracts. Wholesale Services' market-making activity is facilitated through a network of capabilities including selective asset ownership. In late 1999, Wholesale Services launched an Internet-based e-commerce system, EnronOnline, which allows wholesale customers to view Enron's real time pricing and complete commodity transactions with Enron as principal, with no direct interaction.

Wholesale Services markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Volumes (Btue/d) (a)(b)</td>
<td></td>
</tr>
<tr>
<td>Gas:</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>17,674</td>
</tr>
<tr>
<td>Canada</td>
<td>6,359</td>
</tr>
<tr>
<td>Europe and Other</td>
<td>3,637</td>
</tr>
<tr>
<td>Transportation volumes</td>
<td>27,670</td>
</tr>
<tr>
<td>Total gas volumes</td>
<td>649</td>
</tr>
</tbody>
</table>

00200000001241
<table>
<thead>
<tr>
<th></th>
<th>Crude Oil and Liquids</th>
<th>Electricity (c)</th>
<th>Total physical volumes (MMBtu/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,088</td>
<td>17,308</td>
<td>51,715</td>
</tr>
<tr>
<td></td>
<td>6,160</td>
<td>10,742</td>
<td>32,429</td>
</tr>
<tr>
<td></td>
<td>3,570</td>
<td>11,024</td>
<td>27,308</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Electricity volumes (thousand MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>578,787</td>
</tr>
<tr>
<td>Europe and Other</td>
<td>54,670</td>
</tr>
<tr>
<td>Total</td>
<td>633,457</td>
</tr>
<tr>
<td></td>
<td>380,518</td>
</tr>
<tr>
<td></td>
<td>11,576</td>
</tr>
<tr>
<td></td>
<td>401,843</td>
</tr>
<tr>
<td></td>
<td>529</td>
</tr>
<tr>
<td></td>
<td>402,372</td>
</tr>
</tbody>
</table>

Financial settlements (notional) (MMBtu/d)

|                        | 196,148 | 99,337 | 75,266 |

(a) Billion British thermal units equivalent per day.
(b) Includes third-party transactions by Enron Energy Services.
(c) Represents electricity volumes marketed, converted to MMBtu/d.

During 2000, Wholesale Services strengthened its position in the deregulated North American gas markets and deregulating power markets. Enron also continued to expand its presence in Europe, particularly on the Continent where wholesale markets began deregulation in early 1999. New product offerings in coal, metals, steel and pulp and paper markets also added favorably to the results.

Assets and Investments. Wholesale Services' businesses make investments in various energy and certain related assets as a part of its network strategy. Wholesale Services either purchases the asset from a third party or develops and constructs the asset. In most cases, Wholesale Services operates and manages such assets. Additionally, Wholesale Services invests in debt and equity securities of energy and technology-related businesses, which may also utilize Wholesale Services' products and services. With these merchant investments, Enron's influence is much more limited relative to assets Enron develops or constructs. Wholesale Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments.

Developed Markets

North America

Enron purchases, markets and delivers natural gas, electricity and other commodities in North America. Customers include independent oil and gas producers, energy-intensive industrials, public and investor-owned utility power companies, small independent power producers and local distribution companies. Enron also offers a broad range of price, risk management and financing services including forward contracts, swap agreements and other contractual commitments. Enron's strategy is to enhance the scale, scope, flexibility and speed of its North American energy businesses through developing and acquiring selective assets, securing contractual access to third party assets, forming alliances with customers and utilizing technology such as EnronOnline. With increased liquidity in the marketplace and the success of EnronOnline, Enron believes
that it no longer needs to own the same level of physical assets, instead utilizing contracting and market-making activities.

Europe

As the energy markets liberalize across Europe, Enron's strategy is to build a presence early in each key market in order to create a pan European energy business that provides similar energy service capabilities and products to those established in North America. Services include delivery of physical commodities, price risk management and financing services. At the end of 2000, Enron employed approximately 2,400 people across Europe including the United Kingdom, Norway, Germany, Turkey, Poland and Italy.

Enron's activity in the United Kingdom, which liberalized its energy markets in 1992, includes well-established natural gas and power marketing operations. The development, construction and operation of energy assets and the acquisition of selected assets have contributed to the expansion of Enron's energy marketing business in the United Kingdom.

Enron has an office in Oslo which accesses the power marketing opportunities available in the Nordic region, the most open market for power trading in the Europe region. Enron provides power risk management services to regional municipalities, utilities and large industrials. Enron is also pursuing opportunities in continental Europe where there is a need for customized, flexible energy supply contracts to benefit from liberalizing gas and power markets. Enron's power and gas volumes and transactions in continental Europe are continuing to increase.

Enron has developed or is developing, owns interests in and/or operates several power plants across Europe, including a natural gas fired 116-megawatt power plant in Poland; a 551-megawatt combined-cycle oil gasification power plant in Sardinia, Italy; and a 478-megawatt gas-fired power plant in Turkey.

Australia and Japan

Enron has an office in Australia which offers similar commodity risk management and finance services to those provided to the North American and European power markets. The Sydney office provides a strategic platform for the extension of Enron's coal, metals and broadband businesses, as well as providing support for Enron's operations in the Asia-Pacific region. Enron opened an office in Japan in October 2000 and is pursuing a similar strategy there.

Developing Markets

In many markets outside of North America and Europe, a shortage of energy infrastructure exists, which has provided Enron with opportunities to develop, construct, promote and operate natural gas pipelines, power plants and other energy infrastructure. In these markets, Enron's strategy is to facilitate completion of vital energy networks to connect
areas of energy supply to areas where energy is consumed. By creating energy networks, Enron provides reliable delivery of physical energy commodities and develops risk management and financing services to wholesale customers in key international regions.

Enron's energy infrastructure projects are, to varying degrees, subject to all the risks associated with project development, construction and financing in foreign countries, including without limitation, the receipt of permits and consents, the availability of project financing on acceptable terms, expropriation of assets, renegotiation of contracts with foreign governments and political instability, as well as changes in laws and policies governing operations of foreign-based businesses generally.

Enron owns or operates various energy assets and investments in certain developing markets outside of North America and Europe, including the following:

* A 50% voting interest in Dabhol Power Company, which developed and owns an electricity generating power plant south of Mumbai, State of Maharashtra, India. Phase I of the power plant has an initial capacity of 826-megawatts and began commercial operations in May 1999. Construction on Phase II, a 1,624-megawatt combined-cycle power plant to be fueled by natural gas, is expected to be completed in late 2001. Phase II also includes a liquefied natural gas (LNG) terminal which is expected to be completed in mid-2002. The power plant has a 20-year power purchase agreement with the Maharashtra State Electricity Board.

* A 35% interest in Transportadora de Gas del Sur ("TGS") in Argentina. The 4,104-mile pipeline system has a capacity of approximately 1.9 Bcf per day and primarily serves four distribution companies in the greater Buenos Aires area under long-term, firm transportation contracts.

* A 25% interest in Transredes Transporte de Hidrocarburos S.A. ("Transredes"), an approximately 3,570-mile system of natural gas, crude oil and products pipelines located in Bolivia and connecting Bolivian oil and gas reserves to major markets in Bolivia. Enron also developed, along with Petrobras, the national oil and gas company of Brazil, and others, a pipeline which will connect with Transredes in Bolivia and transport natural gas to markets in Brazil. The pipeline project includes an approximately 1,969-mile natural gas pipeline from Santa Cruz, Bolivia to Porto Alegre, Brazil.

* An interest in a 480-megawatt combined-cycle power plant at Cuiaba in the State of Mato Grosso in western Brazil which feeds power into the Brazilian energy grid in Cuiaba, at a strategic delivery point having few existing alternate generation sources. Commercial operations of Phase I of the project (150 megawatts) commenced in early 1999. Commercial operations of Phase II (additional 150 megawatts) commenced in the fourth quarter of 2000 and Phase III (additional 180 megawatts) is expected to commence in early 2002. As an additional part of this project, Enron is constructing an approximately 385-mile, 18-inch natural gas
pipeline connecting to the Bolivia to Brazil pipeline in Bolivia.

* An interest in the Rio de Janeiro municipal gas distribution company, the gas distribution company of the State of Rio de Janeiro and natural gas distribution systems in seven other Brazilian states.

* A majority ownership interest in Elektro-Electricidade e Servicos S.A. ("Elektro"). Elektro has a 51,000-mile transmission system for the distribution of electricity to approximately 1.5 million consumers throughout 228 municipalities in the State of Sao Paulo, and a number of other municipalities in the State of Mato Grosso do Sul, Brazil.

* A 97% interest in Vengas, the leading natural gas liquids transportation and distribution business in Venezuela. Through Vengas, Enron also has an interest in an electric distribution company which services approximately 50,000 customers in the municipality of Puerto Cabello on the northern coast of Venezuela.

* A 49.5% interest in a project in northeastern Venezuela which will include natural gas liquids extraction, fractionation, storage and refrigeration facilities. The facilities, which are located in Santa Barbara, San Joaquin, and Jose, are expected to be completed in mid-2001.

* A 50% interest in an approximately 357-mile natural gas pipeline which runs from the northern coast of Colombia to the central region of the country. Ecopetrol, the state-owned gas company of Colombia, is the sole customer for the transportation services under a 15-year contract.

* A 47.5% interest in a 522-megawatt combined-cycle power plant, including a liquefied natural gas terminal and desalination facility, in Penuelas, Puerto Rico. The power plant has a 22-year power purchase agreement with the Puerto Rico Electric Power Authority.

* A natural gas distribution system in Puerto Rico, and liquid fuels businesses in both Puerto Rico and Jamaica.

* Operates and owns an 80% economic interest in a 185-megawatt barge-mounted combined-cycle power plant at Puerto Plata on the north coast of the Dominican Republic. The power plant has a 19-year power purchase agreement.

* A 37.5% interest in an approximately 234-megawatt fuel oil-fired diesel engine power plant mounted on movable barges at Puerto Quetzal on Guatemala’s Pacific Coast. Approximately 124-megawatts of capacity services the current power purchase agreement and the remaining capacity will be sold in merchant markets in Guatemala and El Salvador.

* A 35% interest in the 70-megawatt power plant mounted on movable barges located at the Port of Corinto, Nicaragua. The plant supplies 50 megawatts of capacity under a power purchase agreement, and the remaining capacity is sold in the merchant market.
* A 51% interest in the 355-megawatt Bahía Las Minas power plant near Colon, Panama. Plant capacity is sold to local distribution companies through five-year power purchase agreements.

* A 50% interest in an approximately 80-megawatt baseload diesel power plant located in Piti, Guam. The power plant has a 20-year power purchase agreement.

* Interests in two power plants in the Philippines. The Batangas power project, owned 100% by Enron, is an approximately 110-megawatt fuel-oil-fired diesel engine plant located at Pinamucan, Batangas, on Luzon Island. The Batangas plant sells power under a 10-year power purchase agreement. The Subic Bay power project, owned 50% by Enron, is an approximately 116-megawatt fuel-oil-fired diesel engine plant located at the Subic Bay Freeport complex on Luzon Island. The Subic plant has a 15-year power purchase agreement.

* A 51% interest in a 359-megawatt coal fired combined-cycle plant located in Chengdu, China. The power plant sells power under a 20-year power purchase agreement.

* A 100% interest in an approximately 160-megawatt diesel combined-cycle power plant on Hainan Island, a special economic trade zone off the southeastern coast of China.

* A 50% interest in a joint venture in Korea which has ownership interests in 14 companies primarily engaged in the distribution of natural gas liquids.

RETAIL ENERGY SERVICES

Enron Energy Services ("Energy Services") is a provider of energy outsourcing products and services to business customers. This includes sales of natural gas, electricity, liquids and other commodities and the provision of energy management services directly to commercial and industrial customers located in North America and Europe. Energy Services provides end-users with a broad range of energy products and services to reduce total energy costs or to minimize risks. These products and services include delivery of natural gas and electricity, energy tariff and information management, demand-side services to reduce energy consumption, and financial services, including price risk management.

Energy Services' products and services help commercial and industrial businesses maximize total energy savings while meeting their operational needs. With a focus on total energy savings and nationwide commodity, services and finance capabilities, Energy Services provides outsourcing and other innovative programs not only to supply electricity and natural gas to businesses, but also to manage unregulated energy assets to reduce their energy consumption, delivery and billing costs, to eliminate inefficiencies of decentralized systems, to reduce energy demand, and to minimize the risk of energy prices and
operations to the customer.

Enron is extending its retail products to Europe. During 2000, significant growth was experienced in marketing commodity services to medium-sized businesses. At the end of 2000, Enron had approximately 130,000 customers in the United Kingdom. Enron plans to expand this business model to other European countries.

BROADBAND SERVICES

During 2000 Enron Broadband Services substantially completed the Enron Intelligent Network ("EIN"), a high capacity, global fiber optic network which through pooling points can switch capacity from one independent network to another and create scaleability. Enron Broadband Services provides: (i) bandwidth management and intermediation services, and (ii) high quality content delivery services.

The EIN consists of a high capacity fiber-optic network based on ownership or contractual access to approximately 18,000 miles of fiber optic network capacity throughout the United States. At December 31, 2000, the EIN included 25 pooling points of which 18 were in the U.S. and one each in Tokyo, London, Brussels, Amsterdam, Paris, Dusseldorf and Frankfurt, allowing the EIN to connect to most major U.S. cities and a large number in Europe. The breadth of pooling points within the EIN extends its reach by allowing connectivity with a greater number of network and service providers. Enron anticipates further increasing the scope and reach of the EIN by adding pooling points during 2001.

The EIN's fiber network and imbedded software intelligence bypasses traditional fragmented and congested public internet routes to deliver faster, higher quality data. Enron's Broadband Operating System provides the intelligence to the EIN and connects to both physical and software network elements. Enron's broadband operating system enables the EIN to: (i) provision bandwidth in real time; (ii) control quality and access to the network for internet service providers; and (iii) control and monitor applications as they stream over the network to ensure quality and avoid congested routes. Enron's broadband operating system automates the transaction process from the order's inception to electronic billing and funds transfer. As a result, the EIN allows Enron to provide high quality content delivery services for content providers and to contract for firm bandwidth delivery commitments to support Enron's bandwidth intermediation business.

Similar to its wholesale energy businesses, Enron acts as principal in its bandwidth transactions and makes markets for bandwidth capacity. Enron provides bandwidth on demand at specified service levels and guaranteed delivery. Enron aggregates bandwidth supplies from multiple counterparties and, from its portfolio of bandwidth contracts, provides flexible, low cost bandwidth management products to its customers. Enron believes that customers will be able to reduce costs by paying for only the bandwidth they use, at prices that reflect the current market. Enron completed the first bandwidth transaction in December 1999, a monthly
incremental contract for bandwidth between New York City and
Los Angeles. Enron entered into over 300 intermediation
transactions during 2000. Enron's plans for the bandwidth
capacity markets include risk management products,
structured finance and bandwidth portfolio management. In
addition to bandwidth, Enron is developing markets and
managing risk for all elements of networks, including dark
fiber, circuit transactions, internet transit, private
transport and storage.

Enron believes that applying its skills developed in
the merchant energy services market to the developing
bandwidth market can result in operating efficiencies to
participants in this market. Development of bandwidth and
other related products as commodities will be dependent,
among other things, on the ability of the industry to
develop and measure quality of service benchmarks and
connectivity of networks of market participants to
facilitate processing of contracted services. There can be
no assurance that such a market will develop.

Enron provides premium broadband delivery services for
media and entertainment, financial services, general
enterprise and technology companies. The transportation of
media-rich content, including live and on-demand streaming
video, over the EIN significantly enhances the quality and
speed to end-users from that provided by the public
internet. Enron focused its efforts in 2000 on the
development of a broadband entertainment-on-demand platform
to service the anticipated growing demand for interactive
entertainment services to the consumer. Enron is pursuing
opportunities related to the commercial and technical
entertainment on demand model developed during 2000. There
can be no assurance that a broad market will develop for
premium broadband delivery services.

OTHER ENRON BUSINESSES

Azurix Corp. is a global water company engaged in the
business of owning, operating and managing water and
wastewater assets, providing water and wastewater related
services and developing and managing water resources. Until
March 2001, Enron owned a 50% voting interest in Atlantic
Water Trust, which owned approximately 67% of Azurix common
stock, with public stockholders owning the remainder. On
March 16, 2001, Azurix shareholders voted to approve and
adopt the Agreement and Plan of Merger by and among Enron
Corp., an Enron subsidiary, and Azurix dated as of December
15, 2000. As a result of the merger, the Enron subsidiary
merged into Azurix with Azurix being the surviving
corporation. Under the Agreement and Plan of Merger, each
issued and outstanding share of Azurix common stock, other
than those shares held by Atlantic Water Trust, Enron,
Azurix and any of their wholly owned subsidiaries, was
canceled and converted into the right to receive $8.375 per
share. Azurix's largest asset is Wessex Water Ltd, a water
and wastewater company based in southwestern England. Other
assets include a 30-year water and wastewater concession in
the Province of Buenos Aires, Argentina and interests in
long-term water and wastewater concessions in the Province
of Mendoza, Argentina and in Cancun, Mexico.
Enron is pursuing clean energy solutions in North America and Europe through Enron Wind Corp. Enron Wind Corp. is an integrated manufacturer and developer of wind power, providing power plant design and engineering, project development, and operations and maintenance services. Enron Wind also designs and manufactures wind turbines in California and Germany.

REGULATION

General

Enron's interstate natural gas pipeline companies are subject to the regulatory jurisdiction of the FERC under the Natural Gas Act ("NGLA") with respect to rates, accounts and records, the addition of facilities, the extension of services in some cases, the abandonment of services and facilities, the curtailment of gas deliveries and other matters. Enron's intrastate pipeline companies are subject to state and some federal regulation. Enron's importation of natural gas from Canada is subject to approval by the Office of Fossil Energy of the Department of Energy ("DOE"). Certain activities of Enron are subject to the Natural Gas Policy Act of 1978 ("NGPA"). Enron's pipelines which carry natural gas liquids and refined petroleum products are subject to the regulatory jurisdiction of the FERC under the Interstate Commerce Act as to rates and conditions of service.

Enron's power marketing companies are subject to the FERC's regulatory jurisdiction under the Federal Power Act ("FPA") with respect to rates, terms and conditions of service and certain reporting requirements. Certain of the power marketing companies' exports of electricity are subject to approval by the DOE. Enron's affiliates involved in cogeneration and independent power production are subject to regulation by the FERC under the Public Utility Regulatory Policies Act ("PURPA") and the FPA with respect to rates, the procurement and provision of certain services and operating standards.

The regulatory structure that has historically applied to the natural gas and electric industry is in transition. Legislative and regulatory initiatives, at both federal and state levels, are designed to supplement regulation with increasing competition. Legislation to restructure the electric industry is under active consideration on both the federal and state levels. Proposed federal legislation would make the electric industry more competitive by providing retail electric customers with the right to choose their power suppliers. Modifications to PURPA and the Public Utility Holding Company Act of 1935 ("PUHCA") have also been proposed. In addition, new technology and interest in self-generation and cogeneration have provided opportunities for alternative sources and supplies of energy. Retention of existing customers and potential growth of Enron's customer base will depend, in part, upon the ability of Enron to respond to new customer expectations and changing economic and regulatory conditions.
Various federal, state and local laws and regulations covering the discharge of materials into the environment, or otherwise relating to the protection of the environment, may affect Enron’s operations and costs through their effect on the construction, operation and maintenance of pipeline and terminaling facilities. It is not anticipated that Enron will be required in the near future to expend amounts that are material in relation to its total capital expenditures program by reason of environmental laws and regulations, but inasmuch as such laws and regulations are frequently changed, Enron is unable to predict the ultimate cost of compliance.

Enron’s international operations are subject to the jurisdiction of numerous governmental agencies in the countries in which its projects are located, with respect to environmental and other regulatory matters. Generally, many of the countries in which Enron does and will do business have recently developed or are in the process of developing new regulatory and legal structures to accommodate private and foreign-owned businesses. These regulatory and legal structures and their interpretation and application by administrative agencies are relatively new and sometimes limited. Many detailed rules and procedures are yet to be issued. The interpretation of existing rules can also be expected to evolve over time. Although Enron believes that its operations are in compliance in all material respects with all applicable environmental laws and regulations in the applicable foreign jurisdictions, Enron also believes that the operations of its projects eventually may be required to meet standards that are comparable in many respects to those in effect in the United States and in countries within the European Community. In addition, as Enron acquires additional projects in various countries, it will be affected by the environmental and other regulatory restrictions of such countries.

Natural Gas Rates and Regulations

Northern, Transwestern, Florida Gas and Northern Border are “natural gas companies” under the NGA and, as such, are subject to the jurisdiction of the FERC. The FERC has jurisdiction over, among other things, the construction and operation of pipeline and related facilities used in the transportation and storage and sale of natural gas in interstate commerce, including the extension, expansion or abandonment of such facilities. The FERC also has jurisdiction over the rates and charges for the transportation of natural gas in interstate commerce and the sale by a natural gas company of natural gas in interstate commerce for resale. Northern, Transwestern, Florida Gas and Northern Border hold the required certificates of public convenience and necessity issued by the FERC authorizing them to construct and operate all of their pipelines, facilities and properties for which certificates are required in order to transport and sell natural gas for resale in interstate commerce.

As necessary, Northern, Transwestern, Florida Gas and Northern Border file applications with the FERC for changes
in their rates and charges designed to allow them to recover substantially all their costs of providing service to transportation customers, including a reasonable rate of return. These rates are normally allowed to become effective after a suspension period, and in certain cases are subject to refund under applicable law, until such time as the FERC issues an order on the allowable level of rates.

Under current FERC rate design policy, pipelines are permitted to recover in the demand component of their rates all fixed costs, including income taxes and return on equity, allocated to firm customers. Since a pipeline recovers demand costs regardless of whether gas is ever transported, the straight fixed variable rate design has reduced the volatility of the revenue stream to pipelines.

The FERC's Order No. 637 (issued February 9, 2000), among other things, imposes additional reporting requirements, requires changes to make pipeline and secondary market services more comparable, removes the price caps on secondary market capacity for a period of two years, allows rates to be based on seasonal or term differentiated factors and narrows the applicability of the regulatory right of first refusal to apply only to maximum rate contracts. Enron believes that, overall, this lesser regulation of the secondary market will have a positive effect on the pipelines and on the industry in general.

The rates at which natural gas is sold in Texas to gas utilities serving customers within an incorporated area are subject to the original jurisdiction of the Railroad Commission of Texas. The rates set by city councils or commissions for gas sold within their jurisdiction may be appealed to the Railroad Commission. Regulation of intrastate gas sales and transportation by the Railroad Commission is governed by certain provisions of the Texas Gas Utility Regulatory Act of 1983. The Railroad Commission also regulates production activities and to some degree the operation of affiliated special marketing programs.

Electric Industry Regulation

Historically, the electric industry has been subject to comprehensive regulation at the federal and state levels. The FERC regulated sales of electric power at wholesale and the transmission of electric energy in interstate commerce pursuant to the FPA. The FERC subjected public utilities under the FPA to rate and tariff regulation, accounting and reporting requirements, as well as oversight of mergers and acquisitions, securities issuances and dispositions of facilities. States or local authorities have historically regulated the distribution and retail sale of electricity, as well as the construction of generating facilities.

Enacted in 1978, PURPA created opportunities for independent power producers, including cogenerators. If a generating project obtained the status of a "Qualifying Facility," it was exempted by PURPA from most provisions of the FPA and certain state laws relating to securities, rate and financial regulation. PURPA also required electric utilities (i) to purchase electricity generated by
Qualifying Facilities at a price based on the utility's avoided cost of purchasing electricity or generating electricity itself, and (ii) to sell supplementary, back-up, maintenance and interruptible power to Qualifying Facilities on a just and reasonable and non-discriminatory basis.

PUHCA subjects certain entities that directly or indirectly own, control or hold the power to vote 10% of the outstanding voting securities of a "public utility company" or a company which is a "holding company" of a public utility company to registration requirements of the Securities and Exchange Commission ("SEC") and regulation under PUHCA, unless the entity is eligible for an exemption or has been granted an SEC order declaring the entity not to be a holding company. Affiliates, or direct or indirect holders of 5% of the voting securities of such companies, are also subject to regulation under PUHCA unless so eligible for an exemption or SEC order. PUHCA requires registration for a holding company of a public utility company, and requires a public utility holding company to limit its operations to a single integrated utility system and to divest any other operations not functionally related to the operation of the utility system. A public utility company which is a subsidiary of a registered holding company under PUHCA is subject to financial and organizational regulation, including SEC approval of its financing transactions.

The Energy Policy Act of 1992 ("EP Act") exempted from some traditional federal utility regulation generators selling power at wholesale in an effort to enhance competition in the wholesale generation market. The EP Act also authorized FERC to require utilities to transport and deliver or "wheel" energy for the supply of bulk power to wholesale customers.

In April 1996, FERC paved the way for the transition to more competitive electric markets by issuing its Order Nos. 888 and 889. Order No. 888 required utilities to provide third parties wholesale open access to transmission facilities on terms comparable to those that apply when utilities use their own systems. Utilities were required by the order to file open access tariffs in July 1996. Power pools, which are associations of interconnected electric transmission and distribution systems that have an agreement for integrated and coordinated operations, were directed to file their open access tariffs by the end of 1996. These tariffs enable eligible parties to obtain wholesale transmission service over utilities' transmission systems. In Order No. 888, FERC stated its intention to permit utilities to recover legitimate, verifiable and prudently incurred costs that are rendered uneconomic or "stranded" as a result of customers taking advantage of wholesale open access to meet their power needs from others. In Order No. 889, FERC required utilities owning transmission facilities to adopt procedures for an open access same-time information system ("OASIS") that will make available, on a real-time basis, pertinent information concerning each transmission utility's services. The order also promulgated standards of conduct to ensure that utilities separate their transmission functions from their wholesale power merchant functions and
to prevent the misuse of commercially valuable information. In March 1997 FERC issued its orders on rehearing of Order Nos. 888 and 889. In these orders FERC upheld the basic open access and OASIS regulatory framework established in Order Nos. 888 and 889, while making certain modifications to its open access and stranded cost recovery rules.

Congress is considering legislation to modify federal laws affecting the electric industry. Bills have been introduced in the Senate and the House of Representatives that would, among other things, open wholesale electric markets to greater competition and/or provide retail electric customers with the right to choose their power suppliers. Modifications to PURPA and PUHCA have also been proposed. In addition, various states have either enacted or are considering legislation designed to deregulate the production and sale of electricity. Deregulation is expected to result in a shift from cost-based rates to market-based rates for electric energy and related services. Although the legislation and regulatory initiatives vary, common themes include the availability of market pricing, retail customer choice, recovery of stranded costs, and separation of generation assets from transmission, distribution and other assets. It is unclear whether or when all power customers will obtain open access to power supplies. Decisions by regulatory agencies may have a significant impact on the future economics of the power marketing business.

The Oregon Public Utility Commission ("OPUC"), a three-member commission appointed by the Governor of Oregon, approves PGE's retail rates and establishes conditions of utility service. The OPUC ensures that prices are fair and equitable and provides PGE an opportunity to earn a fair return on its investment. In addition, the OPUC regulates the issuance of securities and prescribes the system of accounts to be kept by Oregon utilities. PGE is also subject to the jurisdiction of the FERC with regard to the transmission and sale of wholesale electric energy, licensing of hydroelectric projects and certain other matters. Construction of new generating facilities requires a permit from Oregon Energy Facility Siting Counsel.

Environmental Regulations

Enron and its subsidiaries are subject to extensive federal, state and local laws and regulations covering the discharge of materials into the environment, or otherwise relating to the protection of the environment, and which require expenditures for remediation at various operating facilities and waste disposal sites, as well as expenditures in connection with the construction of new facilities. Enron believes that its operations and facilities are in general compliance with applicable environmental regulations. Environmental laws and regulations have changed substantially and rapidly over the last 20 years, and Enron anticipates that there will be continuing changes. The clear trend in environmental regulation is to place more restrictions and limitations on activities that may impact the environment, such as emissions of pollutants, generation and disposal of wastes and use and handling of chemical
substances. Increasingly strict environmental restrictions and limitations have resulted in increased operating costs for Enron and other businesses throughout the United States, and it is possible that the costs of compliance with environmental laws and regulations will continue to increase. Enron will attempt to anticipate future regulatory requirements that might be imposed and to plan accordingly in order to remain in compliance with changing environmental laws and regulations and to minimize the costs of such compliance.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, requires payments for cleanup of certain abandoned waste disposal sites, even though such waste disposal activities were undertaken in compliance with regulations applicable at the time of disposal. Under the Superfund legislation, one party may, under certain circumstances, be required to bear more than its proportional share of cleanup costs at a site where it has responsibility pursuant to the legislation, if payments cannot be obtained from other responsible parties. Other legislation mandates cleanup of certain wastes at facilities that are currently being operated. States also have regulatory programs that can mandate waste cleanup. CERCLA authorizes the Environmental Protection Agency ("EPA") and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. The scope of financial liability under these laws involves inherent uncertainties. Enron has received requests for information from the EPA and state agencies concerning what wastes Enron may have sent to certain sites, and it has also received requests for contribution from other parties with respect to the cleanup of other sites. However, management does not believe that any costs that may be incurred in connection with these sites (either individually or in the aggregate) will have a material impact on Enron's financial position or results of operations. (See Item 3, "Legal Proceedings").

PGE's current and historical operations are subject to a wide range of environmental protection laws covering air and water quality, noise, waste disposal, and other environmental issues. PGE is also subject to the Federal Rivers and Harbors Act of 1899 and similar Oregon laws under which it must obtain permits from the U.S. Army Corps of Engineers or the Oregon Division of State Lands to construct facilities or perform activities in navigable waters of the State. State agencies or departments which have direct jurisdiction over environmental matters include the Environmental Quality Commission, the Oregon Department of Environmental Quality, the Oregon Office of Energy and Oregon Energy Facility Siting Counsel. Environmental matters regulated by these agencies include the siting and operation of generating facilities and the accumulation, cleanup and disposal of toxic and hazardous wastes.

Water Industry Regulation

In the United States, the rates for water and
wastewater services are generally subject to state and local laws and regulation. The Safe Drinking Water Act directs the EPA to set drinking water standards for the community water supply systems in the United States. The Federal Water Pollution Control Act (the "Clean Water Act") establishes a system of standards, permits and enforcement procedures for the discharge of pollutants from industrial and municipal wastewater sources. The law requires permits for discharges from water treatment facilities and sets treatment standards for industries and wastewater treatment plants. Discharge permits issued under the Clean Water Act are subject to renewal once every five years. The economic aspects of the water industry in England and Wales is principally regulated under the provisions of the Water Act 1989, the Water Industry Act 1991 (which consolidated the Water Act 1989) and the Water Resources Act 1991. In general, most countries where Azurix has invested (including Canada, Argentina, Brazil and Mexico), or intends to consider investments, have drinking water quality and environmental laws and regulations.

Other

PGE is a 67.5% owner of the Trojan Nuclear Plant ("Trojan"). The Nuclear Regulatory Commission ("NRC") regulates the licensing and decommissioning of nuclear power plants. In 1993 the NRC issued a possession-only license amendment to PGE's Trojan operating license and in early 1996 approved the Trojan Decommissioning Plan. Approval of the Trojan Decommissioning Plan by the NRC and Oregon Energy Facility Siting Counsel has allowed PGE to commence decommissioning activities, which are proceeding satisfactorily and within approved cost estimates. After receiving regulatory approval, PGE in 1999 shipped and disposed of the Trojan reactor vessel as a single package called the Reactor Vessel and Internals Removal Project. Equipment removal and disposal activities continued in 2000. Trojan will be subject to NRC regulation until Trojan is fully decommissioned, all nuclear fuel is removed from the site and the license is terminated. The Oregon Department of Energy also monitors Trojan.

CURRENT EXECUTIVE OFFICERS OF THE REGISTRANT

<table>
<thead>
<tr>
<th>Name and Age</th>
<th>Present Principal Position and Other Material Positions Held During Last Five Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeffrey K. Skilling (47)</td>
<td>President and Chief Executive Officer since February 2001. President and Chief Operating Officer, Enron Corp., from January 1997 to</td>
</tr>
</tbody>
</table>
February 2001. Chief Executive Officer and Managing Director of Enron Capital & Trade Resources Corp. ("ECT") from June 1995 to December 1996. From August 1990 to June 1995, Mr. Skilling served ECT in a variety of executive managerial positions.


Richard A. Causey (41)  Executive Vice President and Chief Accounting Officer, Enron Corp., since July 1999. Senior Vice President and Chief Accounting and Information Officer, Enron Corp., from January 1997 to July 1999. Managing Director, ECT, from June 1996 to January 1997; Vice President, ECT, from January 1992 to June 1996.


Steven J. Kean (39)  Executive Vice President and Chief of Staff, Enron Corp. since July 1999. Senior Vice President, Government Affairs, Enron Corp., from 1997 to 1999. From 1989 to 1997, Mr. Kean held a variety of management positions in Enron Corp. subsidiaries.


J. Mark Metts (42)  Executive Vice President, Corporate Development, Enron Corp., since August 1999. Partner, Vinson & Elkins L.L.P.
from January 1991 until August 1999.

Item 2. PROPERTIES

Natural Gas Transmission

Enron’s domestic natural gas facilities include approximately 25,000 miles of pipelines, four underground gas storage fields and two liquefied natural gas storage facilities. Enron also owns interests in pipeline and related facilities associated with its participation and investments in jointly-owned pipeline systems.

Substantially all the transmission lines of Enron are constructed on rights-of-way granted by the apparent record owners of such property. In many instances, lands over which rights-of-way have been obtained are subject to prior liens which have not been subordinated to the right-of-way grants. In some cases, not all of the apparent record owners have joined in the right-of-way grants, but in substantially all such cases, signatures of the owners of majority interests have been obtained. Permits have been obtained from public authorities to cross over or under, or to lay facilities in or along, watercourses, county roads, municipal streets and state highways, and in some instances, such permits are revocable at the election of the grantor, or, the pipeline may be required to move its facilities at its own expense. Permits have also been obtained from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor’s election. Some such permits require annual or other periodic payments. In a few minor cases, property for pipeline purposes was purchased in fee.

In most cases, Enron’s transmission subsidiaries have the right of eminent domain to acquire rights-of-way and lands necessary for their pipelines and appurtenant facilities.

Enron’s regulator and compressor stations and offices are located on tracts of land owned by it in fee or leased from others.

Enron is of the opinion that it has generally satisfactory title to its rights-of-way and lands used in the conduct of its businesses, subject to liens for current taxes, liens incident to operating agreements and minor encumbrances, easements and restrictions which do not materially detract from the value of such property or the interest of Enron therein or the use of such properties in such businesses.

Electric Utility Properties

PGE’s principal plants and appurtenant generating facilities and storage reservoirs are situated on land owned by PGE in fee or land under the control of PGE pursuant to valid existing leases, federal or state licenses, easements, or other agreements. In some cases meters and transformers are located upon the premises of customers. The indenture securing PGE’s first mortgage bonds constitutes a direct
first mortgage lien on substantially all utility property
and franchises, other than expressly excepted property.

Generating facilities owned by PGE are set forth in the
following table:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Location</th>
<th>Fuel</th>
<th>PGE Net Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholly Owned:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faraday</td>
<td>Estacada, OR</td>
<td>Hydro</td>
<td>44</td>
</tr>
<tr>
<td>North Fork</td>
<td>Estacada, OR</td>
<td>Hydro</td>
<td>54</td>
</tr>
<tr>
<td>Oak Grove</td>
<td>Three Lynx, OR</td>
<td>Hydro</td>
<td>44</td>
</tr>
<tr>
<td>River Mill</td>
<td>Estacada, OR</td>
<td>Hydro</td>
<td>25</td>
</tr>
<tr>
<td>Pelton</td>
<td>Madras, OR</td>
<td>Hydro</td>
<td>110</td>
</tr>
<tr>
<td>Round Butte</td>
<td>Madras, OR</td>
<td>Hydro</td>
<td>300</td>
</tr>
<tr>
<td>Bull Run</td>
<td>Bull Run, OR</td>
<td>Hydro</td>
<td>22</td>
</tr>
<tr>
<td>Sullivan</td>
<td>West Linn, OR</td>
<td>Hydro</td>
<td>16</td>
</tr>
<tr>
<td>Beaver</td>
<td>Clatskanie, OR</td>
<td>Gas/Oil</td>
<td>500</td>
</tr>
<tr>
<td>Coyote Springs</td>
<td>Boardman, OR</td>
<td>Gas/Oil</td>
<td>242</td>
</tr>
<tr>
<td>Jointly Owned:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boardman</td>
<td>Boardman, OR</td>
<td>Coal</td>
<td>362</td>
</tr>
<tr>
<td>Colstrip 3 &amp; 4</td>
<td>Colstrip, MT</td>
<td>Coal</td>
<td>296</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>2,015</td>
</tr>
</tbody>
</table>

PGE holds licenses under the Federal Power Act for its
hydroelectric generating plants as well as licenses from the
State of Oregon for all or portions of five of the plants.
All of its licenses expire during the years 2001 to 2006.
The FERC requires that a notice of intent to relicense these
projects be filed approximately five years prior to
expiration of the license.

Following the 1993 closure of the Trojan nuclear plant,
PGE was granted a possession-only license amendment by the
NRC. In early 1996 PGE received NRC approval of its Trojan
decommissioning plan.

PGE leases its headquarters complex in downtown
Portland and the coal-handling facilities and certain
railroad cars for the Boardman coal plant.

Domestic Power Plants

Enron’s principal domestic operating power plants and
appurtenant facilities are situated on land owned by Enron
(or joint ventures in which Enron has an ownership interest)
in fee or land under the control of Enron (or such joint
ventures) pursuant to valid existing leases, licenses,
easements or other agreements. Power plants in which Enron
owns various interests are set forth in the following table:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Location</th>
<th>Fuel</th>
<th>Size/Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownsville Power I,</td>
<td>Brownsville, TN</td>
<td>Natural gas</td>
<td>500 MW</td>
</tr>
<tr>
<td>LLC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caledonia Power I,</td>
<td>Caledonia, MS</td>
<td>Natural gas</td>
<td>450 MW</td>
</tr>
<tr>
<td>LLC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Albany Power I,</td>
<td>New Albany,</td>
<td>Natural gas</td>
<td>390 MW</td>
</tr>
</tbody>
</table>

00200000001259
Las Vegas, NV  
Manhattan, IL  
Gleason, TN  
Wheatland, IN  
Pastoria, CA  
Monroe, GA

53 MW  
650 MW  
544 MW  
514 MW  
750 MW  
342 MW

*In development

International Power Plants, Pipelines and Electric Utility Properties

Enron's principal international operating power plants, pipelines and electric utility properties and appurtenant facilities are (i) situated on land owned by Enron (or joint ventures in which Enron has an ownership interest) in fee or land under the control of Enron (or such joint ventures) pursuant to valid existing leases, licenses, easements or other agreements, or (ii) in the case of certain power plants, barge-mounted on vessels owned by Enron (or such joint ventures). Power plants and pipelines in which Enron owns various interests are set forth in the following table:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Location</th>
<th>Fuel</th>
<th>Size/Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Plants:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trakya</td>
<td>Turkey</td>
<td>Gas</td>
<td>478 MW</td>
</tr>
<tr>
<td>Dabhol, Phase I</td>
<td>India</td>
<td>Gas</td>
<td>826 MW</td>
</tr>
<tr>
<td>Cuiaba, Phases I &amp; II</td>
<td>Brazil</td>
<td>Diesel</td>
<td>300 MW</td>
</tr>
<tr>
<td>Puerto Plata</td>
<td>Dominican Republic</td>
<td>Fuel oil</td>
<td>185 MW</td>
</tr>
<tr>
<td>Puerto Quetzal</td>
<td>Guatemala</td>
<td>Fuel oil</td>
<td>234 MW</td>
</tr>
<tr>
<td>Corinto</td>
<td>Nicaragua</td>
<td>Fuel oil</td>
<td>70 MW</td>
</tr>
<tr>
<td>Ecoelectrica</td>
<td>Puerto Rico</td>
<td>LNG</td>
<td>522 MW</td>
</tr>
<tr>
<td>Bahia Las Minas</td>
<td>Panama</td>
<td>Diesel</td>
<td>355 MW</td>
</tr>
<tr>
<td>Piti</td>
<td>Guam</td>
<td>Diesel</td>
<td>80 MW</td>
</tr>
<tr>
<td>Batangas</td>
<td>Philippines</td>
<td>Fuel oil</td>
<td>110 MW</td>
</tr>
<tr>
<td>Subic Bay</td>
<td>Philippines</td>
<td>Fuel oil</td>
<td>116 MW</td>
</tr>
<tr>
<td>Hainan Island</td>
<td>China</td>
<td>Diesel</td>
<td>160 MW</td>
</tr>
<tr>
<td>Chengdu</td>
<td>China</td>
<td>Coal</td>
<td>359 MW</td>
</tr>
<tr>
<td>Pipelines:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TGS</td>
<td>Argentina</td>
<td>-</td>
<td>1.9 Bcf/d; 4,104 miles</td>
</tr>
<tr>
<td>Centragas</td>
<td>Colombia</td>
<td>-</td>
<td>110 MMcf/d; 357 miles</td>
</tr>
<tr>
<td>Transredes</td>
<td>Bolivia</td>
<td>-</td>
<td>4.3 Bcf/d; 57 Mmb/d; 3,570 miles</td>
</tr>
<tr>
<td>BBPL (Bolivia to Brazil pipeline)</td>
<td>Bolivia and Brazil</td>
<td>-</td>
<td>1.06 Bcf/d; 1,989 miles</td>
</tr>
</tbody>
</table>
Item 3. LEGAL PROCEEDINGS

Enron is a party to various claims and litigation, the significant items of which are discussed below. Although no assurances can be given, Enron believes, based on its experience to date and after considering appropriate reserves that have been established, that the ultimate resolution of such items, individually or in the aggregate, will not have a materially adverse impact on Enron’s financial position or its results of operations.

Litigation. In 1995, several parties (the Plaintiffs) filed suit in Harris County District Court in Houston, Texas, against Intratex Gas Company (Intratex), Houston Pipe Line Company and Panhandle Gas Company (collectively, the Enron Defendants), each of which is a wholly-owned subsidiary of Enron. The Plaintiffs were either sellers or royalty owners under numerous gas purchase contracts with Intratex, many of which have terminated. Early in 1996, the case was severed by the Court into two matters to be tried (or otherwise resolved) separately. In the first matter, the Plaintiffs alleged that the Enron Defendants committed fraud and negligent misrepresentation in connection with the “Panhandle program,” a special marketing program established in the early 1980s. This case was tried in October 1996 and resulted in a verdict for the Enron Defendants. In the second matter, the Plaintiffs allege that the Enron Defendants violated state regulatory requirements and certain gas purchase contracts by failing to take the Plaintiffs’ gas ratably with other producers’ gas at certain times between 1978 and 1988. The trial court certified a class action with respect to ratability claims. On March 9, 2000, the Texas Supreme Court ruled that the trial court’s class certification was improper and remanded the case to the trial court. The Enron Defendants deny the Plaintiffs’ claims and have asserted various affirmative defenses, including the statute of limitations. The Enron Defendants believe that they have strong legal and factual defenses, and intend to vigorously contest the claims. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a materially adverse effect on its financial position or results of operations.

On November 21, 1996, an explosion occurred in or around the Humerto Vidal Building in San Juan, Puerto Rico. The explosion resulted in fatalities, bodily injuries and damage to the building and surrounding property. San Juan Gas Company, Inc. (San Juan), an Enron affiliate, operated a propane/air distribution system in the vicinity, but did not provide service to the building. Enron, San Juan Gas, four affiliates and their insurance carriers were named as defendants, along with several third parties, including The Puerto Rico Aqueduct and Sewer Authority, Puerto Rico Telephone Company, Heath Consultants Incorporated, Humberto
Vidal, Inc. and their insurance carriers, in numerous lawsuits filed in U.S. District Court for the District of Puerto Rico and the Superior Court of Puerto Rico. These suits seek damages for wrongful death, personal injury, business interruption and property damage allegedly caused by the explosion. After nearly four years without determining the cause of the explosion, all parties have agreed not to litigate further that issue, but to move these suits toward settlements or trials to determine whether each plaintiff was injured as a result of the explosion and, if so, the lawful damages attributable to such injury. The defendants have agreed on a fund for settlements or final awards. Numerous claims have been settled. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a materially adverse effect on its financial position or results of operations.

Trojan Investment Recovery. In early 1993, PGE ceased commercial operation of the Trojan nuclear power generating facility. The OPUC granted PGE, through a general rate order, recovery of, and a return on, 87% of its remaining investment in Trojan.

The OPUC's general rate order related to Trojan has been subject to litigation in various state courts, including rulings by the Oregon Court of Appeals and petitions to the Oregon Supreme Court filed by parties opposed to the OPUC's order, including the Utility Reform Project (URP) and the Citizens Utility Board (CUB).

In August 2000, PGE entered into agreements with CUB and the staff of the OPUC to settle the litigation related to PGE's recovery of its investment in the Trojan plant. Under the agreements, CUB agreed to withdraw from the litigation and to support the settlement as the means to resolve the Trojan litigation. The OPUC approved the accounting and ratemaking elements of the settlement on September 29, 2000. As a result of these approvals, PGE's investment in Trojan is no longer included in rates charged to customers, either through a return on or a return of that investment. Collection of ongoing decommissioning costs at Trojan is not affected by the settlement agreements or the September 29, 2000 OPUC order. With CUB's withdrawal, URP is the one remaining significant adverse party in the litigation. URP has indicated that it plans to continue to challenge the OPUC order allowing PGE recovery of its investment in Trojan.

Enron cannot predict the outcome of these actions. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Environmental Matters. Enron is subject to extensive federal, state and local environmental laws and regulations. These laws and regulations require expenditures in connection with the construction of new facilities, the operation of existing facilities and for remediation at various operating sites. The implementation of the Clean Air Act Amendments
is expected to result in increased operating expenses. These increased operating expenses are not expected to have a materially adverse effect on Enron's financial position or results of operations.

Enron's natural gas pipeline companies conduct soil and groundwater remediation of a number of their facilities. Enron does not expect to incur material expenditures in connection with soil and groundwater remediation.

In addition, Enron has received requests for information from the EPA and state environmental agencies inquiring whether Enron has disposed of materials at other waste disposal sites. Enron has also received requests for contribution from other parties with respect to the cleanup of other sites. Enron may be required to share in the costs of the cleanup of some of these sites. However, based upon the amounts claimed and the nature and volume of materials sent to sites at which Enron has an interest, management does not believe that any potential costs incurred in connection with these notices and third party claims, either taken individually or in the aggregate, will have a material impact on Enron's financial position or results of operations.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
None.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Common Stock

The following table indicates the high and low sales prices for the common stock of Enron as reported on the New York Stock Exchange (consolidated transactions reporting system), the principal market in which the securities are traded, and dividends paid per share for the calendar quarters indicated. The common stock is also listed for trading on the Chicago Stock Exchange and the Pacific Stock Exchange, as well as The London Stock Exchange and Frankfurt Stock Exchange.

<table>
<thead>
<tr>
<th>Dividends</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>$&lt;S&gt;</td>
<td>$78</td>
<td>$41</td>
</tr>
<tr>
<td>First Quarter</td>
<td>$3/8</td>
<td>$3/8</td>
</tr>
<tr>
<td>$.1250</td>
<td>$.1250</td>
<td>$.1250</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>78</td>
<td>62</td>
</tr>
<tr>
<td>$.1250</td>
<td>15/16</td>
<td>1/2</td>
</tr>
<tr>
<td>$.1250</td>
<td>11/2</td>
<td>1/2</td>
</tr>
<tr>
<td>$.1250</td>
<td>.1250</td>
<td>.1250</td>
</tr>
</tbody>
</table>
Third Quarter..... 90 3/4  65 9/16  .1250  44 23/32  38 1/16
   .1250
Fourth Quarter.... 88 11/16  63 1/2  .1250  44 7/8  34 7/8
   .1250
</TABLE>

Cumulative Second Preferred Convertible Stock

The following table indicates the high and low sales prices for the Cumulative Second Preferred Convertible Stock ("Second Preferred Stock") of Enron as reported on the New York Stock Exchange (consolidated transactions reporting system), the principal market in which the securities are traded, and dividends paid per share for the calendar quarters indicated. The Second Preferred Stock is also listed for trading on the Chicago Stock Exchange.

<TABLE>
<CAPTION>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Quarter.... 1,953</td>
<td>1,868 7/8</td>
<td>$3.4130</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>Second Quarter... 2,146 3/8</td>
<td>2,118 1/8</td>
<td>$3.4130</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>3.4130</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Quarter.... --</td>
<td>--</td>
<td>$3.4130</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>3.4130</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fourth Quarter... --</td>
<td>--</td>
<td>$3.4130</td>
<td>$1,170 1/8</td>
<td>$1,170</td>
<td></td>
</tr>
<tr>
<td>1/8</td>
<td>3.4130</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
</TABLE>

At December 31, 2000, there were approximately 58,920 record holders of common stock and 160 record holders of Second Preferred Stock.

Other information required by this item is set forth under Item 6 -- "Selected Financial Data (Unaudited) - Common Stock Statistics" for the years 1996-2000.

<PAGE>

ITEM 6. SELECTED FINANCIAL DATA (UNAUDITED)

<CAPTION>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
</tbody>
</table>
<CAPTION>
<p>| &lt;C&gt;     |      |      |      |
| Operating Revenues (millions) | $100,789 | $40,112 | $31,260 |
| $20,273 | $13,289 |
| Total Assets (millions) | $65,503 | $33,381 | $29,350 |
| $22,552 | $16,137 |</p>
<table>
<thead>
<tr>
<th>Common Stock Statistics (a)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before cumulative effect</td>
<td>979 1,024 703</td>
</tr>
<tr>
<td>of accounting changes</td>
<td></td>
</tr>
<tr>
<td>Total (millions)</td>
<td>105 584</td>
</tr>
<tr>
<td>Per share - basic</td>
<td>$1.22 $1.36 $1.07</td>
</tr>
<tr>
<td>$0.16 $1.16</td>
<td></td>
</tr>
<tr>
<td>Per share - diluted</td>
<td>$1.12 $1.27 $1.01</td>
</tr>
<tr>
<td>$0.16 $1.08</td>
<td></td>
</tr>
<tr>
<td>Earnings on common stock</td>
<td></td>
</tr>
<tr>
<td>Total (millions)</td>
<td>$896 $827 $686</td>
</tr>
<tr>
<td>$ 88 $568</td>
<td></td>
</tr>
<tr>
<td>Per share - basic</td>
<td>$1.22 $1.17 $1.07</td>
</tr>
<tr>
<td>$0.16 $1.16</td>
<td></td>
</tr>
<tr>
<td>Per share - diluted</td>
<td>$1.12 $1.16 $1.01</td>
</tr>
<tr>
<td>$0.16 $1.08</td>
<td></td>
</tr>
<tr>
<td>Dividends on common stock</td>
<td></td>
</tr>
<tr>
<td>Total (millions)</td>
<td>$368 $355 $312</td>
</tr>
<tr>
<td>$243 $212</td>
<td></td>
</tr>
<tr>
<td>Per share</td>
<td>$0.50 $0.60 $0.43</td>
</tr>
<tr>
<td>$0.46 $0.33</td>
<td></td>
</tr>
<tr>
<td>Shares outstanding (millions)</td>
<td></td>
</tr>
<tr>
<td>Actual at year-end</td>
<td>752 716 662</td>
</tr>
<tr>
<td>622 510</td>
<td></td>
</tr>
<tr>
<td>Average for the year - basic</td>
<td>736 705 642</td>
</tr>
<tr>
<td>544 492</td>
<td></td>
</tr>
<tr>
<td>Average for the year - diluted</td>
<td>814 769 695</td>
</tr>
<tr>
<td>555 540</td>
<td></td>
</tr>
<tr>
<td>Capitalization (millions)</td>
<td></td>
</tr>
<tr>
<td>Short-term and long-term debt</td>
<td>$10,229 $8,152 $7,357 $</td>
</tr>
<tr>
<td>6,254 $3,349</td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>2,414 2,430 2,143</td>
</tr>
<tr>
<td>1,147 755</td>
<td></td>
</tr>
<tr>
<td>Company-obligated preferred securities of subsidiaries</td>
<td>904 1,000 1,001</td>
</tr>
<tr>
<td>993 592</td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>11,470 9,570 7,048</td>
</tr>
<tr>
<td>5,618 3,723</td>
<td></td>
</tr>
<tr>
<td>Total capitalization</td>
<td>$25,017 $21,152 $17,549</td>
</tr>
<tr>
<td>$14,012 $8,419</td>
<td></td>
</tr>
</tbody>
</table>

(a) Share and per share amounts have been restated to reflect the two-for-one stock split effective August 13, 1999.

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following review of the results of operations and financial condition of Enron Corp. and its subsidiaries and affiliates (Enron) should be read in conjunction with the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Consolidated Net Income

Enron's net income for 2000 was $979 million compared to $893
million in 1999 and $703 million in 1998. Items impacting comparability are discussed in the respective segment results. Net income before items impacting comparability was $1,266 million, $957 million and $698 million, respectively, in 2000, 1999 and 1998. Enron's business is divided into five segments and Exploration and Production (Enron Oil & Gas Company) through August 16, 1999 (see Note 2 to the Consolidated Financial Statements). Enron's operating segments include:

Transportation and Distribution. Transportation and Distribution consists of Enron Transportation Services and Portland General. Transportation Services includes Enron's interstate natural gas pipelines, primarily Northern Natural Gas Company (Northern), Transwestern Pipeline Company (Transwestern), Enron's 50% interest in Florida Gas Transmission Company (Florida Gas) and Enron's interests in Northern Border Partners, L.P. and EOTT Energy Partners, L.P. (EOTT).

Wholesale Services. Wholesale Services includes Enron's wholesale businesses around the world. Wholesale Services operates in developed markets such as North America and Europe, as well as developing or newly deregulating markets including South America, India and Japan.

Retail Energy Services. Enron, through its subsidiary Enron Energy Services, LLC (Energy Services), is extending its energy expertise and capabilities to end-use retail customers in the industrial and commercial business sectors to manage their energy requirements and reduce their total energy costs.

Broadband Services. Enron's broadband services business (Broadband Services) provides customers with a single source for broadband services, including bandwidth intermediation and the delivery of premium content.

Corporate and Other. Corporate and Other includes Enron's investment in Azurix Corp. (Azurix), which provides water and wastewater services, results of Enron Renewable Energy Corp. (EREK), which develops and constructs wind-generated power projects, and the operations of Enron's methanol and MTBE plants as well as overall corporate activities of Enron.

Net income includes the following:

<table>
<thead>
<tr>
<th>Items impacting comparability: (a)</th>
<th>2000</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charge to reflect impairment by Azurix</td>
<td>(326)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain on TNPC, Inc. (The New Power Company), net</td>
<td>39</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains on sales of subsidiary stock</td>
<td>-</td>
<td>345</td>
<td>45</td>
</tr>
<tr>
<td>MTBE-related charges</td>
<td>-</td>
<td>(278)</td>
<td>(40)</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>(131)</td>
<td>-</td>
</tr>
<tr>
<td>Net income</td>
<td>$ 979</td>
<td>$ 893</td>
<td>$ 703</td>
</tr>
</tbody>
</table>

<TABLE>
<CAPTION>
(In millions)
<SB><C><C><C>
After-tax results before items impacting comparability
$1,266 $ 957 $ 698

Net income includes the following:
(a) Tax affected at 35%, except where a specific tax rate applied.

Diluted earnings per share of common stock were as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted earnings per share(a):</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>After-tax results before items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items impacting comparability:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge to reflect impairment by Azurix</td>
<td>(0.40)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain on The New Power Company, net</td>
<td>0.05</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains on sales of subsidiary stock</td>
<td>-</td>
<td>0.45</td>
<td>0.07</td>
</tr>
<tr>
<td>MTBE-related charges</td>
<td>-</td>
<td>(0.36)</td>
<td>(0.06)</td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>(0.17)</td>
<td>-</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$1.12</td>
<td>$1.10</td>
<td>$1.01</td>
</tr>
</tbody>
</table>

(a) Restated to reflect the two-for-one stock split effective August 13, 1999.

Income Before Interest, Minority Interests and Income Taxes

The following table presents income before interest, minority interests and income taxes (IBIT) for each of Enron's operating segments (see Note 20 to the Consolidated Financial Statements):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation and Distribution:</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>$391</td>
<td>$380</td>
<td>$351</td>
</tr>
<tr>
<td>Portland General</td>
<td>341</td>
<td>305</td>
<td>286</td>
</tr>
<tr>
<td>Wholesale Services</td>
<td>2,260</td>
<td>1,317</td>
<td>968</td>
</tr>
<tr>
<td>Retail Energy Services</td>
<td>165</td>
<td>(68)</td>
<td>(119)</td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>-</td>
<td>65</td>
<td>128</td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>(615)</td>
<td>(4)</td>
<td>(32)</td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$2,482</td>
<td>$1,995</td>
<td>$1,582</td>
</tr>
</tbody>
</table>

Transportation and Distribution

Transportation Services. The following table summarizes total volumes transported by each of Enron's interstate natural gas pipelines.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volumes transported (BBlu/d) (a)</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
</tbody>
</table>
Northern Natural Gas 3,529 3,820 4,098  
Transwestern Pipeline 1,657 1,462 1,608  
Florida Gas Transmission 1,501 1,495 1,324  
Northern Border Pipeline 2,443 2,405 1,770  

(a) Billion British thermal units per day. Amounts reflect  
100% of each entity's throughput volumes. Florida Gas and  
Northern Border Pipeline are unconsolidated equity affiliates.

Significant components of IBIT are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$650</td>
<td>$626</td>
<td>$640</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>280</td>
<td>264</td>
<td>276</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>67</td>
<td>66</td>
<td>70</td>
</tr>
<tr>
<td>Equity earnings</td>
<td>63</td>
<td>38</td>
<td>32</td>
</tr>
<tr>
<td>Other, net</td>
<td>25</td>
<td>46</td>
<td>25</td>
</tr>
<tr>
<td>Income before interest and taxes</td>
<td>$391</td>
<td>$380</td>
<td>$351</td>
</tr>
</tbody>
</table>

Net Revenues
Revenues, net of cost of sales, of Transportation Services  
increased $24 million (4%) during 2000 and declined $14 million  
(2%) during 1999 as compared to 1998. In 2000, Transportation  
Services' interstate pipelines produced strong financial results.  
The volumes transported by Transwestern increased 13 percent in  
2000 as compared to 1999. Northern's 2000 gross margin was  
comparable to 1999 despite an 8 percent decline in volumes  
transported. Net revenues in 2000 were favorably impacted by  
transportation revenues from Transwestern's Gallup, New Mexico  
expansion and by sales from Northern's gas storage inventory. The  
decrease in net revenue in 1999 compared to 1998 was primarily  
due to the expiration, in October 1998, of certain transition  
cost recovery surcharges, partially offset by a Northern sale of  
gas storage inventory in 1999.

Operating Expenses
Operating expenses, including depreciation and amortization,  
of Transportation Services increased $17 million (5%) during 2000  
primarily as a result of higher overhead costs related to  
information technology and employee benefits. Operating expenses  
decreased $16 million (5%) during 1999 primarily as a result of  
the expiration of certain transition cost recovery surcharges  
which had been recovered through revenues.

Equity Earnings
Equity in earnings of unconsolidated equity affiliates  
increased $25 million and $6 million in 2000 and 1999,  
respectively. The increase in equity earnings in 2000 as  
compared to 1999 primarily relates to Enron's investment in  
Florida Gas. The increase in earnings in 1999 as compared to  
1998 was primarily a result of higher earnings from Northern  
Border Pipeline and EOTT.

Other, Net
Other, net decreased $21 million in 2000 as compared to 1999 after increasing $21 million in 1999 as compared to 1998. Included in 2000 were gains related to an energy commodity contract and the sale of compressor-related equipment, while the 1999 amount included interest income earned in connection with the financing of an acquisition by BOTT. The 1998 amount included gains from the sale of an interest in an equity investment, substantially offset by charges related to litigation.

Portland General. Portland General realized IBIT as follows:

<TABLE>
<CAPTION>
(in millions)          
</CAPTION>
<S>
  <C>      <C>      <C>
Revenues     $2,256  $1,379  $1,196
Purchased power and fuel     1,461  639    461
Operating expenses     321    304    295
Depreciation and amortization     211    181    183
Other, net     78     50     19
Income before interest and taxes  $ 341  $ 305  $ 286
</TABLE>

Revenues, net of purchased power and fuel costs, increased $55 million in 2000 as compared to 1999. The increase is primarily the result of a significant increase in the price of power sold and an increase in wholesale sales, partially offset by higher purchased power and fuel costs. Operating expenses increased primarily due to increased plant maintenance costs related to periodic overhauls. Depreciation and amortization increased in 2000 primarily as a result of increased regulatory amortization. Other, net in 2000 included the impact of an Oregon Public Utility Commission (OPUC) order allowing certain deregulation costs to be deferred and recovered through rate cases, the settlement of litigation related to the Trojan nuclear power generating facility and gains on the sale of certain generation-related assets.

Revenues, net of purchased power and fuel costs, decreased $5 million in 1999 as compared to 1998. Revenues increased primarily as a result of an increase in the number of customers served by Portland General. Higher purchased power and fuel costs, which increased 42 percent in 1999, offset the increase in revenues. Other income, net increased $31 million in 1999 as compared to 1998 primarily as a result of a gain recognized on the sale of certain assets.

In 1999, Enron entered into an agreement to sell Portland General Electric Company to Sierra Pacific Resources. See Note 2 to the Consolidated Financial Statements.

Statistics for Portland General are as follows:

<TABLE>
<CAPTION>
Electricity sales (thousand MWh)(a)          
</CAPTION>
<S>
  <C>      <C>      <C>
Residential    7,433    7,404    7,101
Commercial     7,527    7,392    6,781
</TABLE>

00200000001269
<table>
<thead>
<tr>
<th></th>
<th>4,912</th>
<th>4,463</th>
<th>3,562</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total retail</td>
<td>19,872</td>
<td>19,259</td>
<td>17,444</td>
</tr>
<tr>
<td>Wholesale</td>
<td>18,548</td>
<td>12,612</td>
<td>10,869</td>
</tr>
<tr>
<td>Total electricity sales</td>
<td>38,420</td>
<td>31,871</td>
<td>28,313</td>
</tr>
</tbody>
</table>

**Resource mix**

- Coal 11% 15%
- Combustion turbine 12% 8% 12%
- Hydro 6% 9% 9%
- Total generation 29% 32% 37%
- Firm purchases 63% 57% 56%
- Secondary purchases 8% 11% 7%
- Total resources 100% 100%

**Average variable power cost (Mills/KWh)**

- Generation 14.5 11.3 8.6
- Firm purchases 34.9 23.2 17.3
- Secondary purchases 123.6 19.7 23.6
- Total average variable power cost 37.2 20.0 15.6

**Retail customers (end of period, thousands)**

725 719 704

**Outlook**

Enron Transportation Services is expected to provide stable earnings and cash flows during 2001. The four major natural gas pipelines have strong competitive positions in their respective markets as a result of efficient operating practices, competitive rates and favorable market conditions. Enron Transportation Services expects to continue to pursue demand-driven expansion opportunities. Florida Gas expects to complete an expansion that will increase throughput by 198 million cubic feet per day (MMcf/d) by mid-2001. Florida Gas has received preliminary approval from the Federal Energy Regulatory Commission for an expansion of 428 MMcf/d, expected to be completed by early 2003, and is also pursuing an expansion of 150 MMcf/d that is expected to be completed in mid-2003. Transwestern completed an expansion of 140 MMcf/d in May 2000 and is pursuing an expansion of 50 MMcf/d that is expected to be completed in 2001 and an additional expansion of up to 150 MMcf/d that is expected to be completed in 2002. Northern Border Partners is evaluating the development of a 325 mile pipeline with a range of capacity from 375 MMcf/d to 500 MMcf/d to connect natural gas production in Wyoming to the Northern Border Pipeline in Montana.

In 2001, Portland General anticipates purchased power and fuel costs to remain at historically high levels. Portland General has submitted a request with the OPUC to recover the anticipated cost increase through a rate adjustment.

**Wholesale Services**

Enron builds its wholesale businesses through the creation of networks involving selective asset ownership, contractual access to third-party assets and market-making activities. Each market in which Wholesale Services operates utilizes these components in
a slightly different manner and is at a different stage of development. This network strategy has enabled Wholesale Services to establish a leading position in its markets. Wholesale Services' activities are categorized into two business lines: (a) Commodity Sales and Services and (b) Assets and Investments. Activities may be integrated into a bundled product offering for Enron's customers.

Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities). Additionally, Wholesale Services manages its liquidity and exposure to third-party credit risk through monetization of its contract portfolio or third-party insurance contracts. Wholesale Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

The following table reflects IBIT for each business line:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity sales and services</td>
<td>$1,630</td>
<td>$ 628</td>
<td>$ 411</td>
</tr>
<tr>
<td>Assets and investments</td>
<td>889</td>
<td>850</td>
<td>709</td>
</tr>
<tr>
<td>Unallocated expenses</td>
<td>(259)</td>
<td>(161)</td>
<td>(152)</td>
</tr>
<tr>
<td>Income before interest, minority interests and taxes</td>
<td>$2,260</td>
<td>$ 1,317</td>
<td>$ 968</td>
</tr>
</tbody>
</table>

The following discussion analyzes the contributions to IBIT for each business line.

Commodity Sales and Services. Wholesale Services provides reliable commodity delivery and predictable pricing to its customers through forwards and other contracts. This market-making activity includes the purchase, sale, marketing and delivery of natural gas, electricity, liquids and other commodities, as well as the management of Wholesale Services' own portfolio of contracts. Contracts associated with this activity are accounted for using the mark-to-market method of accounting. See Note 1 to the Consolidated Financial Statements. Wholesale Services' market-making activity is facilitated through a network of capabilities including selective asset ownership. Accordingly, certain assets involved in the delivery of these services are included in this business (such as intrastate natural gas pipelines, gas storage facilities and certain electric generation assets).

Wholesale Services markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

|---|------|------|------|

002000000001271
Physical volumes (BBtue/d) (a)(b)

<table>
<thead>
<tr>
<th></th>
<th>Gas:</th>
<th>Transportation volumes</th>
<th>Total gas volumes</th>
<th>Crude oil and Liquids</th>
<th>Total physical volumes (BBtue/d)</th>
<th>Electricity volumes (thousand MWh)</th>
<th>United States</th>
<th>Europe and Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>17,674</td>
<td>649</td>
<td>20,319</td>
<td>6,088</td>
<td>17,308</td>
<td>578,787</td>
<td>578,787</td>
<td>54,670</td>
<td>633,457</td>
</tr>
<tr>
<td>Canada</td>
<td>6,359</td>
<td>575</td>
<td>15,527</td>
<td>6,160</td>
<td>10,742</td>
<td>380,518</td>
<td>380,518</td>
<td>11,576</td>
<td>392,094</td>
</tr>
<tr>
<td>Europe and Other</td>
<td>3,637</td>
<td></td>
<td>12,714</td>
<td>3,570</td>
<td>11,024</td>
<td>401,843</td>
<td>401,843</td>
<td>529</td>
<td>402,372</td>
</tr>
</tbody>
</table>

Financial settlements (notional, BBtue/d) 196,148 99,337 75,266

---

(a) Billion British thermal units equivalent per day.
(b) Includes third-party transactions by Enron Energy Services.
(c) Represents electricity volumes, converted to BBtue/d.

---

Earnings from commodity sales and services increased $1.0 billion (160%) in 2000 as compared to 1999. Increased profits from North American gas and power marketing operations, European power marketing operations as well as the value of new businesses, such as pulp and paper, contributed to the earnings growth of Enron's commodity sales and services business. Continued market leadership in terms of volumes transacted, significant increases in natural gas prices and price volatility in both the gas and power markets were the key contributors to increased profits in the gas and power intermediation businesses. In late 1999, Wholesale Services launched an Internet-based Ecommerce system, EnronOnline, which allows wholesale customers to view Enron's real time pricing and to complete commodity transactions with Enron as principal, with no direct interaction. In its first full year of operation, EnronOnline positively impacted wholesale volumes, which increased 59 percent over 1999 levels.

Earnings from commodity sales and services increased $217 million (53%) in 1999 as compared to 1998, reflecting strong results from the intermediation businesses in both North America and Europe, which include delivery of energy commodities and associated risk management products. Wholesale Services also successfully managed its overall portfolio of contracts, particularly in minimizing credit exposures utilizing third-party contracts. New product offerings in coal and pulp and paper markets also added favorably to the results.

Assets and Investments. Enron's Wholesale businesses make investments in various energy and certain related assets as a part of its network strategy. Wholesale Services either purchases the asset from a third party or develops and constructs the asset. In most cases, Wholesale Services operates and manages such assets. Earnings from these investments principally result from operations of the assets or sales of ownership.
Additionally, Wholesale Services invests in debt and equity securities of energy and technology-related businesses, which may also utilize Wholesale Services' products and services. With these merchant investments, Enron's influence is much more limited relative to assets Enron develops or constructs. Earnings from these activities, which are accounted for on a fair value basis and are included in revenues, result from changes in the market value of the securities. Wholesale Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments. See Note 4 to the Consolidated Financial Statements for a summary of these investments.

Earnings from assets and investments increased $39 million (5%) in 2000 as compared to 1999 as a result of an increase in the value of Wholesale Services' merchant investments, partially offset by lower gains from sales of energy assets. Earnings from asset operations were comparable to 1999 levels. Earnings from merchant investments were positively impacted by power-related and energy investments, partially offset by the decline in value of technology-related and certain energy-intensive industry investments. Gains on sales of energy assets in 2000 included the monetization of certain European energy operations.

Earnings from assets and investments increased $141 million (20%) in 1999 as compared to 1998. During 1999, earnings from Wholesale Services' energy-related assets increased, reflecting the operation of the Dabhol Power Plant in India, ownership in Elektro Eletricidade e Servicos S.A. (Elektro), a Brazilian electric utility, and assets in various other developing markets. Wholesale Services' merchant investments increased in value during the year due to the expansion into certain technology-related investments, partially offset by a decline in the value of certain energy investments. In addition, Wholesale Services' 1999 earnings increased due to development and construction activities, while gains on sales of energy assets declined.

Unallocated Expenses. Net unallocated expenses such as systems expenses and performance-related costs increased in 2000 due to growth of Wholesale Services' existing businesses and continued expansion into new markets.

Outlook

In 2000, Wholesale Services reinforced its leading positions in the natural gas and power markets in both North America and Europe. In the coming year, Wholesale Services plans to continue to expand and refine its existing energy networks and to extend its proven business model to new markets and industries.

In 2001, Wholesale Services plans to continue to fine-tune its already successful existing energy networks. In North America, Enron expects to complete the sale of five of its peaking power plants located in the Midwest and its intrastate natural gas pipeline. In each case, market conditions, such as increased liquidity, have diminished the need to own physical assets. For energy networks in other geographical areas where liquidity may be an issue, Enron will evaluate whether its existing network will benefit from additional physical assets. The existing networks in North America and Europe should continue to provide opportunities
for sustained volume growth and increased profits.

The combination of knowledge gained in building networks in key energy markets and the application of new technology, such as EnronOnline, is expected to provide the basis to extend Wholesale Services' business model to new markets and industries. In key international markets, where deregulation is underway, Enron plans to build energy networks by using the optimum combination of acquiring or constructing physical assets and securing contractual access to third party assets. Enron also plans to replicate its business model to new industrial markets such as metals, pulp, paper and lumber, coal, and steel. Enron expects to use its E commerce platform, EnronOnline, to accelerate the penetration into these industries.

Earnings from Wholesale Services are dependent on the origination and completion of transactions, some of which are individually significant and which are impacted by market conditions, the regulatory environment and customer relationships. Wholesale Services' transactions have historically been based on a diverse product portfolio, providing a solid base of earnings. Enron's strengths, including its ability to identify and respond to customer needs, access to extensive physical assets and its integrated product offerings, are important drivers of the expected continued earnings growth. In addition, significant earnings are expected from Wholesale Services' commodity portfolio and investments, which are subject to market fluctuations. External factors, such as the amount of volatility in market prices, impact the earnings opportunity associated with Wholesale Services' business. Risk related to these activities is managed using naturally offsetting transactions and hedge transactions. The effectiveness of Enron's risk management activities can have a material impact on future earnings. See "Financial Risk Management" for a discussion of market risk related to Wholesale Services.

Retail Energy Services

Energy Services sells or manages the delivery of natural gas, electricity, liquids and other commodities to industrial and commercial customers located in North America and Europe. Energy Services also provides outsourcing solutions to customers for full energy management. This integrated product includes the management of commodity delivery, energy information and energy assets, and price risk management activities. The commodity portion of the contracts associated with this business are accounted for using the mark-to-market method of accounting. See Note 1 to the Consolidated Financial Statements.

<TABLE>
<CAPTION>
(in millions)

<br>
<align=center>2000</align=center> | <align=center>1999</align=center> | <align=center>1998</align=center>

<table>
<thead>
<tr>
<th>&lt;br&gt;</th>
<th>&lt;br&gt;</th>
<th>&lt;br&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$4,615</td>
<td>$1,807</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>4,028</td>
<td>1,551</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>449</td>
<td>308</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>38</td>
<td>29</td>
</tr>
<tr>
<td>Equity losses</td>
<td>(60)</td>
<td>-</td>
</tr>
<tr>
<td>Other, net</td>
<td>63</td>
<td>13</td>
</tr>
<tr>
<td>1BIT before items impacting comparability</td>
<td>103</td>
<td>(68)</td>
</tr>
</tbody>
</table>
Items impacting comparability:
  Gain on The New Power Company
  stock issuance 121 - -
  Retail Energy Services charges (59) - -
  Income (loss) before interest, minority interests and taxes $165 $(68) $(119)

Operating Results
Revenues and gross margin increased $2,808 million and $331 million, respectively, in 2000 compared to 1999, primarily resulting from execution of commitments on its existing customer base, long-term energy contracts originated in 2000 and the increase in the value of Energy Services' contract portfolio. Operating expenses increased as a result of costs incurred in building the capabilities to deliver services on existing customer contracts and in building Energy Services' outsourcing business in Europe. Other, net in 2000 consisted primarily of gains associated with the securitization of non-merchant equity instruments. Equity losses reflect Energy Services' portion of losses of The New Power Company.

Items impacting comparability in 2000 included a pre-tax gain of $121 million related to the issuance of common stock by The New Power Company and a charge of $59 million related to the write-off of certain information technology and other costs. The New Power Company, which is approximately 45 percent owned by Enron, was formed to provide electricity and natural gas to residential and small commercial customers in deregulated energy markets in the United States.

Outlook
During 2001, Energy Services anticipates continued growth in the demand for retail energy outsourcing solutions. Energy Services will deliver these services to its existing customers, while continuing to expand its commercial and industrial customer base for total energy outsourcing. Energy Services also plans to continue integrating its service delivery capabilities, extend its business model to related markets and offer new products.

Broadband Services
In implementing Enron's network strategy, Broadband Services is constructing the Enron Intelligent Network, a nationwide fiber optic network that consists of both fiber deployed by Enron and acquired capacity on non-Enron networks and is managed by Enron's Broadband Operating System software. Enron is extending its market-making and risk management skills from its energy business to develop the bandwidth intermediation business to help customers manage unexpected fluctuation in the price, supply and demand of bandwidth. Enron's bandwidth-on-demand platform allows delivery of high-bandwidth media-rich content such as video streaming, high capacity data transport and video conferencing. Broadband Services also makes investments in companies with related technologies and with the potential for capital appreciation. Earnings from these merchant investments, which are accounted for on a fair value basis and are included in revenues, result from changes in the market value of the securities. Broadband Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments. Broadband Services
also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management’s expectations of the investment’s value.

The components of Broadband Services' businesses include the development and construction of the Enron Intelligent Network, sales of excess fiber and software, bandwidth intermediation and the delivery of content. Significant components of Broadband Services’ results are as follows:

<table>
<thead>
<tr>
<th>TABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In millions)</td>
</tr>
<tr>
<td>S</td>
</tr>
<tr>
<td>Gross margin</td>
</tr>
<tr>
<td>Operating expenses</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
</tr>
<tr>
<td>Other, net</td>
</tr>
<tr>
<td>Loss before interest, minority interests and taxes</td>
</tr>
</tbody>
</table>

Broadband Services recognized a loss before interest, minority interests and taxes of $60 million in 2000. Gross margin included earnings from sales of excess fiber capacity, a significant increase in the market value of Broadband Services' merchant investments and the monetization of a portion of Enron's broadband content delivery platform. Expenses incurred during the period include expenses related to building the business and depreciation and amortization.

Outlook

Broadband Services is extending Enron's proven business model to the communications industry. In 2001, Enron expects to further develop the Enron Intelligent Network, a global broadband network with broad connectivity potential to both buyers and sellers of bandwidth through Enron's pooling points. In addition, Enron expects to further deploy its proprietary Broadband Operating System across the Enron Intelligent Network, enabling Enron to manage bandwidth capacity independent of owning the underlying fiber. Broadband Services expects its intermediation transaction level to increase significantly in 2001 as more market participants connect to the pooling points and transact with Enron to manage their bandwidth needs. The availability of Enron's bandwidth intermediation products and prices on EnronOnline are expected to favorably impact the volume of transactions. In 2001, Broadband Services expects to continue to expand the commercial roll-out of its content service offerings including video-on-demand. Enron expects the volume of content delivered over its network to increase as more content delivery contracts are signed and as more distribution partner locations are connected.

Corporate and Other

Significant components of Corporate and Other's IBIT are as follows:

<table>
<thead>
<tr>
<th>TABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;CAPTION&gt;</td>
</tr>
</tbody>
</table>
(In millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IBIT before items impacting comparability</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td></td>
<td>$(289)</td>
<td>$(17)</td>
<td>$7</td>
</tr>
</tbody>
</table>

Items impacting comparability:
- Charge to reflect impairment by Azurix: (326)
- Gains on exchange and sales of Enron Oil & Gas Company (EOG) stock: - 454 22
- Charge to reflect impairment of MTBE assets and losses on contracted MTBE production: - (441) (61)

Loss before interest, minority interests and taxes: $(615) $ (4) $(32)
</TABLE>

Results for Corporate and Other in 2000 reflect operating losses from Enron's investment in Azurix (excluding the impairments discussed below) and increased information technology, employee compensation and corporate-wide expenses.

Results for Corporate and Other in 1999 were impacted by higher corporate expenses, partially offset by increased earnings from EREC resulting from increased sales volumes from its German manufacturing subsidiary and from the completion and sale of certain domestic wind projects. Enron also recognized higher earnings related to Azurix. Results in 1998 were favorably impacted by increases in the market value of certain corporate-managed financial instruments, partially offset by higher corporate expenses.

Items impacting comparability in 2000 included a $326 million charge reflecting Enron's portion of impairments recorded by Azurix related to assets in Argentina. Items impacting comparability in 1999 included a pre-tax gain of $454 million on the exchange and sale of Enron's interest in EOG (see Note 2 to the Consolidated Financial Statements) and a $441 million pre-tax charge for the impairment of its MTBE assets (see Note 17 to the Consolidated Financial Statements).

During 1998, Enron recognized a pre-tax gain of $22 million on the delivery of 10.5 million shares of EOG stock held by Enron as repayment of mandatorily exchangeable debt. Enron also recorded a $61 million charge to reflect losses on contracted MTBE production.

Interest and Related Charges, Net
Interest and related charges, net of interest capitalized which totaled $38 million, $54 million and $66 million for 2000, 1999 and 1998, respectively, increased to $838 million in 2000 from $656 million in 1999 and $550 million in 1998. The increase in 2000 as compared to 1999 was primarily a result of increased long-term debt levels, increased average short-term borrowings, short-term debt assumed as a result of the acquisition of MG plc and higher interest rates in the U.S. The increase was partially offset by the replacement of debt related to a Brazilian subsidiary with lower interest rate debt.

The increase in 1999 as compared to 1998 was primarily due to debt issuances and debt related to a Brazilian subsidiary, partially offset by a decrease in debt related to EOG following the sale and exchange of Enron's interests in August 1999. See Note 2 to the
Consolidated Financial Statements.

Minority Interests
Minority interests include the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elektro(a)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Majority-owned limited liability company and limited partnerships</td>
<td>105</td>
<td>71</td>
<td>-</td>
</tr>
<tr>
<td>Enron Oil &amp; Gas Company</td>
<td>-</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>23</td>
<td>53</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$154</td>
<td>$135</td>
<td>$77</td>
</tr>
</tbody>
</table>

(a) Relates to the respective parents of Elektro, which had minority shareholders in 2000 and 1999. See Note 8 to the Consolidated Financial Statements.

Minority interests include Elektro beginning January 1, 1999, a majority-owned limited liability company and majority-owned limited partnerships since their formation during 1998 through 2000 and EOG until the exchange and sale of Enron's interests in August 1999 (see Note 2 to the Consolidated Financial Statements).

Income Tax Expense
Income tax expense increased in 2000 as compared to 1999 primarily as a result of increased earnings, decreased equity earnings and decreased tax benefits related to the foreign tax rate differential, partially offset by an increase in the differences between the book and tax basis of certain assets and stock sales.

Income tax expense decreased in 1999 compared to 1998 primarily as a result of increased equity earnings, tax benefits related to the foreign tax rate differential and the audit settlement related to Monthly Income Preferred Shares, partially offset by increased earnings.

Cumulative Effect of Accounting Changes
In 1999, Enron recorded an after-tax charge of $131 million to reflect the initial adoption (as of January 1, 1999) of two new accounting pronouncements, the AICPA Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities," and the Emerging Issues Task Force Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The 1999 charge was primarily related to the adoption of SOP 98-5.

NEW ACCOUNTING PRONOUNCEMENTS

In 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 must be applied to all derivative instruments and certain derivative instruments
embedded in hybrid instruments and requires that such instruments be recorded in the balance sheet either as an asset or liability measured at its fair value through earnings, with special accounting allowed for certain qualifying hedges. Enron will adopt SFAS No. 133 as of January 1, 2001. Due to the adoption of SFAS No. 133, Enron will recognize an after-tax non-cash loss of approximately $5 million in earnings and an after-tax non-cash gain in "Other Comprehensive Income," a component of shareholders' equity, of approximately $22 million from the cumulative effect of a change in accounting principle. Enron will also reclassify $532 million from "Long-Term Debt" to "Other Liabilities" due to the adoption.

The total impact of Enron's adoption of SFAS No. 133 on earnings and on "Other Comprehensive Income" is dependent upon certain pending interpretations, which are currently under consideration, including those related to "normal purchases and normal sales" and inflation escalators included in certain contract payment provisions. The interpretations of these issues, and others, are currently under consideration by the FASB. While the ultimate conclusions reached on interpretations being considered by the FASB could impact the effects of Enron's adoption of SFAS No. 133, Enron does not believe that such conclusions would have a material effect on its current estimate of the impact of adoption.

FINANCIAL CONDITION

Cash Flows

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by (used in):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>$4,779</td>
<td>$1,228</td>
<td>$1,640</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(4,264)</td>
<td>(3,507)</td>
<td>(3,965)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>571</td>
<td>2,456</td>
<td>2,266</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities increased $3,551 million in 2000, primarily reflecting decreases in working capital, positive operating results and a receipt of cash associated with the assumption of a contractual obligation. Net cash provided by operating activities decreased $412 million in 1999, primarily reflecting increases in working capital and net assets from price risk management activities, partially offset by increased earnings and higher proceeds from sales of merchant assets and investments. The 1998 amount reflects positive operating cash flow from Enron's major business segments, proceeds from sales of interests in energy-related merchant assets and cash from timing and other changes related to Enron's commodity portfolio, partially offset by new investments in merchant assets and investments.

Net cash used in investing activities primarily reflects capital expenditures and equity investments, which total $3,314 million in 2000, $3,085 million in 1999 and $3,564 million in 1998, and cash used for business acquisitions. See "Capital Expenditures and Equity Investments" below and see Note 2 to
the Consolidated Financial Statements for cash used for business acquisitions. Partially offsetting these uses of cash were proceeds from sales of non-merchant assets, including certain equity instruments by Energy Services and an international power project, which totaled $494 million in 2000. Proceeds from non-merchant asset sales were $294 million in 1999 and $239 million in 1998.

Cash provided by financing activities in 2000 included proceeds from the issuance of subsidiary equity and the issuance of common stock related to employee benefit plans, partially offset by payments of dividends. Cash provided by financing activities in 1999 included proceeds from the net issuance of short- and long-term debt, the issuance of common stock and the issuance of subsidiary equity, partially offset by payments of dividends. Cash provided by financing activities in 1998 included proceeds from the net issuance of short- and long-term debt, the issuance of common stock and the sale of a minority interest in a subsidiary, partially offset by payments of dividends.

Capital Expenditures and Equity Investments

Capital expenditures by operating segment are as follows:

<TABLE>
<CAPTION>
(In millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td></td>
</tr>
<tr>
<td>Transportation and Distribution</td>
<td>$140</td>
<td>$270</td>
<td>$316</td>
<td>$310</td>
</tr>
<tr>
<td>Wholesale Services</td>
<td>570</td>
<td>1,260</td>
<td>1,216</td>
<td>706</td>
</tr>
<tr>
<td>Retail Energy Services</td>
<td>50</td>
<td>70</td>
<td>64</td>
<td>75</td>
</tr>
<tr>
<td>Broadband Services</td>
<td>700</td>
<td>436</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>-</td>
<td>-</td>
<td>226</td>
<td>690</td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>40</td>
<td>325</td>
<td>541</td>
<td>124</td>
</tr>
<tr>
<td>Total</td>
<td>$1,500</td>
<td>$2,361</td>
<td>$2,363</td>
<td>$1,995</td>
</tr>
</tbody>
</table>
</TABLE>

Capital expenditures increased $18 million in 2000 and $458 million in 1999 as compared to the previous year. Capital expenditures in 2000 primarily relate to construction of power plants to extend Wholesale Services' network and fiber optic network infrastructure for Broadband Services. During 1999, Wholesale Services expenditures increased due primarily to construction of domestic and international power plants. The 1999 increase in Corporate and Other reflects the purchase of certain previously leased MTBE-related assets.

Cash used for investments in equity affiliates by the operating segments is as follows:

<TABLE>
<CAPTION>
(In millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Transportation and Distribution</td>
<td>$1</td>
<td>$ -</td>
</tr>
<tr>
<td>Wholesale Services</td>
<td>911</td>
<td>712</td>
</tr>
<tr>
<td>Corporate and Other</td>
<td>21</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>$933</td>
<td>$722</td>
</tr>
</tbody>
</table>
</TABLE>
Equity investments in 2000 relate primarily to capital invested for the ongoing construction, by a joint venture, of a power plant in India as well as other international investments. Equity investments in 1999 relate primarily to an investment in a joint venture that holds gas distribution and related businesses in South Korea and the power plant project in India.

The level of spending for capital expenditures and equity investments will vary depending upon conditions in the energy and broadband markets, related economic conditions and identified opportunities. Management expects that the capital spending program will be funded by a combination of internally generated funds, proceeds from dispositions of selected assets and short- and long-term borrowings.

Working Capital
At December 31, 2000, Enron had working capital of $2.0 billion. If a working capital deficit should occur, Enron has credit facilities in place to fund working capital requirements. At December 31, 2000, those credit lines provided for up to $4.2 billion of committed and uncommitted credit, of which $290 million was outstanding. Certain of the credit agreements contain prefunding covenants. However, such covenants are not expected to restrict Enron’s access to funds under these agreements. In addition, Enron sells commercial paper and has agreements to sell trade accounts receivable, thus providing financing to meet seasonal working capital needs. Management believes that the sources of funding described above are sufficient to meet short- and long-term liquidity needs not met by cash flows from operations.

CAPITALIZATION

Total capitalization at December 31, 2000 was $25.0 billion. Debt as a percentage of total capitalization increased to 40.9% at December 31, 2000 as compared to 38.5% at December 31, 1999. The increase in the ratio primarily reflects increased debt levels and the impact on total equity of the decline in the value of the British pound sterling. This was partially offset by the issuances, in 2000, of Enron common stock and the contribution of common shares (see Note 16 to the Consolidated Financial Statements). The issuances of Enron common stock primarily related to the acquisition of a minority shareholder’s interest in Enron Energy Services, LLC and the exercise of employee stock options.

Enron is a party to certain financial contracts which contain provisions for early settlement in the event of a significant market price decline in which Enron’s common stock falls below certain levels (prices ranging from $28.20 to $55.00 per share) or if the credit ratings for Enron’s unsecured, senior long-term debt obligations fall below investment grade. The impact of this early settlement could include the issuance of additional shares of Enron common stock.

Enron’s senior unsecured long-term debt is currently rated BBB+ by Standard & Poor’s Corporation and Fitch IBCA and Baal by Moody’s Investor Service. Enron’s continued investment-grade status is critical to the success of its wholesale businesses as well as its ability to maintain adequate liquidity. Enron’s management believes it will be able to maintain its credit rating.
ITEM 7A. FINANCIAL RISK MANAGEMENT

Wholesale Services offers price risk management services primarily related to commodities associated with the energy sector (natural gas, electricity, crude oil and natural gas liquids). Energy Services and Broadband Services also offer price risk management services to their customers. These services are provided through a variety of financial instruments including forward contracts, which may involve physical delivery, swap agreements, which may require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for the commodity, options and other contractual arrangements. Interest rate risks and foreign currency risks associated with the fair value of Wholesale Services' commodities portfolio are managed using a variety of financial instruments, including financial futures, swaps and options.

On a much more limited basis, Enron's other businesses also enter into financial instruments such as forwards, swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production or other contractual commitments. Changes in the market value of these hedge transactions are deferred until the gain or loss is recognized on the hedged item.

Enron manages market risk on a portfolio basis, subject to parameters established by its Board of Directors. Market risks are monitored by an independent risk control group operating separately from the units that create or actively manage these risk exposures to ensure compliance with Enron's stated risk management policies.

Market Risk

The use of financial instruments by Enron's businesses may expose Enron to market and credit risks resulting from adverse changes in commodity and equity prices, interest rates and foreign exchange rates. For Enron's businesses, the major market risks are discussed below:

Commodity Price Risk. Commodity price risk is a consequence of providing price risk management services to customers. As discussed above, Enron actively manages this risk on a portfolio basis to ensure compliance with Enron's stated risk management policies.

Interest Rate Risk. Interest rate risk is also a consequence of providing price risk management services to customers and having variable rate debt obligations, as changing interest rates impact the discounted value of future cash flows. Enron utilizes forwards, futures, swaps and options to manage its interest rate risk.

Foreign Currency Exchange Rate Risk. Foreign currency exchange rate risk is the result of Enron's international operations and price risk management services provided to its worldwide customer base. The primary purpose of Enron's foreign currency hedging activities is to protect against the volatility associated with foreign currency purchase and sale transactions. Enron primarily utilizes forward exchange contracts, futures and purchased options to manage Enron's risk profile.
Equity Risk. Equity risk arises from Enron's participation in investments. Enron generally manages this risk by hedging specific investments using futures, forwards, swaps and options.

Enron evaluates, measures and manages the market risk in its investments on a daily basis utilizing value at risk and other methodologies. The quantification of market risk using value at risk provides a consistent measure of risk across diverse markets and products. The use of these methodologies requires a number of key assumptions including the selection of a confidence level for expected losses, the holding period for liquidation and the treatment of risks outside the value at risk methodologies, including liquidity risk and event risk. Value at risk represents an estimate of reasonably possible net losses in earnings that would be recognized on its investments assuming hypothetical movements in future market rates and no change in positions. Value at risk is not necessarily indicative of actual results which may occur.

Value at Risk

Enron has performed an entity-wide value at risk analysis of virtually all of Enron's financial instruments, including price risk management activities and merchant investments. Value at risk incorporates numerous variables that could impact the fair value of Enron's investments, including commodity prices, interest rates, foreign exchange rates, equity prices and associated volatilities, as well as correlation within and across these variables. Enron estimates value at risk for commodity, interest rate and foreign exchange exposures using a model based on Monte Carlo simulation of delta/gamma positions which captures a significant portion of the exposure related to option positions. The value at risk for equity exposure discussed above is based on J.P. Morgan's RiskMetrics(TM) approach. Both value at risk methods utilize a one-day holding period and a 95% confidence level. Cross-commodity correlations are used as appropriate.

The use of value at risk models allows management to aggregate risks across the company, compare risk on a consistent basis and identify the drivers of risk. Because of the inherent limitations to value at risk, including the use of delta/gamma approximations to value options, subjectivity in the choice of liquidation period and reliance on historical data to calibrate the models, Enron relies on value at risk as only one component in its risk control process. In addition to using value at risk measures, Enron performs regular stress and scenario analyses to estimate the economic impact of sudden market moves on the value of its portfolios. The results of the stress testing, along with the professional judgment of experienced business and risk managers, are used to supplement the value at risk methodology and capture additional market-related risks, including volatility, liquidity and event, concentration and correlation risks.

The following table illustrates the value at risk for each component of market risk:

<TABLE>
<CAPTION>
December 31, Year ended December 31, 2003
</CAPTION>

00200000001283
<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
<th>Average(a)</th>
<th>Valuation(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>&lt;C&gt; Trading Market Risk:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity price(b)</td>
<td>$66</td>
<td>$21</td>
<td>$50</td>
<td>$81</td>
</tr>
<tr>
<td>$23 Interest rate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign currency exchange rate</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equity(c)</td>
<td>59</td>
<td>26</td>
<td>45</td>
<td>59</td>
</tr>
<tr>
<td>Non-Trading Market Risk(d):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity price</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>2 Interest rate</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Foreign currency exchange rate</td>
<td>8</td>
<td>4</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>4 Equity</td>
<td>7</td>
<td>3</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

(a) The average value presents a twelve month average of the month-end values. The high and low valuations for each market risk component represent the highest and lowest month-end value during 2000.

(b) In 2000, increased natural gas prices combined with increased price volatility in power and gas markets caused Enron's value at risk to increase significantly.

(c) Enron's equity trading market risk primarily relates to merchant investments (see Note 4 to the Consolidated Financial Statements). In 2000, the value at risk model utilized for equity trading market risk was refined to more closely correlate with the valuation methodologies used for merchant activities.

(d) Includes only the risk related to the financial instruments that serve as hedges and does not include the related underlying hedged item.

Accounting Policies
Accounting policies for price risk management and hedging activities are described in Note 1 to the Consolidated Financial Statements.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts
contained in this document are forward-looking statements. Forward-looking statements include, but are not limited to, statements relating to expansion opportunities for the Transportation Services, extension of Enron's business model to new markets and industries, demand in the market for broadband services and high bandwidth applications, transaction volumes in the U.S. power market, commencement of commercial operations of new power plants and pipeline projects, completion of the sale of certain assets and growth in the demand for retail energy outsourcing solutions. When used in this document, the words "anticipate," "believe," "estimate," "expects," "intend," "may," "project," "plan," "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Although Enron believes that its expectations reflected in these forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include success in marketing natural gas and power to wholesale customers; the ability of Enron to penetrate new retail natural gas and electricity markets (including energy outsourcing markets) in the United States and foreign jurisdictions; development of Enron's broadband network and customer demand for intermediation and content services; the timing, extent and market effects of deregulation of energy markets in the United States, including the current energy market conditions in California, and in foreign jurisdictions; other regulatory developments in the United States and in foreign countries, including tax legislation and regulations; political developments in foreign countries; the extent of efforts by governments to privatize natural gas and electric utilities and other industries; the timing and extent of changes in commodity prices for crude oil, natural gas, electricity, foreign currency and interest rates; the extent of success in acquiring oil and gas properties and in discovering, developing, producing and marketing reserves; the timing and success of Enron's efforts to develop international power, pipeline and other infrastructure projects; the effectiveness of Enron's risk management activities; the ability of counterparties to financial risk management instruments and other contracts with Enron to meet their financial commitments to Enron; and Enron's ability to access the capital markets and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and Enron's ability to maintain the credit ratings for its unsecured senior long-term debt obligations.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required hereunder is included in this report as set forth in the "Index to Financial Statements" on page F-1.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.
PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 of Form 10-K relating to directors who are nominees for election as directors at Enron's Annual Meeting of Shareholders to be held on May 1, 2001 is set forth under the caption entitled "Election of Directors" in Enron's Proxy Statement, and is incorporated herein by reference.

The information required by Item 10 of Form 10-K with respect to executive officers is set forth in Part I of this Form 10-K under the heading "Current Executive Officers of the Registrant".

Section 16(a) of the Securities Exchange Act of 1934 requires Enron's executive officers and directors, and persons who own more than 10% of a registered class of Enron's equity securities, to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange. Based solely on its review of the copies of such reports received by it, or written representations from certain reporting persons that no Forms 5 were required for those persons, Enron believes that during 2000, its executive officers, directors and greater than 10% shareholders complied with all applicable filing requirements, with the exception that: three transactions, all reflecting the deemed acquisition and disposition of common stock upon the exercise of derivative phantom stock units on January 24, 2000, for either cash or phantom units in the Enron Deferral Plan, for each of John C. Baxter, Richard B. Buy, Andrew S. Fastow, Mark A. Prevert and Kenneth D. Rice were not timely reported; one exempt stock option grant for J. Mark Metts and one exempt phantom stock unit grant for John Wakeham were not timely reported; and Lawrence Ruben did not timely file one report containing a private transaction with family members.

There are no family relationships among the officers listed, and there are no arrangements or understandings pursuant to which any of them were elected as officers. Officers are appointed or elected annually by the Board of Directors at its first meeting following the Annual Meeting of Shareholders, each to hold office until the corresponding meeting of the Board in the next year or until a successor shall have been elected, appointed or shall have qualified.

Item 11. EXECUTIVE COMPENSATION

The information regarding executive compensation is set forth in the Proxy Statement under the captions "Compensation of Directors and Executive Officers --Director Compensation; Executive Compensation; Stock Option Grants During 2000; Aggregated Stock Option/SAR Exercises During 2000 and Stock Option/SAR Values as of December 31, 2000; Retirement and Supplemental Benefit Plans; Severance Plans; Employment Contracts; and Certain Transactions", and is incorporated herein by reference.
Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security ownership of certain beneficial owners

The information regarding security ownership of certain beneficial owners is set forth in the Proxy Statement under the caption "Election of Directors - Security Ownership of Certain Beneficial Owners", and is incorporated herein by reference.

(b) Security ownership of management

The information regarding security ownership of management is set forth in the Proxy Statement under the caption "Election of Directors - Stock Ownership of Management and Board of Directors as of February 15, 2001", and is incorporated herein by reference.

(c) Changes in control

None.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information regarding certain relationships and related transactions is set forth in the Proxy Statement under the caption "Certain Transactions" and "Compensation Committee Interlocks and Insider Participation", and is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) and (2) Financial Statements and Financial Statement Schedules. See "Index to Financial Statements" set forth on page F-1.

(a)(3) Exhibits:

*3.01 - Amended and Restated Articles of Incorporation of Enron Oregon Corp. (Annex B to the Proxy Statement/Prospectus included in Enron's Registration Statement on Form S-4 - File No. 333-13791).

*3.02 - Articles of Merger of Enron Oregon Corp., an Oregon corporation, and Enron Corp., a Delaware corporation (Exhibit 3.02 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 33-60417).

*3.03 - Articles of Merger of Enron Corp., an Oregon corporation, and Portland General Corporation, an Oregon corporation (Exhibit 3.03 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 33-60417).
*3.04 - Bylaws of Enron (Exhibit 3.04 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 33-60417).

*3.05 - Articles of Amendment of Enron: Form of Series Designation for the Enron Convertible Preferred Stock (Annex F to the Proxy Statement/Prospectus included in Enron's Registration Statement on Form S-4 - File No. 333-13791).

*3.06 - Articles of Amendment of Enron: Form of Series Designation for the Enron 9.142% Preferred Stock (Annex G to the Proxy Statement/Prospectus included in Enron's Registration Statement on Form S-4 - File No. 333-13791).

*3.07 - Articles of Amendment of Enron: Statement of Resolutions Establishing Series A Junior Voting Convertible Preferred Stock (Exhibit 3.07 to Enron's Registration Statement on Form S-3 - File No. 333-44133).

*3.08 - Articles of Amendment of Enron: Statement of Resolutions Establishing A Series of Preferred Stock of Enron Corp. - Mandatorily Convertible Single Reset Preferred Stock, Series A (Exhibit 4.01 to Enron's Form 8-K filed on January 26, 1999).


*3.10 - Articles of Amendment of Enron amending Article IV of the Articles of Incorporation (Exhibit 3.10 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 333-70465).

*3.11 - Articles of Amendment of Enron: Statement of Resolutions Establishing A Series of Preferred Stock of Enron Corp. - Mandatorily Convertible Junior Preferred Stock, Series B (Exhibit 3.11 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 333-70465).

*4.01 - Indenture dated as of November 1, 1985, between Enron and Harris Trust and Savings Bank (now The Bank of New York), as supplemented and amended by the First Supplemental Indenture dated as of December 1, 1995 (Form T-3 Application for Qualification of Indentures under the Trust Indenture Act of 1939, File No. 22-14390, filed October 24, 1985; Exhibit 4(b) to Form S-3 Registration Statement No. 33-64057 filed on November 8, 1995). There have not been filed as exhibits to this Form 10-K other debt instruments.
defining the rights of holders of long-term debt of Enron, none of which relates to authorized indebtedness that exceeds 10% of the consolidated assets of Enron and its subsidiaries. Enron hereby agrees to furnish a copy of any such instrument to the Commission upon request.

*4.02 - Supplemental Indenture, dated as of May 8, 1997, by and among Enron Corp., Enron Oregon Corp. and Harris Trust and Savings Bank (now The Bank of New York), as Trustee (Exhibit 4.02 to Post-Effective Amendment No. 1 to Enron’s Registration Statement on Form S-3, File No. 33-60417).

*4.03 - Third Supplemental Indenture, dated as of September 1, 1997, between Enron Corp. and Harris Trust and Savings Bank (now The Bank of New York), as Trustee (Exhibit 4.03 to Enron Registration Statement on Form S-3, File No. 333-35549).

*4.04 - Fourth Supplemental Indenture, dated as of August 17, 1999, between Enron Corp. and Harris Trust and Savings Bank (now The Bank of New York), as Trustee (Exhibit 4.05 to Enron Registration Statement on Form S-3 - File No. 333-83549).

Executive Compensation Plans and Arrangements Filed as Exhibits Pursuant to Item 14(c) of Form 10-K: Exhibits 10.01 through 10.53

*10.01 - Enron Executive Supplemental Survivor Benefits Plan, effective January 1, 1987 (Exhibit 10.01 to Enron Form 10-K for 1992).

*10.02 - First Amendment to Enron Executive Supplemental Survivor Benefits Plan (Exhibit 10.02 to Enron Form 10-K for 1999).

*10.03 - Enron Corp. 1988 Stock Plan (Exhibit 4.3 to Form S-8 Registration Statement No. 33-27893).

*10.04 - Second Amendment to Enron Corp. 1988 Stock Plan (Exhibit 10.04 to Enron Form 10-K for 1996).

*10.05 - Enron Corp. 1988 Deferral Plan (Exhibit 10.19 to Enron Form 10-K for 1987).

*10.06 - First Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.06 to Enron Form 10-K for 1995).

*10.07 - Second Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.07 to Enron Form 10-K for 1995).

*10.08 - Third Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.09 to Enron Form 10-K for 1996).

*10.09 - Fourth Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.10 to Enron Form 10-K for 1996).

*10.10 - Fifth Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.11 to Enron Form 10-K for 1996).
*10.11 - Sixth Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.11 to Enron Form 10-K for 1999).


*10.13 - Amended and Restated Enron Corp. 1991 Stock Plan (Exhibit A to Enron Proxy Statement filed pursuant to Section 14(a) on March 24, 1997).


*10.15 - Second Amendment to Enron Corp. Amended and Restated 1991 Stock Plan (Exhibit 10.14 to Enron Form 10-K for 1997).

*10.16 - Enron Corp. 1991 Stock Plan (As Amended and Restated Effective May 4, 1999) (Exhibit B to Enron Proxy Statement filed pursuant to Section 14(a) on March 30, 1999).


*10.18 - Second Amendment to Enron Corp. 1991 Stock Plan (As Amended and Restated Effective May 4, 1999) (Exhibit 10.18 to Enron Form 10-K for 1999).


*10.21 - First Amendment to Enron Corp. 1992 Deferral Plan (Exhibit 10.10 to Enron Form 10-K for 1995).

*10.22 - Second Amendment to Enron Corp. 1992 Deferral Plan (Exhibit 10.11 to Enron Form 10-K for 1995).


*10.30 - Fourth Amendment to Consulting Services Agreement between Enron and John A. Urquhart dated as of May 9, 1994 (Exhibit 10.35 to Enron Form 10-K for 1995).

*10.31 - Fifth Amendment to Consulting Services Agreement between Enron and John A. Urquhart (Exhibit 10.36 to Enron Form 10-K for 1995).

*10.32 - Sixth Amendment to Consulting Services Agreement between Enron and John A. Urquhart (Exhibit 10.37 to Enron Form 10-K for 1995).

*10.33 - Seventh Amendment to Consulting Services Agreement between Enron and John A. Urquhart, dated October 27, 1997 (Exhibit 10.27 to Enron Form 10-K for 1997).


*10.36 - Tenth Amendment to Consulting Services Agreement between John A. Urquhart and Enron Corp. dated January 1, 2000 (Exhibit 10.36 to Enron Form 10-K for 1999).

*10.37 - Enron Corp. Performance Unit Plan (Exhibit A to Enron Proxy Statement filed pursuant to Section 14(a) on March 25, 1994).

*10.38 - Enron Corp. Annual Incentive Plan (Exhibit B to Enron Proxy Statement filed pursuant to Section 14(a) on March 25, 1994).

*10.39 - Enron Corp. Annual Incentive Plan dated May 4, 1999 (Exhibit A to Enron Proxy Statement filed pursuant to Section 14(a) on March 30, 1999).

*10.40 - Enron Corp. Performance Unit Plan (as amended and restated effective May 2, 1995) (Exhibit A to Enron
Proxy Statement filed pursuant to Section 14(a) on March 27, 1995).

*10.41 - First Amendment to Enron Corp. Performance Unit Plan (Exhibit 10.46 to Enron Form 10-K for 1995).


*10.49 - Executive Employment Agreement between Enron Operations Corp. and Stanley C. Horton, dated as of October 1, 1999 (Exhibit 10.45 to Enron Form 10-K for 1997).

*10.50 - First Amendment to Executive Employment Agreement by and between Enron Operations Corp., Enron Corp. and Stanley C. Horton, dated December 27, 1999 (Exhibit 10.56 to Enron Form 10-K for 1999).

10.51 - Employment Agreement between Enron Corp. and Mark A. Prevert, effective March 1, 2000

*10.52 - Executive Employment Agreement between Enron Corp. and Kenneth D. Rice, effective June 1, 1998 (Exhibit 10.43 to Enron Form 10-K for 1998).

- Statement re computation of ratios of earnings to fixed charges.

- Subsidiaries of registrant.

- Consent of Arthur Andersen LLP.

- Consent of Arthur Andersen LLP.

- Powers of Attorney for the directors signing this Form 10-K.

- Financial Statements of Atlantic Water Trust.

* Asterisk indicates exhibits incorporated by reference.

(b) Reports on Form 8-K


INDEX TO FINANCIAL STATEMENTS

ENRON CORP.

Consolidated Financial Statements

Report of Independent Public Accountants F-2

Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the years ended December 31, 2000, 1999 and 1998 F-3

Consolidated Balance Sheet as of December 31, 2000 and 1999 F-4

Consolidated Statement of Cash Flows for the years ended December 31, 2000, 1999 and 1998 F-6

Consolidated Statement of Changes in Shareholders' Equity Accounts for the years ended December 31, 2000, 1999 and 1998 F-7

Notes to the Consolidated Financial Statements F-8

Financial Statements Schedule

- Report of Independent Public Accountants on Financial Statement Schedule S-1

- Schedule II - Valuation and Qualifying Accounts S-2

Other financial statement schedules have been omitted because they are inapplicable or the information required
therein is included elsewhere in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Enron Corp.:

We have audited the accompanying consolidated balance sheet of Enron Corp. (an Oregon corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of Enron Corp.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enron Corp. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 18 to the consolidated financial statements, Enron Corp. and subsidiaries changed its method of accounting for costs of start-up activities and its method of accounting for certain contracts involved in energy trading and risk management activities in the first quarter of 1999.

Arthur Andersen LLP
Houston, Texas
February 23, 2001

ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
<table>
<thead>
<tr>
<th>Revenues</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas and other products</td>
<td>$50,500</td>
<td>$19,536</td>
</tr>
<tr>
<td>$13,276</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>33,823</td>
<td>15,238</td>
</tr>
<tr>
<td>13,939</td>
<td>9,234</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>7,232</td>
<td>5,338</td>
</tr>
<tr>
<td>Total revenues</td>
<td>100,789</td>
<td>40,112</td>
</tr>
<tr>
<td>Costs and Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of gas, electricity, metals and</td>
<td>94,517</td>
<td>34,761</td>
</tr>
<tr>
<td>other products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26,381</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>3,184</td>
<td>3,045</td>
</tr>
<tr>
<td>2,473</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>855</td>
<td>870</td>
</tr>
<tr>
<td>827</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes, other than income taxes</td>
<td>280</td>
<td>193</td>
</tr>
<tr>
<td>201</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>-</td>
<td>441</td>
</tr>
<tr>
<td>Total costs and expenses</td>
<td>98,836</td>
<td>39,310</td>
</tr>
<tr>
<td>29,882</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>1,953</td>
<td>802</td>
</tr>
<tr>
<td>1,378</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income and Deductions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated</td>
<td>87</td>
<td>309</td>
</tr>
<tr>
<td>equity affiliates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains on sales of non-merchant assets</td>
<td>146</td>
<td>541</td>
</tr>
<tr>
<td>56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on the issuance of stock by TNPC, Inc.</td>
<td>121</td>
<td>-</td>
</tr>
<tr>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>212</td>
<td>162</td>
</tr>
<tr>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income, net</td>
<td>(37)</td>
<td>181</td>
</tr>
<tr>
<td>(37)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income Before Interest, Minority</td>
<td>2,482</td>
<td>1,995</td>
</tr>
<tr>
<td>Interests and Income Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,582</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and related charges, net</td>
<td>838</td>
<td>656</td>
</tr>
<tr>
<td>550</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on company-obligated preferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>securities of subsidiaries</td>
<td>77</td>
<td>76</td>
</tr>
<tr>
<td>77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>154</td>
<td>135</td>
</tr>
<tr>
<td>77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>434</td>
<td>104</td>
</tr>
<tr>
<td>175</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Net income before cumulative effect of accounting changes 979 1,024
Cumulative effect of accounting changes, net of tax
(131) -
Net Income 979 893
Preferred stock dividends 83 66
Earnings on Common Stock $ 896 $ 827
$ 686
Earnings Per Share of Common Stock
Basic Before cumulative effect of accounting changes $ 1.22 $ 1.36
$ 1.07 Cumulative effect of accounting changes -
(0.19) -
Basic earnings per share $ 1.22 $ 1.17
$ 1.07 Diluted Before cumulative effect of accounting changes $ 1.12 $ 1.27
$ 1.01 Cumulative effect of accounting changes -
(0.17) -
Diluted earnings per share $ 1.12 $ 1.10
$ 1.01
Average Number of Common Shares Used in Computation
Basic 736 705
642 Diluted 814 769
695

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<SECTION>
<CAPTION>Year ended December 31,
(In millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Net Income</td>
<td>$ 979</td>
<td>$ 693</td>
<td>$ 703</td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment and other</td>
<td>(307)</td>
<td>(579)</td>
<td>(14)</td>
</tr>
<tr>
<td>Total Comprehensive Income</td>
<td>$ 672</td>
<td>$ 314</td>
<td>$ 689</td>
</tr>
</tbody>
</table>
</SECTION>

The accompanying notes are an integral part of these consolidated financial statements.
### ENRON CORP. AND SUBSIDIARIES
### CONSOLIDATED BALANCE SHEET

#### (In millions)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,374</td>
<td>$288</td>
</tr>
<tr>
<td>Trade receivables (net of allowance for doubtful accounts of $133 and $46, respectively)</td>
<td>10,396</td>
<td>3,030</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,874</td>
<td>518</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>12,018</td>
<td>2,205</td>
</tr>
</tbody>
</table>

| Investments and Other Assets | 5,294 | 5,036   |
| Investments in and advances to unconsolidated equity affiliates | 8,988 | 2,929   |
| **Total investments and other assets** | 23,379 | 15,445 |

| Property, Plant and Equipment, at cost | 6,916 | 6,948   |
| Natural gas transmission | 4,766 | 3,552   |
| Electric generation and distribution | 839 | 379    |
| Fiber optic network and equipment | 682 | 1,120   |
| **Total Assets** | 65,503 | 33,381  |

*The accompanying notes are an integral part of these consolidated financial statements.*
(In millions, except shares)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$9,777</td>
<td>$2,154</td>
</tr>
<tr>
<td>Liabilities from price risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>management activities</td>
<td>10,495</td>
<td>1,836</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>1,679</td>
<td>1,001</td>
</tr>
<tr>
<td>Customers' deposits</td>
<td>4,277</td>
<td>44</td>
</tr>
<tr>
<td>Other</td>
<td>2,178</td>
<td>1,724</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>28,406</td>
<td>6,759</td>
</tr>
</tbody>
</table>

| Long-Term Debt              | 8,550 | 7,151 |

| Deferred Credits and Other Liabilities |      |      |
| Deferred income taxes           | 1,644 | 1,894 |
| Liabilities from price risk     |      |      |
| management activities           | 9,423 | 2,990 |
| Other                           | 2,692 | 1,587 |
| Total deferred credits and other liabilities | 13,759 | 6,471 |

| Commitments and Contingencies |      |      |
| (Notes 13, 14 and 15)         |      |      |

| Minority Interests            | 2,414 | 2,430 |

| Company-Obligated Preferred Securities of Subsidiaries | 904 | 1,000 |

| Shareholders' Equity          |      |      |
| Second preferred stock, cumulative, no par value, 1,370,000 shares authorized, 1,240,933 shares and 1,296,184 shares issued, respectively | 124 | 130 |
| Mandatorily Convertible Junior Preferred Stock, Series B, no par value, 250,000 shares issued | 1,000 | 1,000 |
| Common stock, no par value, 1,200,000,000 shares authorized, 752,205,112 shares and 716,865,081 shares issued, respectively | 8,348 | 6,637 |
| Retained earnings             | 3,226 | 2,698 |
| Accumulated other comprehensive income | (1,048) | (741) |
| Common stock held in treasury, 577,066 shares and 1,337,714 shares, respectively | (32) | (49) |
| Restricted stock and other    | (148) | (105) |
| Total shareholders' equity    | 11,470 | 9,570 |

| Total Liabilities and Shareholders' Equity | $65,503 | $33,381 |

<fn>
The accompanying notes are an integral part of these consolidated financial statements.
</fn>
<table>
<thead>
<tr>
<th>Year ended</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 31,</strong> (In millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>&lt;S&gt;</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>&lt;C&gt;</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flows From Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconciliation of net income to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$ 979</td>
<td>$ 893</td>
</tr>
<tr>
<td>$ 703</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting changes</td>
<td>-</td>
<td>131</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>855</td>
<td>870</td>
</tr>
<tr>
<td>827</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of long-lived assets (including equity investments)</td>
<td>326</td>
<td>441</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>207</td>
<td>21</td>
</tr>
<tr>
<td>87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains on sales of non-merchant assets</td>
<td>(146)</td>
<td>(541)</td>
</tr>
<tr>
<td>(82)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in components of working capital</td>
<td>1,769</td>
<td>(1,000)</td>
</tr>
<tr>
<td>(233)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets from price risk management activities</td>
<td>(763)</td>
<td>(395)</td>
</tr>
<tr>
<td>350</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merchant assets and investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gains on sales</td>
<td>(104)</td>
<td>(756)</td>
</tr>
<tr>
<td>(628)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales</td>
<td>1,838</td>
<td>2,217</td>
</tr>
<tr>
<td>1,434</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions and unrealized gains</td>
<td>(1,295)</td>
<td>(827)</td>
</tr>
<tr>
<td>(721)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating activities</td>
<td>1,113</td>
<td>174</td>
</tr>
<tr>
<td>(97)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>4,779</td>
<td>1,228</td>
</tr>
<tr>
<td>1,640</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flows From Investing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(2,381)</td>
<td>(2,363)</td>
</tr>
<tr>
<td>(1,905)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments</td>
<td>(933)</td>
<td>(722)</td>
</tr>
<tr>
<td>(1,659)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of non-merchant assets</td>
<td>494</td>
<td>294</td>
</tr>
<tr>
<td>239</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of subsidiary stock</td>
<td>(485)</td>
<td>-</td>
</tr>
<tr>
<td>(180)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business acquisitions, net of cash acquired (see Note 2)</td>
<td>(777)</td>
<td>(311)</td>
</tr>
<tr>
<td>(104)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investing activities</td>
<td>(182)</td>
<td>(405)</td>
</tr>
<tr>
<td>(356)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash Used in Investing Activities</strong></td>
<td>(4,264)</td>
<td>(3,507)</td>
</tr>
<tr>
<td>(3,965)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flows From Financing Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of long-term debt</td>
<td>3,994</td>
<td>1,776</td>
</tr>
<tr>
<td>1,903</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Repayment of long-term debt (2,337) (1,837)
(870)
Net increase (decrease) in short-term borrowings (1,595) 1,565
(158)
Net issuance (redemption) of company-obligated preferred securities of subsidiaries (96) -
8
Issuance of common stock 307 852
867
Issuance of subsidiary equity 500 568
828
Dividends paid (523) (467)
(414)
Net disposition of treasury stock 327 139
13
Other financing activities (6) (140)
89
Net Cash Provided by Financing Activities 571 2,456
2,266
Increase (Decrease) in Cash and Cash Equivalents 1,086 177
(591)
Cash and Cash Equivalents, Beginning of Year 288 111
170
Cash and Cash Equivalents, End of Year $ 1,374 $ 280
$ 111

Changes in Components of Working Capital
Receivables $(8,203) $(662)
($1,055)

<table>
<thead>
<tr>
<th></th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>1,336</td>
<td>(133)</td>
</tr>
<tr>
<td>(372)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>7,167</td>
<td>(246)</td>
</tr>
<tr>
<td>433</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,469</td>
<td>41</td>
</tr>
<tr>
<td>761</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,769</td>
<td>$(1,000)</td>
</tr>
<tr>
<td>$ (233)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<FN>
The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

<PAGE>

<TABLE>

| ENRON CORP. AND SUBSIDIARIES |
| CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY |

<table>
<thead>
<tr>
<th>CAPTION</th>
<th>(In millions, except per share amounts; shares in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2000 Shares</td>
</tr>
<tr>
<td>Amount</td>
<td>Shares</td>
</tr>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Cumulative Second Preferred Convertible Stock Balance, beginning of year 1,296 $ 130 1,320</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 132</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Exchange of convertible preferred stock for common stock</td>
<td>(55)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>1,241</td>
</tr>
<tr>
<td>$ 130</td>
<td>1,320</td>
</tr>
<tr>
<td>Mandatory Convertible Junior Preferred Stock, Series B</td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>250</td>
</tr>
<tr>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Issuances</td>
<td>-</td>
</tr>
<tr>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>250</td>
</tr>
<tr>
<td>$1,000</td>
<td>-</td>
</tr>
<tr>
<td>Common Stock</td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>716,865</td>
</tr>
<tr>
<td>$5,117</td>
<td>636,594</td>
</tr>
<tr>
<td>Exchange of convertible preferred stock for common stock</td>
<td>1,509</td>
</tr>
<tr>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td>Issuances related to benefit and dividend reinvestment plans</td>
<td>28,100</td>
</tr>
<tr>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td>Sales of common stock</td>
<td>-</td>
</tr>
<tr>
<td>839</td>
<td>34,500</td>
</tr>
<tr>
<td>Issuances of common stock in business acquisitions (see Note 2)</td>
<td>5,731</td>
</tr>
<tr>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>752,205</td>
</tr>
<tr>
<td>$6,637</td>
<td>671,094</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td></td>
</tr>
<tr>
<td>$2,226</td>
<td>$ 1,852</td>
</tr>
<tr>
<td>Net income</td>
<td></td>
</tr>
<tr>
<td>Cash dividends</td>
<td></td>
</tr>
<tr>
<td>Common stock ($0.5000, $0.5000 and $0.4812 per share in 2000, 1999 and 1998, respectively)</td>
<td>(368)</td>
</tr>
<tr>
<td>Series A and B Preferred Stock</td>
<td></td>
</tr>
<tr>
<td>Balance, end of year</td>
<td></td>
</tr>
<tr>
<td>$2,698</td>
<td>$ 2,226</td>
</tr>
<tr>
<td>Accumulated Other Comprehensive Income</td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ (741)</td>
</tr>
<tr>
<td>$ (162)</td>
<td>$ (148)</td>
</tr>
<tr>
<td>Translation adjustments and other</td>
<td>(307)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ (1,048)</td>
</tr>
<tr>
<td>$ (741)</td>
<td>$ (162)</td>
</tr>
<tr>
<td>Treasury Stock</td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>(1,338)</td>
</tr>
<tr>
<td>$ (198)</td>
<td>(14,102)</td>
</tr>
<tr>
<td>Shares acquired</td>
<td>(3,114)</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------</td>
</tr>
<tr>
<td>(71) 2,326 61</td>
<td></td>
</tr>
<tr>
<td>Exchange of convertible preferred stock for common stock</td>
<td>-</td>
</tr>
<tr>
<td>4 486 9</td>
<td></td>
</tr>
<tr>
<td>Issuances related to benefit and dividend reinvestment plans</td>
<td>3,875</td>
</tr>
<tr>
<td>213 6,426 124</td>
<td></td>
</tr>
<tr>
<td>Issuances of treasury stock in business acquisitions</td>
<td>-</td>
</tr>
<tr>
<td>- 92 2</td>
<td></td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>(577)</td>
</tr>
<tr>
<td>$ (49) 9,334 $ (195)</td>
<td></td>
</tr>
<tr>
<td>Restricted Stock and Other</td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$ (105)</td>
</tr>
<tr>
<td>$ (70) $ (175)</td>
<td></td>
</tr>
<tr>
<td>Issuances related to benefit and dividend reinvestment plans</td>
<td>(43)</td>
</tr>
<tr>
<td>(35) 105</td>
<td></td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$ (140)</td>
</tr>
<tr>
<td>$ (105) $ (70)</td>
<td></td>
</tr>
<tr>
<td>Total Shareholders' Equity</td>
<td>$11,470</td>
</tr>
</tbody>
</table>

<FN>
The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

<b>PAGE</b>

ENRON CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Policy and Use of Estimates. The accounting and financial reporting policies of Enron Corp. and its subsidiaries conform to generally accepted accounting principles and prevailing industry practices. The consolidated financial statements include the accounts of all subsidiaries controlled by Enron Corp. after the elimination of significant intercompany accounts and transactions.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

"Enron" is used from time to time herein as a collective reference to Enron Corp. and its subsidiaries and affiliates. The businesses of Enron are conducted by its subsidiaries and affiliates whose operations are managed by their respective officers.

Cash Equivalents. Enron records as cash equivalents all highly liquid short-term investments with original maturities of
three months or less.

Inventories. Inventories consist primarily of commodities, priced at market as such inventories are used in trading activities.

Depreciation, Depletion and Amortization. The provision for depreciation and amortization with respect to operations other than oil and gas producing activities is computed using the straight-line or regulatorily mandated method, based on estimated economic lives. Composite depreciation rates are applied to functional groups of property having similar economic characteristics. The cost of utility property units retired, other than land, is charged to accumulated depreciation.

Provisions for depreciation, depletion and amortization of proved oil and gas properties are calculated using the units-of-production method.

Income Taxes. Enron accounts for income taxes using an asset and liability approach under which deferred assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases (see Note 5).

Earnings Per Share. Basic earnings per share is computed based upon the weighted-average number of common shares outstanding during the periods. Diluted earnings per share is computed based upon the weighted-average number of common shares outstanding plus the assumed issuance of common shares for all potentially dilutive securities. All share and per share amounts have been adjusted to reflect the August 13, 1999 two-for-one stock split. See Note 11 for a reconciliation of the basic and diluted earnings per share computations.

Accounting for Price Risk Management. Enron engages in price risk management activities for both trading and non-trading purposes. Instruments utilized in connection with trading activities are accounted for using the mark-to-market method. Under the mark-to-market method of accounting, forwards, swaps, options, energy transportation contracts utilized for trading activities and other instruments with third parties are reflected at fair value and are shown as "Assets and Liabilities from Price Risk Management Activities" in the Consolidated Balance Sheet. These activities also include the commodity risk management component embedded in energy outsourcing contracts. Unrealized gains and losses from newly originated contracts, contract restructurings and the impact of price movements are recognized as "Other Revenues." Changes in the assets and liabilities from price risk management activities result primarily from changes in the valuation of the portfolio of contracts, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts. The market prices used to value these transactions reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments.

Financial instruments are also utilized for non-trading purposes to hedge the impact of market fluctuations on assets,
liabilities, production and other contractual commitments. Hedge accounting is utilized in non-trading activities when there is a high degree of correlation between price movements in the derivative and the item designated as being hedged. In instances where the anticipated correlation of price movements does not occur, hedge accounting is terminated and future changes in the value of the financial instruments are recognized as gains or losses. If the hedged item is sold, the value of the financial instrument is recognized in income. Gains and losses on financial instruments used for hedging purposes are recognized in the Consolidated Income Statement in the same manner as the hedged item.

The cash flow impact of financial instruments is reflected as cash flows from operating activities in the Consolidated Statement of Cash Flows. See Note 3 for further discussion of Enron's price risk management activities.

Accounting for Development Activity. Development costs related to projects, including costs of feasibility studies, bid preparation, permitting, licensing and contract negotiation, are expensed as incurred until the project is estimated to be probable. At that time, such costs are capitalized or expensed as incurred, based on the nature of the costs incurred. Capitalized development costs may be recovered through reimbursements from joint venture partners or other third parties, or classified as part of the investment and recovered through the cash flows from that project. Accumulated capitalized project development costs are otherwise expensed in the period that management determines it is probable that the costs will not be recovered.

Environmental Expenditures. Expenditures that relate to an existing condition caused by past operations, and do not contribute to current or future revenue generation, are expensed. Environmental expenditures relating to current or future revenues are expensed or capitalized as appropriate based on the nature of the costs incurred. Liabilities are recorded when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated.

Computer Software. Direct costs of materials and services consumed in developing or obtaining software, including payroll and payroll-related costs for employees who are directly associated with and who devote time to the software project are capitalized. Costs may begin to be capitalized once the application development stage has begun. All other costs are expensed as incurred. Enron amortizes the costs on a straight-line basis over the useful life of the software. Impairment is evaluated based on changes in the expected usefulness of the software. At December 31, 2000 and 1999, Enron has capitalized, net of amortization, $381 million and $240 million, respectively, of software costs covering numerous systems, including trading and settlement, accounting, billing, and upgrades.

Investments in Unconsolidated Affiliates. Investments in unconsolidated affiliates are accounted for by the equity method, except for certain investments resulting from Enron's merchant investment activities which are included at market value in "Other Investments" in the Consolidated Balance Sheet. See Notes 4 and 9. Where acquired assets are accounted for under the
equity method based on temporary control, earnings or losses are recognized only for the portion of the investment to be retained.

Sale of Subsidiary Stock. Enron accounts for the issuance of stock by its subsidiaries in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) 51. SAB 51 allows for Enron to recognize a gain in the amount that the offering price per share of a subsidiary's stock exceeds Enron's carrying amount per share.

Foreign Currency Translation. For international subsidiaries, asset and liability accounts are translated at year-end rates of exchange and revenue and expenses are translated at average exchange rates prevailing during the year. For subsidiaries whose functional currency is deemed to be other than the U.S. dollar, translation adjustments are included as a separate component of other comprehensive income and shareholders' equity. Currency transaction gains and losses are recorded in income.

During 1999, the exchange rate for the Brazilian real to the U.S. dollar declined, resulting in a non-cash foreign currency translation adjustment reducing the value of Enron's assets and shareholders' equity by approximately $600 million.

Reclassifications. Certain reclassifications have been made to the consolidated financial statements for prior years to conform with the current presentation.

2 BUSINESS ACQUISITIONS AND DISPOSITIONS

In 2000, Enron, through a wholly-owned subsidiary, acquired all of the outstanding common shares of MG plc, a leading independent international metals market-making business that provides financial and marketing services to the global metals industry, for $413 million in cash and assumed debt of approximately $1.6 billion.

In addition, Enron made other acquisitions including a technology-related company, a facility maintenance company and all minority shareholders' interests in Enron Energy Services, LLC and Enron Renewable Energy Corp. Enron issued 5.7 million shares of Enron common stock, contributed common stock and warrants of an unconsolidated equity affiliate and paid cash in these transactions.

On August 16, 1999, Enron exchanged approximately 62.3 million shares (approximately 75%) of the Enron Oil & Gas Company (EOG) common stock it held for all of the stock of EOGI-India, Inc., a subsidiary of EOG. Also in August 1999, Enron received net proceeds of approximately $190 million for the sale of 8.5 million shares of EOG common stock in a public offering and issued approximately $255 million of public debt that is exchangeable in July 2002 into approximately 11.5 million shares of EOG common stock. As a result of the share exchange and share sale, Enron recorded a pre-tax gain of $454 million ($345 million after tax, or $0.45 per diluted share) in 1999. As of August 16, 1999, EOG is no longer included in Enron's consolidated financial statements. EOGI-India, Inc. is included in the consolidated financial statements within the Wholesale Services segment following the exchange and sale. Enron accounts for its oil and gas exploration and production activities under the successful
efforts method of accounting.

In August 1998, Enron, through a wholly-owned subsidiary, completed the acquisition of a controlling interest in Elektro Eletricidade e Servicos S.A. (Elektro) for approximately $1.3 billion. Elektro was initially accounted for using the equity method based on temporary control. In 1999, after the acquisition of additional interests, Elektro was consolidated by Enron.

Additionally, during 1999 and 1998, Enron acquired generation, natural gas distribution, renewable energy, telecommunications and energy management businesses for cash, Enron and subsidiary stock and notes.

Enron has accounted for these acquisitions using the purchase method of accounting as of the effective date of each transaction. Accordingly, the purchase price of each transaction has been allocated based upon the estimated fair value of the assets and liabilities acquired as of the acquisition date, with the excess reflected as goodwill in the Consolidated Balance Sheet. This and all other goodwill is being amortized on a straight-line basis over 5 to 40 years.

Assets acquired, liabilities assumed and consideration paid as a result of businesses acquired were as follows:

\[
\begin{array}{lrrr}
\text{Fair value of assets acquired,} & 2000 & 1999 & 1998(a) \\
\quad \text{other than cash} & 2,641 & 376 & 269 \\
\quad \text{Goodwill} & 963 & (71) & 94 \\
\text{Fair value of liabilities assumed} & (2,418) & 6 & (259) \\
\text{Common stock of Enron issued} & & & \\
\quad \text{and equity of an unconsolidated} & & & \\
\quad \text{equity affiliate contributed} & (409) & - & - \\
\text{Net cash paid} & 777 & 311 & 104 \\
\end{array}
\]

\[<\text{Table}>\]
\[<\text{Caption}>\]
\[<\text{In millions}>\]
\[<\text{C}>\]
\[<\text{C}>\]
\[<\text{C}>\]

\[<\text{FN}>\]
[a] Excludes amounts related to the 1998 acquisition of Elektro.
</TABLE>

On November 8, 1999, Enron announced that it had entered into an agreement to sell Enron's wholly-owned electric utility subsidiary, Portland General Electric Company (PGE), to Sierra Pacific Resources for $2.1 billion. Sierra Pacific Resources will also assume approximately $1 billion in PGE debt and preferred stock. The transaction has been delayed by the effect of recent events in California and Nevada on the buyer. Enron's carrying amount of PGE as of December 31, 2000 was approximately $1.6 billion. Income before interest, minority interest and income taxes for PGE was $338 million, $298 million and $284 million for 2000, 1999 and 1998, respectively.

3 PRICE RISK MANAGEMENT ACTIVITIES AND FINANCIAL INSTRUMENTS

Trading Activities. Enron offers price risk management services to wholesale, commercial and industrial customers through a variety of financial and other instruments including
forward contracts involving physical delivery, swap agreements, which require payments to (or receipt of payments from) counterparties based on the differential between a fixed and variable price for the commodity, options and other contractual arrangements. Interest rate risks and foreign currency risks associated with the fair value of the commodity portfolio are managed using a variety of financial instruments, including financial futures.

Notional Amounts and Terms. The notional amounts and terms of these instruments at December 31, 2000 are shown below (dollars in millions):

<table>
<thead>
<tr>
<th>Commodity (a)</th>
<th>Fixed Price Payor</th>
<th>Fixed Price Receiver</th>
<th>Maximum Terms in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas</td>
<td>$7,331</td>
<td>$6,910</td>
<td>23</td>
</tr>
<tr>
<td>Crude oil and liquids</td>
<td>$3,513</td>
<td>$1,990</td>
<td>6</td>
</tr>
<tr>
<td>Electricity</td>
<td>$2,424</td>
<td>$2,388</td>
<td>24</td>
</tr>
<tr>
<td>Metals, coal and pulp and paper</td>
<td>$368</td>
<td>$413</td>
<td>9</td>
</tr>
<tr>
<td>Bandwidth</td>
<td>$167</td>
<td>$325</td>
<td>11</td>
</tr>
<tr>
<td>Financial products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate (b)</td>
<td>$4,732</td>
<td>$3,977</td>
<td>29</td>
</tr>
<tr>
<td>Foreign currency</td>
<td>$79</td>
<td>$465</td>
<td>22</td>
</tr>
<tr>
<td>Equity investments (c)</td>
<td>$2,998</td>
<td>$3,768</td>
<td>13</td>
</tr>
</tbody>
</table>

(a) Natural gas, crude oil and liquids and electricity volumes are in TBTue; metals, coal and pulp and paper volumes are in millions of metric tonnes; and bandwidth volumes are in thousands of terabytes.

(b) The interest rate fixed price receiver includes the net notional dollar value of the interest rate sensitive component of the combined commodity portfolio. The remaining interest rate fixed price receiver and the entire interest rate fixed price payor represent the notional contract amount of a portfolio of various financial instruments used to hedge the net present value of the commodity portfolio. For a given unit of price protection, different financial instruments require different notional amounts.

(c) Excludes derivatives on Enron common stock. See Notes 10 and 11.

Enron also has sales and purchase commitments associated with commodity contracts based on market prices totaling 8,169 TBTue, with terms extending up to 16 years, and 7.2 million metric tonnes, with terms extending up to 5 years.

Notional amounts reflect the volume of transactions but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not accurately measure Enron's exposure to market or credit risks. The maximum terms in years detailed above are not indicative of likely future cash flows as these positions may be offset in the markets at any time in response to the company's price risk management needs to the extent available in the market.
The volumetric weighted average maturity of Enron's fixed price portfolio as of December 31, 2000 was approximately 1.5 years.

Fair Value. The fair value as of December 31, 2000 and the average fair value of instruments related to price risk management activities held during the year are set forth below:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value as of 12/31/00</th>
<th>Average Fair Value for the Year Ended 12/31/00(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets (in millions)</td>
<td>Liabilities (in millions)</td>
</tr>
<tr>
<td>Natural gas</td>
<td>$10,270</td>
<td>$9,342</td>
</tr>
<tr>
<td>Crude oil and liquids</td>
<td>1,549</td>
<td>3,574</td>
</tr>
<tr>
<td>Electricity</td>
<td>7,335</td>
<td>5,396</td>
</tr>
<tr>
<td>Other commodities</td>
<td>1,509</td>
<td>1,311</td>
</tr>
<tr>
<td>Equity investments</td>
<td>795</td>
<td>295</td>
</tr>
<tr>
<td>Total</td>
<td>$21,458</td>
<td>$19,918</td>
</tr>
</tbody>
</table>

(a) Computed using the ending balance at each month-end.

The income before interest, taxes and certain unallocated expenses arising from price risk management activities for 2000 was $1,899 million.

Securitizations. From time to time, Enron sells interests in certain of its financial assets. Some of these sales are completed in securitizations, in which Enron concurrently enters into swaps associated with the underlying assets which limits the risks assumed by the purchaser. Such swaps are adjusted to fair value using quoted market prices, if available, or estimated fair value based on management's best estimate of the present value of future cash flow. These swaps are included in Price Risk Management activities above as equity investments. During 2000, gains from sales representing securitizations were $381 million and proceeds were $2,379 million ($545 million of the proceeds related to sales to Whitewing Associates, L.P. (Whitewing)). See Notes 4 and 9. Purchases of securitized merchant financial assets totaled $1,184 million during 2000. Amounts primarily related to equity interests.

Credit Risk. In conjunction with the valuation of its financial instruments, Enron provides reserves for credit risks associated with such activity. Credit risk relates to the risk of loss that Enron would incur as a result of nonperformance by counterparties pursuant to the terms of their contractual obligations. Enron maintains credit policies with regard to its counterparties that management believes significantly minimize overall credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit rating), collateral requirements under certain circumstances and the use of standardized agreements which allow for the netting of positive and negative exposures associated with a single counterparty. Enron also minimizes this credit exposure using
monetization of its contract portfolio or third-party insurance contracts. The counterparties associated with assets from price risk management activities as of December 31, 2000 and 1999 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2000 Investment Grade(a)</th>
<th>Total</th>
<th>1999 Investment Grade(a)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>&lt;S&gt;</strong></td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Gas and electric utilities</td>
<td>$5,050</td>
<td>$5,327</td>
<td>$1,461</td>
<td>$1,510</td>
</tr>
<tr>
<td>Energy marketers</td>
<td>4,677</td>
<td>6,124</td>
<td>544</td>
<td>768</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>4,145</td>
<td>4,917</td>
<td>1,016</td>
<td>1,273</td>
</tr>
<tr>
<td>Independent power producers</td>
<td>672</td>
<td>791</td>
<td>471</td>
<td>641</td>
</tr>
<tr>
<td>Oil and gas producers</td>
<td>1,308</td>
<td>2,804</td>
<td>379</td>
<td>688</td>
</tr>
<tr>
<td>Industrials</td>
<td>607</td>
<td>1,138</td>
<td>336</td>
<td>524</td>
</tr>
<tr>
<td>Other</td>
<td>256</td>
<td>357</td>
<td>59</td>
<td>67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,715</strong></td>
<td><strong>21,458</strong></td>
<td><strong>$4,266</strong></td>
<td><strong>5,471</strong></td>
</tr>
<tr>
<td>Credit and other reserves</td>
<td>(452)</td>
<td>(337)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets from price risk management activities(b)</td>
<td>$21,006(c)</td>
<td></td>
<td></td>
<td>$5,134</td>
</tr>
</tbody>
</table>

(a) "Investment Grade" is primarily determined using publicly available credit ratings along with consideration of cash, standby letters of credit, parent company guarantees and property interests, including oil and gas reserves. Included in "Investment Grade" are counterparties with a minimum Standard & Poor's or Moody's rating of BBB- or Baa3, respectively.

(b) One and two customers' exposures, respectively, at December 31, 2000 and 1999 comprise greater than 5% of Assets From Price Risk Management Activities and are included above as Investment Grade.

(c) At December 31, 2000, Enron held collateral of approximately $5.5 billion, which consists substantially of cash deposits shown as "Customers' Deposits" on the balance sheet.

This concentration of counterparties may impact Enron's overall exposure to credit risk, either positively or negatively, in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. Based on Enron's policies, its exposures and its credit reserves, Enron does not anticipate a materially adverse effect on financial position or results of operations as a result of counterparty nonperformance.

During 2000, the California power market was significantly impacted by the increase in wholesale power prices. California customer rates are currently frozen, requiring the utilities to finance the majority of their power purchases. If wholesale prices remain at the current levels and no regulatory relief or legislative assistance is obtained, certain California utilities may need to seek bankruptcy protection. During 2000, Enron entered into wholesale power transactions with California utilities, including their nonregulated power marketing affiliates. Enron has provided credit reserves related to such activities based on Enron's net position with each California utility. Due to the uncertainties surrounding the California
power situation, management cannot predict the ultimate outcome but believes these matters will not have a material adverse impact on Enron's financial condition.

Non-Trading Activities. Enron also enters into financial instruments such as swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production or other contractual commitments.

Energy Commodity Price Swaps. At December 31, 2000, Enron was a party to energy commodity price swaps covering 18.6 TBTu, 29.9 TBTu and 0.5 TBTu of natural gas for the years 2001, 2002 and 2003, respectively, and 0.3 million barrels of crude oil for the year 2001.

Interest Rate Swaps. At December 31, 2000, Enron had entered into interest rate swap agreements with an aggregate notional principal amount of $1.0 billion to manage interest rate exposure. These swap agreements are scheduled to terminate $0.4 billion in 2001 and $0.6 billion in the period 2002 through 2010.

Foreign Currency Contracts. At December 31, 2000, foreign currency contracts with a notional principal amount of $1.4 billion were outstanding. These contracts will expire $1.0 billion in 2001 and $0.4 billion in the period 2002 through 2006.

Equity Contracts. At December 31, 2000, Enron had entered into Enron common stock swaps, with an aggregate notional amount of $121 million, to hedge certain incentive-based compensation plans. Such contracts will expire in 2001.

Credit Risk. While notional amounts are used to express the volume of various financial instruments, the amounts potentially subject to credit risk, in the event of nonperformance by the third parties, are substantially smaller. Forwards, futures and other contracts are entered into with counterparties who are equivalent to investment grade. Accordingly, Enron does not anticipate any material impact to its financial position or results of operations as a result of nonperformance by the third parties on financial instruments related to non-trading activities.

Financial Instruments. The carrying amounts and estimated fair values of Enron's financial instruments, excluding trading activities, at December 31, 2000 and 1999 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2000 Carrying Amount</th>
<th>2000 Fair Value</th>
<th>1999 Carrying Amount</th>
<th>1999 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(In millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short- and long-term debt (Note 7)</td>
<td>$10,229</td>
<td>$10,217</td>
<td>$8,152</td>
<td>$8,108</td>
</tr>
<tr>
<td>Company-obligated preferred securities of subsidiaries (Note 10)</td>
<td>904</td>
<td>920</td>
<td>1,000</td>
<td>937</td>
</tr>
<tr>
<td>Energy commodity price swaps (3)</td>
<td>-</td>
<td>68</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Interest rate swaps - 1 -
(55)
Foreign currency contracts - 94 -
Equity contracts 15 15 4 4

Enron uses the following methods and assumptions in estimating fair values: (a) short- and long-term debt - the carrying amount of variable-rate debt approximates fair value, the fair value of marketable debt is based on quoted market prices and the fair value of other debt is based on the discounted present value of cash flows using Enron’s current borrowing rates; (b) company-obligated preferred securities of subsidiaries - the fair value is based on quoted market prices, where available, or based on the discounted present value of cash flows using Enron’s current borrowing rates if not publicly traded; and (c) energy commodity price swaps, interest rate swaps, foreign currency contracts and equity contracts - estimated fair values have been determined using available market data and valuation methodologies. Judgment is necessarily required in interpreting market data and the use of different market assumptions or estimation methodologies may affect the estimated fair value amounts.

The fair market value of cash and cash equivalents, trade and other receivables, accounts payable and investments accounted for at fair value are not materially different from their carrying amounts.

Guarantees of liabilities of unconsolidated entities and residual value guarantees have no carrying value and fair values which are not readily determinable (see Note 15).

4 MERCHANT ACTIVITIES

An analysis of the composition of Enron’s merchant investments and energy assets at December 31, 2000 and 1999 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>1999</td>
</tr>
<tr>
<td><strong>Merchant investments (a)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>$137</td>
<td>$516</td>
</tr>
<tr>
<td>Energy-intensive industries</td>
<td>63</td>
<td>218</td>
</tr>
<tr>
<td>Technology-related</td>
<td>99</td>
<td>11</td>
</tr>
<tr>
<td>Other</td>
<td>302</td>
<td>341</td>
</tr>
<tr>
<td></td>
<td>601</td>
<td>1,086</td>
</tr>
<tr>
<td><strong>Merchant assets (b)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent power plants</td>
<td>53</td>
<td>152</td>
</tr>
<tr>
<td>Natural gas transportation</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>89</td>
<td>187</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$690</td>
<td>$1,273</td>
</tr>
</tbody>
</table>

**PN**
(a) Investments are recorded at fair value in "Other Assets" with changes in fair value reflected in "Other Revenues."
(b) Amounts represent Enron’s investment in unconsolidated
equity affiliates with operating earnings reflected in "Equity in Earnings of Unconsolidated Equity Affiliates."

Enron provides capital primarily to energy and technology-related businesses seeking debt or equity financing. The merchant investments made by Enron and certain of its unconsolidated affiliates (see Note 9) are carried at fair value and include public and private equity, government securities with maturities of more than 90 days, debt and interests in limited partnerships. The valuation methodologies utilize market values of publicly-traded securities, independent appraisals and cash flow analyses.

Also included in Enron's wholesale business are investments in merchant assets such as power plants and natural gas pipelines, primarily held through equity method investments. Some of these assets were developed, constructed and operated by Enron. The merchant assets are not expected to be long-term, integrated components of Enron's energy networks.

For the years ended December 31, 2000, 1999 and 1998, respectively, pre-tax gains from sales of merchant assets and investments totaling $104 million, $756 million and $628 million are included in "Other Revenues," and proceeds were $1,838 million, $2,217 million and $1,434 million.

5 INCOME TAXES

The components of income before income taxes are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$646</td>
<td>$357</td>
<td>$197</td>
</tr>
<tr>
<td>Foreign</td>
<td>773</td>
<td>771</td>
<td>681</td>
</tr>
<tr>
<td></td>
<td>$1,413</td>
<td>$1,128</td>
<td>$878</td>
</tr>
</tbody>
</table>

Total income tax expense is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal currently</td>
<td>$112</td>
<td>$29</td>
<td>$30</td>
</tr>
<tr>
<td>State</td>
<td>22</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Foreign</td>
<td>93</td>
<td>48</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>227</td>
<td>83</td>
<td>88</td>
</tr>
<tr>
<td>Payment deferred</td>
<td>13 (159)</td>
<td>(14)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>14</td>
<td>23</td>
<td>11</td>
</tr>
<tr>
<td>State</td>
<td>180</td>
<td>157</td>
<td>90</td>
</tr>
<tr>
<td>Foreign</td>
<td>207</td>
<td>21</td>
<td>87</td>
</tr>
<tr>
<td>Total income tax expense(a)</td>
<td>$434</td>
<td>$104</td>
<td>$175</td>
</tr>
</tbody>
</table>

(FN)
(a) See Note 11 for tax benefits related to stock options
exercised by employees reflected in shareholders’ equity.

The differences between taxes computed at the U.S. federal statutory tax rate and Enron’s effective income tax rate are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory federal income tax provision</td>
<td>35.0%</td>
<td>35.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Net state income taxes</td>
<td>2.5</td>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Foreign tax rate differential</td>
<td>(2.4)</td>
<td>(7.0)</td>
<td>0.8</td>
</tr>
<tr>
<td>Equity earnings</td>
<td>5.3</td>
<td>(10.1)</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Basis and stock sale differences</td>
<td>(11.9)</td>
<td>(10.8)</td>
<td>(14.2)</td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td>1.6</td>
<td>1.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Audit settlement related to Monthly Income Preferred Shares</td>
<td>-</td>
<td>(1.8)</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>0.6</td>
<td>0.5</td>
<td>(1.0)</td>
</tr>
<tr>
<td></td>
<td>30.7%</td>
<td>9.2%</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

The principal components of Enron’s net deferred income tax liability are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td></td>
</tr>
<tr>
<td>Alternative minimum tax credit carryforward</td>
<td>$254</td>
</tr>
<tr>
<td>Net operating loss carryforward</td>
<td>369</td>
</tr>
<tr>
<td>Other</td>
<td>189</td>
</tr>
<tr>
<td></td>
<td>812</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td></td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>1,813</td>
</tr>
<tr>
<td>Price risk management activities</td>
<td>(182)</td>
</tr>
<tr>
<td>Other</td>
<td>963</td>
</tr>
<tr>
<td></td>
<td>2,594</td>
</tr>
<tr>
<td>Net deferred income tax liabilities(a)</td>
<td>$1,782</td>
</tr>
</tbody>
</table>

(a) Includes $138 million and $118 million in other current liabilities for 2000 and 1999, respectively.

Enron has an alternative minimum tax (AMT) credit carryforward of approximately $254 million which can be used to offset regular income taxes payable in future years. The AMT credit has an indefinite carryforward period.

Enron has a net operating loss carryforward applicable to U.S. subsidiaries of approximately $65 million, which will begin to
expire in 2011. Enron has a net operating loss carryforward applicable to non-U.S. subsidiaries of approximately $1.2 billion, of which $1.0 billion can be carried forward indefinitely. The remaining $200 million expires between the years 2001 and 2010. Deferred tax assets have been recognized on the $65 million domestic loss and $1.0 billion of the foreign losses.

U.S. and foreign income taxes have been provided for earnings of foreign subsidiary companies that are expected to be remitted to the U.S. Foreign subsidiaries' cumulative undistributed earnings of approximately $1.8 billion are considered to be permanently reinvested outside the U.S. and, accordingly, no U.S. income taxes have been provided thereon. In the event of a distribution of those earnings in the form of dividends, Enron may be subject to both foreign withholding taxes and U.S. income taxes net of allowable foreign tax credits.

6 SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes and interest expense, including fees incurred on sales of accounts receivable, is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes (net of refunds)</td>
<td>$62</td>
<td>$51</td>
<td>$73</td>
</tr>
<tr>
<td>Interest (net of amounts capitalized)</td>
<td>834</td>
<td>678</td>
<td>585</td>
</tr>
</tbody>
</table>

Non-Cash Activity. In 2000, Enron acquired all minority shareholders' interests in Enron Energy Services, LLC and other businesses with Enron common stock. See Note 2.

In 2000 and 1999, Enron entered into various transactions with related parties, which resulted in an exchange of assets and an increase in common stock of $171 million in 2000. See Note 16.

In 2000, a partnership in which Enron was a limited partner made a liquidating distribution to Enron resulting in a non-cash increase in current assets of $220 million, a decrease of $20 million in non-current assets and an increase in current liabilities of $160 million.

During 2000 and 1999, Enron received the rights to specific third-party fiber optic cable in exchange for the rights on specific fiber optic cable held for sale by Enron. These exchanges resulted in non-cash increases in assets of $69 million and $111 million, respectively.

During 1999, Enron issued approximately 7.6 million shares of common stock in connection with the acquisition, by an unconsolidated equity affiliate, of interests in three power plants in New Jersey.

In December 1998, Enron extinguished its 6.25% Exchangeable Notes with 10.5 million shares of EOG common stock.

7 CREDIT FACILITIES AND DEBT
Enron has credit facilities with domestic and foreign banks which provide for an aggregate of $1.4 billion in long-term committed credit, of which $150 million relates to Portland General, and $2.4 billion in short-term committed credit. Expiration dates of the committed facilities range from February 2001 to May 2005. Interest rates on borrowings are based upon the London Interbank Offered Rate, certificate of deposit rates or other short-term interest rates. Certain credit facilities contain covenants which must be met to borrow funds. Such debt covenants are not anticipated to materially restrict Enron's ability to borrow funds under such facilities. Compensating balances are not required, but Enron is required to pay a commitment or facility fee. At December 31, 2000, $290 million was outstanding under these facilities.

Enron has also entered into agreements which provide for uncommitted lines of credit totaling $420 million at December 31, 2000. The uncommitted lines have no stated expiration dates. Neither compensating balances nor commitment fees are required, as borrowings under the uncommitted credit lines are available subject to agreement by the participating banks. At December 31, 2000, no amounts were outstanding under the uncommitted lines.

In addition to borrowing from banks on a short-term basis, Enron and certain of its subsidiaries sell commercial paper to provide financing for various corporate purposes. As of December 31, 2000 and 1999, short-term borrowings of $15 million and $330 million, respectively, and long-term debt due within one year of $1,303 million and $870 million, respectively, have been reclassified as long-term debt based upon the availability of committed credit facilities with expiration dates exceeding one year and management's intent to maintain such amounts in excess of one year. Weighted average interest rates on short-term debt outstanding at December 31, 2000 and 1999 were 6.9% and 6.4%, respectively.

Detailed information on long-term debt is as follows:

<table>
<thead>
<tr>
<th>Table</th>
<th>December 31, 2000</th>
<th>December 31, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enron Corp.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior debentures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.75% to 8.25% due 2005 to 2012</td>
<td>$262</td>
<td>$318</td>
</tr>
<tr>
<td>Notes payable (a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.00% exchangeable notes due 2002</td>
<td>532</td>
<td>239</td>
</tr>
<tr>
<td>6.40% to 9.88% due 2001 to 2028</td>
<td>4,416</td>
<td>4,114</td>
</tr>
<tr>
<td>Floating rate notes due 2000 to 2005</td>
<td>92</td>
<td>79</td>
</tr>
<tr>
<td>Other</td>
<td>242</td>
<td>34</td>
</tr>
<tr>
<td>Northern Natural Gas Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.75% to 7.00% due 2005 to 2011</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Transwestern Pipeline Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.20% due 2004</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Portland General</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First mortgage bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.47% to 9.46% due 2000 to 2023</td>
<td>328</td>
<td>373</td>
</tr>
</tbody>
</table>
Pollution control bonds

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various rates due 2010 to 2033</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Other</td>
<td>282</td>
<td>129</td>
</tr>
<tr>
<td>Other</td>
<td>414</td>
<td>204</td>
</tr>
<tr>
<td>Amount reclassified from short-term debt</td>
<td>1,318</td>
<td>1,000</td>
</tr>
<tr>
<td>Unamortized debt discount and premium</td>
<td>(47)</td>
<td>(54)</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>$8,550</td>
<td>$7,151</td>
</tr>
</tbody>
</table>

(a) Includes debt denominated in foreign currencies of approximately $956 million and $525 million, respectively, at December 31, 2000 and 1999. Enron has entered into derivative transactions to hedge interest rates and foreign currency exchange fluctuations associated with such debt. See Note 3.

The indenture securing Portland General's First Mortgage Bonds constitutes a direct first mortgage lien on substantially all electric utility property and franchises, other than expressly excepted property.

The aggregate annual maturities of long-term debt outstanding at December 31, 2000 were $2,112 million, $750 million, $852 million, $646 million and $1,592 million for 2001 through 2005, respectively.

In February 2001, Enron issued $1.25 billion zero coupon convertible senior notes that mature in 2021. The notes carry a 2.125 percent yield to maturity with an aggregate face value of $1.9 billion and may be converted, upon certain contingencies being met, into Enron common stock at an initial conversion premium of 45 percent.

8 MINORITY INTERESTS

Enron's minority interests at December 31, 2000 and 1999 include the following:

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority-owned limited liability company and limited partnerships</td>
<td>$1,759</td>
<td>$1,773</td>
</tr>
<tr>
<td>Elektro(a)</td>
<td>462</td>
<td>475</td>
</tr>
<tr>
<td>Other</td>
<td>193</td>
<td>182</td>
</tr>
<tr>
<td></td>
<td>$2,414</td>
<td>$2,430</td>
</tr>
</tbody>
</table>

(a) Relates to the respective parents of Elektro, which had minority shareholders in 2000 and 1999.

Enron has formed separate limited partnerships and a limited liability company with third-party investors for various purposes. These entities are included in Enron's consolidated financial statements, with the third-party investors' interests reflected in "Minority Interests" in the Consolidated Balance Sheet.

In October 2000, Enron contributed approximately $1.0 billion.
of net assets to a wholly-owned limited liability company. A
third party contributed $500 million for a preferred membership
interest in the limited liability company. The contribution by
the third party was invested in highly liquid investment grade
securities (including Enron notes) and short-term receivables.
At December 31, 2000, the majority-owned limited liability company
held net assets of $1.0 billion.

During 1999, third-party investors contributed cash and
merchant investments totaling $1.0 billion to Enron-sponsored
entities to invest in highly liquid investment grade securities
(including Enron notes) and short-term receivables. The merchant
investments, totaling $500 million, were sold prior to December
31, 1999. During 2000, Enron acquired a portion of the minority
shareholder's interest for $485 million.

In 1998, Enron formed a wholly-owned limited partnership for
the purpose of holding $1.6 billion of assets contributed by
Enron. That partnership contributed $850 million of assets and a
third party contributed $750 million to a second newly-formed
limited partnership. The assets held by the wholly-owned limited
partnership represent collateral for a $750 million note receivable held by the second limited partnership. In 2000 and
1999, the wholly-owned and second limited partnerships sold
assets valued at approximately $152 million and $460 million,
respectively, and invested the proceeds in Enron notes.

Absent certain defaults or other specified events, Enron has
the option to acquire the minority holders' interests in these
partnerships. Enron has the option to acquire the minority
holders' interest in the limited liability company after
November 2002. If Enron does not acquire the minority holders'
interests before December 2004 through May 2009, or earlier upon
certain specified events, the minority interest holders may cause
the entities to liquidate their assets and dissolve.

In 2000, as part of a restructuring, Jacare Electrical
Distribution Trust (Jacare) sold a 47 percent interest in Enron
Brazil Power Holdings V Ltd, a subsidiary that holds its
investment in Elektro, to Whitewing for approximately $460 million.
See Note 9. The proceeds were used to acquire the original minority
shareholder's interest in Jacare.

In 2000, Enron acquired all minority shareholders' interests
in Enron Energy Services, LLC and Enron Renewable Energy Corp.
See Note 2.

9 UNCONSOLIDATED EQUITY AFFILIATES

Enron's investment in and advances to unconsolidated
affiliates which are accounted for by the equity method is as
follows:

<TABLE>
<CAPTION>

(In millions)

<table>
<thead>
<tr>
<th></th>
<th>Net Voting Interest (a)</th>
<th>December 31, 2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asurix Corp.</td>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td></td>
<td>34%</td>
<td>$ 325</td>
<td>$ 762</td>
</tr>
</tbody>
</table>


Bridgeline Holdings 40%  229  -
Citrus Corp. 50%  530  480
Dabhol Power Company 50%  693  466
Joint Energy Development Investments L.P. (JEDI)\(b\) 50%  399  211
Joint Energy Development Investments II L.P. (JEDI II)\(b\) 50%  220  162
SK - Enron Co. Ltd. 50%  258  269
Transportadora de Gas del Sur S.A. 35%  479  452
Whitewing Associates, L.P.\(b\) 50%  558  662
Other 1,603  1,572
\$5,294\(c\)  \$5,036\(c\)

<fn>
(a) Certain investments have income sharing ratios which differ from Enron's voting interests.
(b) JEDI and JEDI II account for their investments at fair value. Whitewing accounts for certain of its investments at fair value. These affiliates held fair value investments totaling \$1,823 million and \$1,128 million, respectively, at December 31, 2000 and 1999.
(c) At December 31, 2000 and 1999, the unamortized excess of Enron's investment in unconsolidated affiliates was \$182 million and \$179 million, respectively, which is being amortized over the expected lives of the investments.
</fn>

Enron's equity in earnings (losses) of unconsolidated equity affiliates is as follows:

<table>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Azurix Corp.(a)</td>
<td>($428)</td>
<td>$23</td>
<td>$6</td>
</tr>
<tr>
<td>Citrus Corp.</td>
<td>50</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Dabhol Power Company</td>
<td>51</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>Joint Energy Development Investments L.P.</td>
<td>197</td>
<td>11</td>
<td>(45)</td>
</tr>
<tr>
<td>Joint Energy Development Investments II, L.P.</td>
<td>58</td>
<td>92</td>
<td>(41)</td>
</tr>
<tr>
<td>TNPC, Inc. (The New Power Company)</td>
<td>(60)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transportadora de Gas del Sur S.A.</td>
<td>38</td>
<td>32</td>
<td>36</td>
</tr>
<tr>
<td>Whitewing Associates, L.P.</td>
<td>58</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>123</td>
<td>87</td>
<td>81</td>
</tr>
<tr>
<td>Sum</td>
<td>$87</td>
<td>$309</td>
<td>$97</td>
</tr>
</tbody>
</table>
</table>

<fn>
(a) During the fourth quarter of 2000, Azurix Corp. (Azurix) impaired the carrying value of its Argentine assets, resulting in a charge of approximately \$470 million. Enron's portion of the charge was \$326 million.
</fn>

Summarized combined financial information of Enron's unconsolidated affiliates is presented below:

<table>
<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
</tbody>
</table>
</table>
Balancesheet

Current assets(a) $5,884 $3,168
Property, plant and equipment, net 14,786 14,356
Other noncurrent assets 13,485 9,459
Current liabilities(a) 4,739 4,401
Long-term debt(a) 9,717 8,486
Other noncurrent liabilities 6,148 2,462
Owners' equity 13,551 11,694

(a) Includes $4.10 million and $3.27 million receivable from
Enron and $3.02 million and $84 million payable to Enron at
December 31, 2000 and 1999, respectively.

<table>
<thead>
<tr>
<th>TABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>---</td>
</tr>
<tr>
<td>---</td>
</tr>
</tbody>
</table>

Income statement(a)

<table>
<thead>
<tr>
<th></th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>15,903</td>
<td>11,568</td>
<td>8,508</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>14,710</td>
<td>9,449</td>
<td>7,244</td>
</tr>
<tr>
<td>Net income</td>
<td>506</td>
<td>1,857</td>
<td>142</td>
</tr>
<tr>
<td>Distributions paid to Enron</td>
<td>137</td>
<td>482</td>
<td>87</td>
</tr>
</tbody>
</table>

(a) Enron recognized revenues from transactions with
unconsolidated equity affiliates of $510 million in 2000,

In 2000 and 1999, Enron sold approximately $632 million and
$192 million, respectively, of merchant investments and other
assets to Whitewing. Enron recognized no gains or losses in
connection with these transactions. Additionally, in 2000, ECT
Merchant Investments Corp., a wholly-owned Enron subsidiary,
contributed two pools of merchant investments to a limited
partnership that is a subsidiary of Enron. Subsequent to the
contributions, the partnership issued partnership interests
representing 100% of the beneficial, economic interests in the
two asset pools, and such interests were sold for a total of $545
million to a limited liability company that is a subsidiary of
Whitewing. See Note 3. These entities are separate legal entities
from Enron and have separate assets and liabilities. In 2000 and 1999,
the Related Party, as described in Note 16, contributed $33 million
and $15 million, respectively, of equity to Whitewing. In 2000,
Whitewing contributed $7.1 million to a partnership formed by Enron,
Whitewing and a third party. Subsequently, Enron sold a portion of
its interest in the partnership through a securitization. See Note 3.

In 2000, The New Power Company sold warrants convertible into
common stock of The New Power Company for $50 million to the
Related Party (described in Note 16).

From time to time, Enron has entered into various
administrative service, management, construction, supply and
operating agreements with its unconsolidated equity affiliates.
Enron's management believes that its existing agreements and
transactions are reasonable compared to those which could have
been obtained from third parties.

10 PREFERRED STOCK

Preferred Stock. Enron has authorized 16,500,000 shares of preferred stock, no par value. At December 31, 2000, Enron had outstanding 1,240,933 shares of Cumulative Second Preferred Convertible Stock (the Convertible Preferred Stock), no par value. The Convertible Preferred Stock pays dividends at an amount equal to the higher of $10.50 per share or the equivalent dividend that would be paid if shares of the Convertible Preferred Stock were converted to common stock. Each share of the Convertible Preferred Stock is convertible at any time at the option of the holder thereof into 27.304 shares of Enron's common stock, subject to certain adjustments. The Convertible Preferred Stock is currently subject to redemption at Enron's option at a price of $100 per share plus accrued dividends. During 2000, 1999 and 1998, 55,251 shares, 23,664 shares and 17,797 shares, respectively, of the Convertible Preferred Stock were converted into common stock.

In 1999, all outstanding shares of Series A Preferred Stock held by Whitewing were exchanged for 250,000 shares of Enron Mandatorily Convertible Junior Preferred Stock, Series B (Series B Preferred Stock). Also in 1999, Enron entered into a Share Settlement Agreement under which Enron could be obligated, under certain circumstances, to deliver additional shares of common stock or Series B Preferred Stock to Whitewing for the amount that the market price of the converted Enron common shares is less than $29 per share. In 2000, Enron increased the strike price in the Share Settlement Agreement to $48.55 per share in exchange for an additional capital contribution in Whitewing by third-party investors. The number of shares of Series B Preferred Stock authorized equals the number of shares necessary to satisfy Enron's obligation under the Share Settlement Agreement. Absent certain defaults or other specified events, Enron has the option to acquire the third-party investors' interests. If Enron does not acquire the third-party investors' interests before January 2003, or earlier upon certain specified events, Whitewing may liquidate its assets and dissolve. At December 31, 2000, Enron had outstanding 250,000 shares of Series B Preferred Stock with a liquidation value of $1.0 billion. The Series B Preferred Stock pays semi-annual cash dividends at an annual rate of 6.50%. Each share of Series B Preferred Stock is mandatorily convertible into 200 shares of Enron common stock on January 15, 2003 or earlier upon the occurrence of certain events.

In connection with the 1998 financial restructuring (yielding proceeds of approximately $1.2 billion) of Enron's investment in Azurix, Enron committed to cause the sale of Enron convertible preferred stock, if certain debt obligations of the related entity which acquired an interest in Azurix, are defaulted upon, or in certain events, including, among other things, Enron's credit ratings fall below specified levels. If the sale of the convertible preferred stock is not sufficient to retire such obligations, Enron would be liable for the shortfall. Such obligations will mature in December 2001. The number of common shares issuable upon conversion is based on future common stock prices.
Company-Obligated Preferred Securities of Subsidiaries.
Summarized information for Enron’s company-obligated preferred securities of subsidiaries is as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td></td>
<td>1999</td>
</tr>
<tr>
<td>Value and shares)</td>
<td></td>
</tr>
<tr>
<td>Per Share</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>&lt;S&gt; Enron Capital LLC</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>8% Cumulative Guaranteed Monthly Income</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Preferred Shares (8,550,000 shares)</td>
<td>$214</td>
</tr>
<tr>
<td></td>
<td>$214</td>
</tr>
<tr>
<td>25</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>&lt;C&gt; Enron Capital Trust I</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.3% Trust Originated Preferred Securities (8,000,000 preferred securities)</td>
<td>200</td>
</tr>
<tr>
<td>25</td>
<td>200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>&lt;C&gt; Enron Capital Trust II</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 1/8% Trust Originated Preferred Securities (6,000,000 preferred securities)</td>
<td>150</td>
</tr>
<tr>
<td>25</td>
<td>150</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>&lt;C&gt; Enron Capital Trust III</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustable-Rate Capital Trust Securities (200,000 preferred securities)</td>
<td>-</td>
</tr>
<tr>
<td>200</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LNG Power II L.L.C.</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.74% Preference Units (105,000 shares)</td>
<td>105</td>
</tr>
<tr>
<td>1,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>&lt;C&gt; Enron Equity Corp.</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.57% Preferred Stock (880 shares)</td>
<td>88</td>
</tr>
<tr>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>7.33% Preferred Stock (150 shares)</td>
<td>15</td>
</tr>
<tr>
<td>100,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enron Capital Resources, L.P.</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>9% Cumulative Preferred Securities, Series A (1,000,000 preferred securities)</td>
<td>75</td>
</tr>
<tr>
<td>25</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>$904</td>
</tr>
<tr>
<td></td>
<td>$1,000</td>
</tr>
</tbody>
</table>

---

(a) Redeemable under certain circumstances after specified dates.
(b) Initial rate is 6.74% increasing to 7.79%.
(c) Mandatorily redeemable in 2006.
Earnings Per Share. The computation of basic and diluted earnings per share is as follows:

<table>
<thead>
<tr>
<th>Numerator:</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before cumulative effect</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>of accounting changes</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Preferred stock dividends:</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Second Preferred Stock</td>
<td>(17)</td>
</tr>
<tr>
<td>Series A Preferred Stock</td>
<td>-</td>
</tr>
<tr>
<td>Series B Preferred Stock</td>
<td>(66)</td>
</tr>
<tr>
<td>Income available to common share</td>
<td>896</td>
</tr>
<tr>
<td>holders before cumulative effect</td>
<td></td>
</tr>
<tr>
<td>of accounting changes</td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting</td>
<td></td>
</tr>
<tr>
<td>changes</td>
<td></td>
</tr>
<tr>
<td>Income available to common share</td>
<td>896</td>
</tr>
<tr>
<td>holders</td>
<td></td>
</tr>
</tbody>
</table>

| Diluted                        |<C>   |<C>   |<C>   |
| Income available to common share|     |      |      |
| holders before cumulative effect|     |      |      |
| of accounting changes           |     |      |      |
| Effect of assumed conversion of|     |      |      |
| dilutive securities(a):         |     |      |      |
| Second Preferred Stock          |17    |17    |17    |
| Income before cumulative effect|896  |958   |686   |
| of accounting changes           |     |      |      |
| Cumulative effect of accounting |     |      |      |
| changes                         |     |      |      |
| Income available to common share|896  |827   |686   |
| holders after assumed conversions|     |      |      |

<table>
<thead>
<tr>
<th>Denominator:</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
<th>&lt;C&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denominator for basic earnings</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>per share - weighted-average</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>shares</td>
<td>576</td>
<td>705</td>
<td>642</td>
</tr>
<tr>
<td>Effect of dilutive securities:</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>35</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Stock options</td>
<td>43</td>
<td>28</td>
<td>17</td>
</tr>
<tr>
<td>Dilutive potential common</td>
<td>78</td>
<td>64</td>
<td>53</td>
</tr>
<tr>
<td>shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denominator for diluted earnings</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>per share - adjusted</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>weighted-average shares</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>and assumed conversions</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td></td>
<td>814</td>
<td>769</td>
<td>695</td>
</tr>
<tr>
<td>Basic earnings per share:</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Before cumulative effect</td>
<td>1.22</td>
<td>1.36</td>
<td>1.07</td>
</tr>
<tr>
<td>of accounting changes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>changes</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>1.22</td>
<td>1.17</td>
<td>1.07</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before cumulative effect</td>
<td>1.12</td>
<td>1.27</td>
<td>1.01</td>
</tr>
<tr>
<td>of accounting changes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>changes</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>1.12</td>
<td>1.10</td>
<td>1.01</td>
</tr>
</tbody>
</table>

(a) The Series A Preferred Stock and the Series B Preferred

00200000001322
Stock were not included in the calculation of diluted earnings per share because conversion of these shares would be antidilutive.

Derivative Instruments. At December 31, 2000, Enron had derivative instruments (excluding amounts disclosed in Note 10) on 54.8 million shares of Enron common stock, of which approximately 12 million shares are with JEDI and 22.5 million shares are with related parties (see Note 16), at an average price of $67.92 per share on which Enron was a fixed price payor. Shares potentially deliverable to counterparties under the contracts are assumed to be outstanding in calculating diluted earnings per share unless they are antidilutive. At December 31, 2000, there were outstanding non-employee options to purchase 6.4 million shares of Enron common stock at an exercise price of $19.59 per share.

Stock Option Plans. Enron applies Accounting Principles Board (APB) Opinion 25 and related interpretations in accounting for its stock option plans. In accordance with APB Opinion 25, no compensation expense has been recognized for the fixed stock option plans. Compensation expense charged against income for the restricted stock plan for 2000, 1999 and 1998 was $220 million, $131 million and $58 million, respectively. Had compensation cost for Enron’s stock option compensation plans been determined based on the fair value at the grant dates for awards under those plans, Enron’s net income and earnings per share would have been $886 million ($1.09 per share basic, $1.01 per share diluted) in 2000, $827 million ($1.08 per share basic, $1.01 per share diluted) in 1999 and $674 million ($1.02 per share basic, $0.97 per share diluted) in 1998.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with weighted-average assumptions for grants in 2000, 1999 and 1998, respectively: (i) dividend yield of 2.4%, 2.4% and 2.5%; (ii) expected volatility of 22.3%, 20.0% and 18.3%; (iii) risk-free interest rates of 5.8%, 5.6% and 5.0%; and (iv) expected lives of 3.2 years, 3.7 years and 3.8 years.

Enron has four fixed option plans (the Plans) under which options for shares of Enron’s common stock have been or may be granted to officers, employees and non-employee members of the Board of Directors. Options granted may be either incentive stock options or nonqualified stock options and are granted at not less than the fair market value of the stock at the time of grant. Under the Plans, Enron may grant options with a maximum term of 10 years. Options vest under varying schedules.

Summarized information for Enron's Plans is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted Average</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise (Shares in thousands)</td>
<td>Shares</td>
<td>Price</td>
<td>Exercise (Shares in thousands)</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------</td>
<td>--------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;S&gt;</td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding, beginning of year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$17.89</td>
<td>93,531</td>
<td>$26.74</td>
<td>$19.60</td>
</tr>
<tr>
<td>Granted</td>
<td>39,167</td>
<td>70.02</td>
<td>35,118</td>
</tr>
<tr>
<td>Exercised (a)</td>
<td>(32,235)</td>
<td>24.43</td>
<td>(19,705)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(4,358)</td>
<td>35.68</td>
<td>(1,465)</td>
</tr>
<tr>
<td>Expired</td>
<td>(42)</td>
<td>23.75</td>
<td>(21)</td>
</tr>
<tr>
<td>Outstanding, end of year</td>
<td>96,063</td>
<td>$44.24</td>
<td>93,531</td>
</tr>
<tr>
<td>$19.60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercisable, end of year</td>
<td>46,755</td>
<td>$29.85</td>
<td>52,803</td>
</tr>
<tr>
<td>$18.16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available for grant, end of year (b)</td>
<td>22,066</td>
<td>24,864</td>
<td>10,498</td>
</tr>
<tr>
<td>Weighted average fair value of options granted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 4.20</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**<FN>**

(a) In 2000, Enron recorded tax benefits related to stock options exercised by employees of approximately $390 million reflected in shareholders' equity.

(b) Includes up to 20,707,969 shares, 22,140,962 shares and 10,497,670 shares as of December 31, 2000, 1999 and 1998, respectively, which may be issued either as restricted stock or pursuant to stock options.

**</TABLE>**

The following table summarizes information about stock options outstanding at December 31, 2000 (shares in thousands):

<table>
<thead>
<tr>
<th>Options Outstanding</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted Average</td>
<td>Weighted</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weighted Average</th>
<th>Number</th>
<th>Remaining Average</th>
<th>Number</th>
<th>Exercise Price at 12/31/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Range of Outstanding Contractual Exercise Exercisable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise Price at 12/31/00</td>
<td>Life</td>
<td>Price at 12/31/00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ 6.88 to $20.00</td>
<td>15,368</td>
<td>4.7</td>
<td>$16.72</td>
<td>14,001</td>
</tr>
</tbody>
</table>

002000000001324
Restricted Stock Plan. Under Enron’s Restricted Stock Plan, participants may be granted stock without cost to the participant. The shares granted under this plan vest to the participants at various times ranging from immediate vesting to vesting at the end of a five-year period. Upon vesting, the shares are released to the participants. The following summarizes shares of restricted stock under this plan:

<table>
<thead>
<tr>
<th>$16.54</th>
<th>20.06 to 34.81</th>
<th>24,091</th>
<th>6.8</th>
<th>24.79</th>
<th>18,304</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.13</td>
<td>35.03 to 47.31</td>
<td>21,520</td>
<td>6.8</td>
<td>40.52</td>
<td>8,731</td>
</tr>
<tr>
<td>40.27</td>
<td>50.48 to 69.00</td>
<td>13,965</td>
<td>6.5</td>
<td>60.18</td>
<td>4,072</td>
</tr>
<tr>
<td>61.81</td>
<td>71.06 to 86.63</td>
<td>21,119</td>
<td>5.6</td>
<td>79.69</td>
<td>1,647</td>
</tr>
<tr>
<td>72.36</td>
<td>96,063</td>
<td>6.2</td>
<td>$44.24</td>
<td>46,755</td>
<td></td>
</tr>
</tbody>
</table>

12 PENSIÓN AND OTHER BENEFITS

Enron maintains a retirement plan (the Enron Plan) which is a noncontributory defined benefit plan covering substantially all employees in the United States and certain employees in foreign countries. The benefit accrual is in the form of a cash balance of 5% of annual base pay.

Portland General has a noncontributory defined benefit pension plan (the Portland General Plan) covering substantially all of its employees. Benefits under the Portland General Plan are based on years of service, final average pay and covered compensation.

Enron Facility Services has a noncontributory defined benefit pension plan (the EFS Plan) covering substantially all of its employees. Benefits under the EFS Plan are based on years of service, final average pay and covered compensation.

Enron also maintains a noncontributory employee stock ownership plan (ESOP) which covers all eligible employees. Allocations to individual employees’ retirement accounts within the ESOP offset a portion of benefits earned under the Enron Plan. All shares included in the ESOP have been allocated to the employee accounts. At December 31, 2000 and 1999, 12,600,271 shares and 17,241,731 shares, respectively, of Enron common stock
were held by the ESOP, a portion of which may be used to offset benefits under the Enron Plan.

Assets of the Enron Plan, the Portland General Plan and the EPS Plan are comprised primarily of equity securities, fixed income securities and temporary cash investments. It is Enron's policy to fund all pension costs accrued to the extent required by federal tax regulations.

Enron provides certain postretirement medical, life insurance and dental benefits to eligible employees and their eligible dependents. Benefits are provided under the provisions of contributory defined dollar benefit plans. Enron is currently funding that portion of its obligations under these postretirement benefit plans which are expected to be recoverable through rates by its regulated pipelines and electric utility operations.

Enron accrues these postretirement benefit costs over the service lives of the employees expected to be eligible to receive such benefits. Enron is amortizing the transition obligation which existed at January 1, 1993 over a period of approximately 19 years.

The following table sets forth information related to changes in the benefit obligations, changes in plan assets, a reconciliation of the funded status of the plans and components of the expense recognized related to Enron's pension and other postretirement plans:

<table>
<thead>
<tr>
<th>Benefits (In millions)</th>
<th>Pension</th>
<th>Benefits</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2000</td>
<td>1999</td>
<td>2000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in benefit obligation</th>
<th>$708</th>
<th>$687</th>
<th>$120</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation, beginning of year</td>
<td>$708</td>
<td>$687</td>
<td>$120</td>
</tr>
<tr>
<td>$134</td>
<td>Service cost</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>2</td>
<td>Interest cost</td>
<td>53</td>
<td>49</td>
</tr>
<tr>
<td>9</td>
<td>Plan participants' contributions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Plan amendments</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Actuarial loss (gain)</td>
<td>9</td>
<td>(51)</td>
</tr>
<tr>
<td>(12)</td>
<td>Acquisitions and divestitures</td>
<td>-</td>
<td>36</td>
</tr>
<tr>
<td>-</td>
<td>Effect of curtailment and settlements(a)</td>
<td>(2)</td>
<td>(8)</td>
</tr>
<tr>
<td>-</td>
<td>Benefits paid</td>
<td>(55)</td>
<td>(43)</td>
</tr>
<tr>
<td>$746</td>
<td>Benefit obligation, end of year</td>
<td>$708</td>
<td>$124</td>
</tr>
<tr>
<td>$120</td>
<td>Change in plan assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Amount 1</td>
<td>Amount 2</td>
<td>Amount 3</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Fair value of plan assets, beginning of year (b)</td>
<td>$853</td>
<td>$774</td>
<td>$68</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>41</td>
<td>80</td>
<td>(4)</td>
</tr>
<tr>
<td>Acquisitions and divestitures</td>
<td>-</td>
<td>37</td>
<td>-</td>
</tr>
<tr>
<td>Employer contribution</td>
<td>19</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Plan participants' contributions</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(55)</td>
<td>(43)</td>
<td>(11)</td>
</tr>
<tr>
<td>Fair value of plan assets, end of year (b)</td>
<td>$858</td>
<td>$853</td>
<td>$64</td>
</tr>
<tr>
<td>Reconciliation of funded status, end of year</td>
<td>$112</td>
<td>$145</td>
<td>(60)</td>
</tr>
<tr>
<td>Funded status, end of year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrecognized transition obligation (asset)</td>
<td>(6)</td>
<td>(13)</td>
<td>44</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>25</td>
<td>32</td>
<td>12</td>
</tr>
<tr>
<td>Unrecognized net actuarial loss (gain)</td>
<td>55</td>
<td>11</td>
<td>(17)</td>
</tr>
<tr>
<td>Prepaid (accrued) benefit cost</td>
<td>$186</td>
<td>$175</td>
<td>(21)</td>
</tr>
<tr>
<td>Weighted-average assumptions at December 31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate</td>
<td>7.75%</td>
<td>7.75%</td>
<td>7.75%</td>
</tr>
<tr>
<td>Expected return on plan assets (pre-tax) (d)</td>
<td>(c)</td>
<td>(c)</td>
<td>(d)</td>
</tr>
<tr>
<td>Rate of compensation increase (e)</td>
<td>(e)</td>
<td>(e)</td>
<td>(e)</td>
</tr>
<tr>
<td>Components of net periodic benefit cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$33</td>
<td>$32</td>
<td>$2</td>
</tr>
<tr>
<td>Interest cost</td>
<td>53</td>
<td>49</td>
<td>10</td>
</tr>
<tr>
<td>Expected return on plan assets (4)</td>
<td>(75)</td>
<td>(70)</td>
<td>(4)</td>
</tr>
<tr>
<td>Amortization of transition obligation (asset)</td>
<td>(6)</td>
<td>(6)</td>
<td>4</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>5</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Recognized net actuarial loss (gain) (1)</td>
<td>-</td>
<td>3</td>
<td>(1)</td>
</tr>
<tr>
<td>Effect of curtailment and settlements (a)</td>
<td>-</td>
<td>(6)</td>
<td>-</td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>$10</td>
<td>$7</td>
<td>$12</td>
</tr>
</tbody>
</table>

<PN>

(a) Represents one-time nonrecurring events including the exchange and sale of EOG (see Note 2) and certain employees ceasing participation in the Portland General Plan as a result of union negotiations.
(b) Includes plan assets of the ESOP of $116 million and $121 million at December 31, 2000 and 1999, respectively.
(c) Long-term rate of return on assets is assumed to be 10.5% for the Enron Plan, 9.0% for the Portland General Plan and 9.5%
for the EFS Plan.
{d} Long-term rate of return on assets is assumed to be 7.5% for the Enron assets and 9.5% for the Portland General assets.
{e} Rate of compensation increase is assumed to be 4.0% for the Enron Plan, 4.0% to 9.5% for the Portland General Plan and 5.0% for the EFS Plan.

Included in the above amounts are the unfunded obligations for the supplemental executive retirement plans. At both December 31, 2000 and 1999, the projected benefit obligation for these unfunded plans was $56 million and the fair value of assets was $1 million.

The measurement date of the Enron Plan and the ESOP is September 30, and the measurement date of the Portland General Plan, the EFS Plan and the postretirement benefit plans is December 31. The funded status as of the valuation date of the Enron Plan, the Portland General Plan, the ESOP and the postretirement benefit plans reconciles with the amount detailed above which is included in "Other Assets" on the Consolidated Balance Sheet.

For measurement purposes, 6% and 10% annual rates of increase in the per capita cost of covered health care benefits were assumed for the period 2000 to 2001 for the Enron and Portland General postretirement plans, respectively. The rates were assumed to decrease to 5% by 2002 and 2010 for the Enron and Portland General postretirement plans, respectively. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

```
<TABLE>
<table>
<thead>
<tr>
<th></th>
<th>1-Percentage</th>
<th>1-Point Increase</th>
<th>1-Point Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on total of service and interest cost components</td>
<td>$0.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect on postretirement benefit obligation</td>
<td>$4.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
```

Additionally, certain Enron subsidiaries maintain various incentive based compensation plans for which participants may receive a combination of cash or stock options, based upon the achievement of certain performance goals.

13 RATES AND REGULATORY ISSUES

Rates and regulatory issues related to certain of Enron's natural gas pipelines and its electric utility operations are subject to final determination by various regulatory agencies. The domestic interstate pipeline operations are regulated by the Federal Energy Regulatory Commission (FERC) and the electric utility operations are regulated by the FERC and the Oregon Public Utility Commission (OPUC). As a result, these operations
are subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," which recognizes the economic effects of regulation and, accordingly, Enron has recorded regulatory assets and liabilities related to such operations.

The regulated pipelines operations' net regulatory assets were $290 million and $250 million at December 31, 2000 and 1999, respectively, and are expected to be recovered over varying time periods.

The electric utility operations' net regulatory assets were $450 million and $494 million at December 31, 2000 and 1999, respectively. Based on rates in place at December 31, 2000, Enron estimates that it will collect substantially all of its regulatory assets within the next 11 years.

Pipeline Operations. On April 16, 1999, Northern Natural Gas Company (Northern) filed an uncontested Stipulation and Agreement of Settlement (Settlement) with the FERC and an order approving the Settlement was issued by the FERC on June 18, 1999. The rates effectuated by Northern on November 1, 1999 remain in effect. On May 1, 2000, Northern filed to implement an optional volumetric firm throughput service. An order approving such service was issued November 8, 2000 with effectiveness November 1, 2000; a rehearing request is pending. On November 1, 2000, Northern filed to increase its rates for the recovery of return and taxes on its System Levelized Account. On November 22, 2000, the FERC issued an order approving the rates, subject to refund.

On November 1, 2000, Transwestern Pipeline Company implemented a rate escalation of settled transportation rates in accordance with its May 1995 global settlement, as amended in May 1996. On August 23, 1999, Transwestern filed for a new service, Enhanced Firm Backhaul. An order by the FERC was issued February 23, 2000, approving the service.

Electric Utility Operations. On October 2, 2000 PGE filed a restructuring plan with the OPUC that implements the provisions of the State Senate Bill SB1149, signed into law in July 1999. The new law provides industrial and commercial customers of investor-owned utilities in the state direct access to competing energy suppliers by October 1, 2001. As filed, PGE's plan also proposes an increase in base rates, with new tariffs effective on October 1, 2001. PGE is a 67.5% owner of the Trojan Nuclear Plant (Trojan). In September 2000, PGE entered into an agreement with the OPUC related to Trojan. See Note 14. At December 31, 2000, PGE's regulatory asset related to recovery of Trojan decommissioning costs from customers was $190 million.

Enron believes, based upon its experience to date and after considering appropriate reserves that have been established, that the ultimate resolution of pending regulatory matters will not have a material impact on Enron's financial position or results of operations.

14 LITIGATION AND OTHER CONTINGENCIES

Enron is a party to various claims and litigation, the significant items of which are discussed below. Although no
assurances can be given, Enron believes, based on its experience
to date and after considering appropriate reserves that have been
established, that the ultimate resolution of such items,
individually or in the aggregate, will not have a material
adverse impact on Enron’s financial position or results of
operations.

Litigation. In 1995, several parties (the Plaintiffs) filed
suit in Harris County District Court in Houston, Texas, against
Intratex Gas Company (Intratex), Houston Pipe Line Company and
Panhandle Gas Company (collectively, the Enron Defendants), each
of which is a wholly-owned subsidiary of Enron. The Plaintiffs
were either sellers or royalty owners under numerous gas purchase
contracts with Intratex, many of which have terminated. Early in
1996, the case was severed by the Court into two matters to be
tried (or otherwise resolved) separately. In the first matter, the
Plaintiffs alleged that the Enron Defendants committed fraud
and negligent misrepresentation in connection with the "Panhandle
program," a special marketing program established in the early
1980s. This case was tried in October 1996 and resulted in a
verdict for the Enron Defendants. In the second matter, the
Plaintiffs allege that the Enron Defendants violated state
regulatory requirements and certain gas purchase contracts by
failing to take the Plaintiffs’ gas ratably with other producers’
gas at certain times between 1978 and 1988. The trial court
certified a class action with respect to ratability claims. On
March 9, 2000, the Texas Supreme Court ruled that the trial
court’s class certification was improper and remanded the case to
the trial court. The Enron Defendants deny the Plaintiffs’
claims and have asserted various affirmative defenses, including
the statute of limitations. The Enron Defendants believe that
they have strong legal and factual defenses, and intend to
vigorously contest the claims. Although no assurances can be
given, Enron believes that the ultimate resolution of these
matters will not have a material adverse effect on its financial
position or results of operations.

On November 21, 1996, an explosion occurred in or around the
Humberto Vidal Building in San Juan, Puerto Rico. The explosion
resulted in fatalities, bodily injuries and damage to the
building and surrounding property. San Juan Gas Company, Inc.
(San Juan Gas), an Enron affiliate, operated a propane/air
distribution system in the vicinity, but did not provide service
to the building. Enron, San Juan Gas, four affiliates and their
insurance carriers were named as defendants, along with several
third parties, including The Puerto Rico Aqueduct and Sewer
Authority, Puerto Rico Telephone Company, Heath Consultants
Incorporated, Humberto Vidal, Inc. and their insurance carriers,
in numerous lawsuits filed in U.S. District Court for the
District of Puerto Rico and the Superior Court of Puerto Rico.
These suits seek damages for wrongful death, personal injury,
business interruption and property damage allegedly caused by the
explosion. After nearly four years without determining the cause
of the explosion, all parties have agreed not to litigate further
that issue, but to move these suits toward settlements or trials
to determine whether each plaintiff was injured as a result of
the explosion and, if so, the lawful damages attributable to such
injury. The defendants have agreed on a fund for settlements or
final awards. Numerous claims have been settled. Although no
assurances can be given, Enron believes that the ultimate
resolution of these matters will not have a material adverse
effect on its financial position or results of operations.

Trojan Investment Recovery. In early 1993, PGE ceased commercial operation of the Trojan nuclear power generating facility. The OPUC granted PGE, through a general rate order, recovery of, and a return on, 87 percent of its remaining investment in Trojan.

The OPUC's general rate order related to Trojan has been subject to litigation in various state courts, including rulings by the Oregon Court of Appeals and petitions to the Oregon Supreme Court filed by parties opposed to the OPUC's order, including the Utility Reform Project (URP) and the Citizens Utility Board (CUB).

In August 2000, PGE entered into agreements with CUB and the staff of the OPUC to settle the litigation related to PGE's recovery of its investment in the Trojan plant. Under the agreements, CUB agreed to withdraw from the litigation and to support the settlement as the means to resolve the Trojan litigation. The OPUC approved the accounting and ratemaking elements of the settlement on September 29, 2000. As a result of these approvals, PGE's investment in Trojan is no longer included in rates charged to customers, either through a return on or a return of that investment. Collection of ongoing decommissioning costs at Trojan is not affected by the settlement agreements or the September 29, 2000 OPUC order. With CUB's withdrawal, URP is the one remaining significant adverse party in the litigation.

URP has indicated that it plans to continue to challenge the OPUC order allowing PGE recovery of its investment in Trojan.

Enron cannot predict the outcome of these actions. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Environmental Matters. Enron is subject to extensive federal, state and local environmental laws and regulations. These laws and regulations require expenditures in connection with the construction of new facilities, the operation of existing facilities and for remediation at various operating sites. The implementation of the Clean Air Act Amendments is expected to result in increased operating expenses. These increased operating expenses are not expected to have a material impact on Enron's financial position or results of operations.

Enron's natural gas pipeline companies conduct soil and groundwater remediation on a number of their facilities. Enron does not expect to incur material expenditures in connection with soil and groundwater remediation.

15 COMMITMENTS

Firm Transportation Obligations. Enron has firm transportation agreements with various joint venture and other pipelines. Under these agreements, Enron must make specified minimum payments each month. At December 31, 2000, the estimated aggregate amounts of such required future payments were $91 million, $88 million, $89 million, $85 million and $77 million for 2001 through 2005, respectively, and $447 million for later years.
The costs recognized under firm transportation agreements, including commodity charges on actual quantities shipped, totaled $68 million, $55 million and $30 million in 2000, 1999 and 1998, respectively.

Other Commitments. Enron leases property, operating facilities and equipment under various operating leases, certain of which contain renewal and purchase options and residual value guarantees. Future commitments related to these items at December 31, 2000 were $123 million, $98 million, $69 million, $66 million and $49 million for 2001 through 2005, respectively, and $359 million for later years. Guarantees under the leases total $556 million at December 31, 2000.

Total rent expense incurred during 2000, 1999 and 1998 was $143 million, $143 million and $147 million, respectively.

Enron has entered into two development agreements whereby Enron is required to manage construction of a certain number of power projects on behalf of third party owners. Under one development agreement, where construction is expected to be completed on or before March 31, 2004, Enron has agreed to enter into power offtake agreements for varying portions of the offtake from each facility. Under both development agreements, Enron maintains purchase options, which may be assigned to a third party. In addition to the purchase option under the development agreement, Enron maintains lease options on the power projects. If upon completion, which is expected to occur on or before August 31, 2002, Enron has failed to exercise one of its options, Enron may participate in the remarketing of the power projects which Enron has guaranteed the recovery of 89.9 percent of certain project costs, of which approximately $140 million has been incurred through December 31, 2000.

Enron guarantees the performance of certain of its unconsolidated equity affiliates in connection with letters of credit issued on behalf of those entities. At December 31, 2000, a total of $264 million of such guarantees were outstanding, including $103 million on behalf of EOTT Energy Partners, L.P. (EOTT). In addition, Enron is a guarantor on certain liabilities of unconsolidated equity affiliates and other companies totaling approximately $1,863 million at December 31, 2000, including $538 million related to EOTT trade obligations. The EOTT letters of credit and guarantees of trade obligations are secured by the assets of EOTT. Enron has also guaranteed $386 million in lease obligations for which it has been indemnified by an "Investment Grade" company. Management does not consider it likely that Enron would be required to perform or otherwise incur any losses associated with the above guarantees. In addition, certain commitments have been made related to capital expenditures and equity investments planned in 2001.

On December 15, 2000, Enron announced that it had entered into an agreement with Azurix under which the holders of Azurix's approximately 39 million publicly traded shares would receive cash of $8.375 in exchange for each share. The agreement, which is subject to the approval of Azurix shareholders, is expected to close in early 2001.

RELATED PARTY TRANSACTIONS
In 2000 and 1999, Enron entered into transactions with limited partnerships (the Related Party) whose general partner's managing member is a senior officer of Enron. The limited partners of the Related Party are unrelated to Enron. Management believes that the terms of the transactions with the Related Party were reasonable compared to those which could have been negotiated with unrelated third parties.

In 2000, Enron entered into transactions with the Related Party to hedge certain merchant investments and other assets. As part of the transactions, Enron (i) contributed to newly-formed entities (the Entities) assets valued at approximately $1.2 billion, including $150 million in Enron notes payable, 3.7 million restricted shares of outstanding Enron common stock and the right to receive up to 18.0 million shares of outstanding Enron common stock in March 2003 (subject to certain conditions) and (ii) transferred to the Entities assets valued at approximately $309 million, including a $50 million note payable and an investment in an entity that indirectly holds warrants convertible into common stock of an Enron equity method investee. In return, Enron received economic interests in the Entities, $309 million in notes receivable, of which $259 million is recorded at Enron's carryover basis of zero, and a special distribution from the Entities in the form of $1.2 billion in notes receivable, subject to changes in the principal for amounts payable by Enron in connection with the execution of additional derivative instruments. Cash in these Entities of $172.6 million is invested in Enron demand notes. In addition, Enron paid $123 million to purchase share-settled options from the Entities on 21.7 million shares of Enron common stock. The Entities paid Enron $10.7 million to terminate the share-settled options on 14.6 million shares of Enron common stock outstanding.

In late 2000, Enron entered into share-settled collar arrangements with the Entities on 15.4 million shares of Enron common stock. Such arrangements will be accounted for as equity transactions when settled.

In 2000, Enron entered into derivative transactions with the Entities with a combined notional amount of approximately $2.1 billion to hedge certain merchant investments and other assets. Enron's notes receivable balance was reduced by $36 million as a result of premiums owed on derivative transactions. Enron recognized revenues of approximately $500 million related to the subsequent change in the market value of these derivatives, which offset market value changes of certain merchant investments and price risk management activities. In addition, Enron recognized $44.5 million and $14.1 million of interest income and interest expense, respectively, on the notes receivable from and payables to the Entities.

In 1999, Enron entered into a series of transactions involving a third party and the Related Party. The effect of the transactions was (i) Enron and the third party amended certain forward contracts to purchase shares of Enron common stock, resulting in Enron having forward contracts to purchase Enron common shares at the market price on that day, (ii) the Related Party received 6.8 million shares of Enron common stock subject to certain restrictions and (iii) Enron received a note receivable, which was repaid in December 1999, and certain financial instruments hedging an investment held by Enron. Enron recorded the assets received and equity issued at estimated fair
value. In connection with the transactions, the Related Party agreed that the senior officer of Enron would have no pecuniary interest in such Enron common shares and would be restricted from voting on matters related to such shares. In 2000, Enron and the Related Party entered into an agreement to terminate certain financial instruments that had been entered into during 1999. In connection with this agreement, Enron received approximately 3.1 million shares of Enron common stock held by the Related Party. A put option, which was originally entered into in the first quarter of 2000 and gave the Related Party the right to sell shares of Enron common stock to Enron at a strike price of $71.31 per share, was terminated under this agreement. In return, Enron paid approximately $26.8 million to the Related Party.

In 2000, Enron sold a portion of its dark fiber inventory to the Related Party in exchange for $30 million cash and a $70 million note receivable that was subsequently repaid. Enron recognized gross margin of $67 million on the sale.

In 2000, the Related Party acquired, through securitizations, approximately $35 million of merchant investments from Enron. In addition, Enron and the Related Party formed partnerships in which Enron contributed cash and assets and the Related Party contributed $17.5 million in cash. Subsequently, Enron sold a portion of its interests in the partnerships through securitizations. See Note 3. Also, Enron contributed a put option to a trust in which the Related Party and Whitewing hold equity and debt interests. At December 31, 2000, the fair value of the put option was a $36 million loss to Enron.

In 1999, the Related Party acquired approximately $371 million, merchant assets and investments and other assets from Enron. Enron recognized pre-tax gains of approximately $16 million related to these transactions. The Related Party also entered into an agreement to acquire Enron's interests in an unconsolidated equity affiliate for approximately $34 million.

17 ASSET IMPAIRMENT

In 1999, continued significant changes in state and federal rules regarding the use of MTBE as a gasoline additive have significantly impacted Enron's view of the future prospects for this business. As a result, Enron completed a reevaluation of its position and strategy with respect to its operated MTBE assets which resulted in (i) the purchase of certain previously-leased MTBE related assets, under provisions within the lease, in order to facilitate future actions, including the potential disposal of such assets and (ii) a review of all MTBE-related assets for impairment considering the recent adverse changes and their impact on recoverability. Based on this review and disposal discussions with market participants, in 1999, Enron recorded a $441 million pre-tax charge for the impairment of its MTBE-related assets.

18 ACCOUNTING PRONOUNCEMENTS

Cumulative Effect of Accounting Changes. In 1999, Enron recorded an after-tax charge of $131 million to reflect the initial adoption (as of January 1, 1999) of two new accounting pronouncements, the AICPA Statement of Position 98-5 (SOP 98-5),
"Reporting on the Costs of Start-Up Activities" and the Emerging Issues Task Force Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The 1999 charge was primarily related to the adoption of SOP 98-5.

Recently Issued Accounting Pronouncements. In 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 must be applied to all derivative instruments and certain derivative instruments embedded in hybrid instruments and requires that such instruments be recorded in the balance sheet either as an asset or liability measured at its fair value through earnings, with special accounting allowed for certain qualifying hedges. Enron will adopt SFAS No. 133 as of January 1, 2001. Due to the adoption of SFAS No. 133, Enron will recognize an after-tax non-cash loss of approximately $5 million in earnings and an after-tax non-cash gain in "Other Comprehensive Income," a component of shareholders' equity, of approximately $22 million from the cumulative effect of a change in accounting principle. Enron will also reclassify $532 million from "Long-Term Debt" to "Other Liabilities" due to the adoption.

The total impact of Enron's adoption of SFAS No. 133 on earnings and on "Other Comprehensive Income" is dependent upon certain pending interpretations, which are currently under consideration, including those related to "normal purchases and normal sales" and inflation escalators included in certain contract payment provisions. The interpretations of these issues, and others, are currently under consideration by the FASB. While the ultimate conclusions reached on interpretations being considered by the FASB could impact the effects of Enron's adoption of SFAS No. 133, Enron does not believe that such conclusions would have a material effect on its current estimate of the impact of adoption.

19 QUARTERLY FINANCIAL DATA (Unaudited)

Summarized quarterly financial data is as follows:

<table>
<thead>
<tr>
<th>TABLE</th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total per share amounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year(s)</td>
<td>Quarter</td>
<td>Quarter</td>
<td>Quarter</td>
<td>Quarter</td>
</tr>
<tr>
<td>S</td>
<td>$13,145</td>
<td>$16,886</td>
<td>$30,007</td>
<td>$40,751</td>
</tr>
<tr>
<td>C</td>
<td>$100,789</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before interest, minority interests and income taxes</td>
<td>624</td>
<td>609</td>
<td>666</td>
<td>583</td>
</tr>
<tr>
<td>Net income</td>
<td>338</td>
<td>289</td>
<td>292</td>
<td>60</td>
</tr>
<tr>
<td>Earnings per share: Basic</td>
<td>$0.44</td>
<td>$0.37</td>
<td>$0.37</td>
<td>$0.05</td>
</tr>
</tbody>
</table>

00200000001335
1.22 Diluted  0.40  0.34  0.34  0.05
1.12

1999
Revenues  $ 7,632  $ 9,672  $11,835  $10,973  $
40,112
Income before
interest, minority
interests and income taxes  533  469  520  473
1,995
Net income  122  222  290  259
893
Earnings per share:
  Basic  $ 0.17  $ 0.29  $ 0.38  $ 0.33  $
1.17
  Diluted  0.16  0.27  0.35  0.31
1.10

<FN>
(a) The sum of earnings per share for the four quarters may not
    equal earnings per share for the total year due to changes in
    the average number of common shares outstanding.
</TABLE>

20 GEOGRAPHIC AND BUSINESS SEGMENT INFORMATION

Enron's business is divided into operating segments, defined
as components of an enterprise about which financial information
is available and evaluated regularly by the chief operating
decision maker, or decision-making group, in deciding how to
allocate resources to an individual segment and in assessing
performance of the segment. Enron's chief operating decision-
making group is the Office of the Chairman.

Enron's chief operating decision-making group evaluates
performance and allocates resources based on income before
interest, minority interests and income taxes (IBIT) as well as
on net income. Certain costs related to company-wide functions
are allocated to each segment. However, interest on corporate
debt is primarily maintained at Corporate and is not allocated to
the segments. Therefore, management believes that IBIT is the
dominant measurement of segment profits consistent with Enron's
consolidated financial statements. The accounting policies of
the segments are substantially the same as those described in the
summary of significant accounting policies in Note 1.

Beginning in 2000, Enron's communications business is being
managed as a separate operating segment named Broadband Services
and therefore, based on criteria set by SFAS No. 131,
"Disclosures about Segments of an Enterprise and Related
Information," is reported separately.

Enron has divided its operations into the following reportable
segments, based on similarities in economic characteristics,
products and services, types of customers, methods of
distributions and regulatory environment.

Transportation and Distribution - Regulated industries.
Interstate transmission of natural gas. Management and operation
of pipelines. Electric utility operations.
Wholesale Services - Energy commodity sales and services, risk management products and financial services to wholesale customers. Development, acquisition and operation of power plants, natural gas pipelines and other energy-related assets.

Retail Energy Services - Sales of natural gas and electricity directly to end-use customers, particularly in the commercial and industrial sectors, including the outsourcing of energy-related activities.

Broadband Services - Construction and management of a nationwide fiber optic network, the marketing and management of bandwidth and the delivery of high-bandwidth content.

Exploration and Production - Natural gas and crude oil exploration and production primarily in the United States, Canada, Trinidad and India until August 16, 1999. See Note 2.

Corporate and Other - Includes operation of water and renewable energy businesses as well as clean fuels plants.

Financial information by geographic and business segment follows for each of the three years in the period ended December 31, 2000.

Geographic Segments

<TABLE>
<CAPTION>
(In millions)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues from unaffiliated customers</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>$77,891</td>
</tr>
<tr>
<td>Foreign</td>
<td>22,898</td>
</tr>
<tr>
<td></td>
<td>$100,789</td>
</tr>
</tbody>
</table>

Income before interest, minority interests and income taxes

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$2,131</td>
</tr>
<tr>
<td>Foreign</td>
<td>351</td>
</tr>
<tr>
<td></td>
<td>$2,482</td>
</tr>
</tbody>
</table>

Long-lived assets

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$10,899</td>
</tr>
<tr>
<td>Foreign</td>
<td>844</td>
</tr>
<tr>
<td></td>
<td>$11,743</td>
</tr>
</tbody>
</table>

</TABLE>

Business Segments

<TABLE>
<CAPTION>
Retail Corporate Transportation
Energy Services Broadband and Wholesale
(in millions) Distribution Services
Services Other(d) Total

00200000001337
2000

Unaffiliated revenues(a) $2,742 $93,278
$3,824 $408 $537 $100,789
Intersegment revenues(b) 213 1,628
791 - (2,632)
Total revenues 2,955 94,906
4,615 408 (2,095) 100,789
Depreciation, depletion and
amortization 278 343
38 77 119 855
Operating income (loss) 565 1,668
58 (64) (274) 1,953
Equity in earnings of
unconsolidated equity affiliates 65 486
(60) 1 (405) 87
Gains on sales of assets
and investments 25 9
74 - 38 146
Gain on the issuance of stock by
TNPC, Inc. - -
121 - 121 -
Interest income 6 171
5 3 27 212
Other income, net (33) - (37)
Income (loss) before interest,
minority interests and
income taxes 732 2,260
165 (60) (615) 2,482
Capital expenditures 270 1,280
70 436 325 2,381
Identifiable assets 7,509 43,920
4,266 1,313 3,201 60,209
Investments in and advances to
unconsolidated equity affiliates 774 4,014
104 24 378 5,294
Total assets $8,283 $47,934
$4,370 $1,337 $3,579 $65,503

<TABLE>
<CAPTION>
Retail Exploration Corporate and Wholesale
Energy and and Distribution Services
(In millions)
Services Production(c) Other(d) Total
</TABLE>

1999

Unaffiliated revenues(a) $2,013 $35,501
$1,518 $429 $651 $40,112
Intersegment revenues(b) 19 786
289 97 (1,191)
Total revenues 2,032 36,287
1,807 526 (540) 40,112
Depreciation, depletion and
<table>
<thead>
<tr>
<th>Description</th>
<th>1998</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization</td>
<td>247</td>
<td>294</td>
</tr>
<tr>
<td>29</td>
<td>213</td>
<td>87</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>551</td>
<td>889</td>
</tr>
<tr>
<td>(81)</td>
<td>66</td>
<td>(623)</td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated equity affiliates</td>
<td>50</td>
<td>237</td>
</tr>
<tr>
<td>-</td>
<td>-22</td>
<td>309</td>
</tr>
<tr>
<td>Gains on sales of assets and investments</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>-</td>
<td>511</td>
<td>541</td>
</tr>
<tr>
<td>Interest income</td>
<td>20</td>
<td>126</td>
</tr>
<tr>
<td>5</td>
<td>11</td>
<td>162</td>
</tr>
<tr>
<td>Other income, net</td>
<td>45</td>
<td>54</td>
</tr>
<tr>
<td>8</td>
<td>(1)</td>
<td>75</td>
</tr>
<tr>
<td>Income (loss) before interest, minority interests and income taxes</td>
<td>685</td>
<td>1,317</td>
</tr>
<tr>
<td>(68)</td>
<td>65</td>
<td>(4)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>316</td>
<td>1,216</td>
</tr>
<tr>
<td>64</td>
<td>226</td>
<td>541</td>
</tr>
<tr>
<td>Identifiable assets</td>
<td>7,148</td>
<td>18,501</td>
</tr>
<tr>
<td>956</td>
<td>1,740</td>
<td>20,345</td>
</tr>
<tr>
<td>Investments in and advances to unconsolidated equity affiliates</td>
<td>811</td>
<td>2,684</td>
</tr>
<tr>
<td>-</td>
<td>1,541</td>
<td>5,036</td>
</tr>
<tr>
<td>Total assets</td>
<td>$7,959</td>
<td>$21,185</td>
</tr>
<tr>
<td>956</td>
<td>$3,281</td>
<td>$33,381</td>
</tr>
<tr>
<td>Unaffiliated revenues(a)</td>
<td>$1,833</td>
<td>$27,220</td>
</tr>
<tr>
<td>$1,072</td>
<td>$ 750</td>
<td>$ 385</td>
</tr>
<tr>
<td>Internal segment revenues(b)</td>
<td>16</td>
<td>505</td>
</tr>
<tr>
<td>-</td>
<td>134</td>
<td>(655)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>1,849</td>
<td>27,725</td>
</tr>
<tr>
<td>1,072</td>
<td>884</td>
<td>(270)</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>253</td>
<td>195</td>
</tr>
<tr>
<td>31</td>
<td>315</td>
<td>827</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>562</td>
<td>880</td>
</tr>
<tr>
<td>(124)</td>
<td>133</td>
<td>(73)</td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated equity affiliates</td>
<td>33</td>
<td>42</td>
</tr>
<tr>
<td>(2)</td>
<td>24</td>
<td>97</td>
</tr>
<tr>
<td>Gains on sales of assets and investments</td>
<td>31</td>
<td>4</td>
</tr>
<tr>
<td>-</td>
<td>21</td>
<td>56</td>
</tr>
<tr>
<td>Interest income</td>
<td>9</td>
<td>67</td>
</tr>
<tr>
<td>-</td>
<td>11</td>
<td>88</td>
</tr>
<tr>
<td>Other income, net</td>
<td>2</td>
<td>(25)</td>
</tr>
<tr>
<td>7</td>
<td>(6)</td>
<td>(15)</td>
</tr>
<tr>
<td>Income (loss) before interest, minority interests and income taxes</td>
<td>637</td>
<td>968</td>
</tr>
<tr>
<td>(119)</td>
<td>128</td>
<td>(32)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>310</td>
<td>706</td>
</tr>
<tr>
<td>75</td>
<td>690</td>
<td>1,905</td>
</tr>
<tr>
<td>Identifiable assets</td>
<td>6,955</td>
<td>12,205</td>
</tr>
<tr>
<td>747</td>
<td>3,001</td>
<td>2,009</td>
</tr>
<tr>
<td>Investments in and advances to unconsolidated equity affiliates</td>
<td>661</td>
<td>2,632</td>
</tr>
<tr>
<td>-</td>
<td>1,140</td>
<td>4,433</td>
</tr>
</tbody>
</table>

00200000001339
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Shareholders and Board of Directors of Enron Corp.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Enron Corp. and subsidiaries included in this Form 10-K and have issued our report thereon dated February 23, 2001. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in Item 14(a)(2) is the responsibility of the company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Houston, Texas
February 23, 2001

SCHEDULE II

ENRON CORP. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(In Millions)

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column D</td>
<td>Column E</td>
<td></td>
</tr>
<tr>
<td>Deductions</td>
<td>Additions</td>
<td></td>
</tr>
<tr>
<td>Balance at</td>
<td>Charged to</td>
<td>Charged</td>
</tr>
</tbody>
</table>

00200000001340
<table>
<thead>
<tr>
<th>Which Reserves Were Created</th>
<th>Balance at End of Year</th>
<th>Beginning Costs and Expenses</th>
<th>to Other Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;S&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>2000</td>
<td></td>
</tr>
<tr>
<td>Reserves deducted from assets from price risk management activities</td>
<td>$337 $452</td>
<td>$299 $75</td>
<td></td>
</tr>
<tr>
<td>Reserves for regulatory issues</td>
<td>201 34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other reserves(a)</td>
<td>48 125</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves deducted from assets from price risk management activities</td>
<td>$325 $337</td>
<td>$185 $19</td>
<td></td>
</tr>
<tr>
<td>Reserves for regulatory issues</td>
<td>247 201</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other reserves(a)</td>
<td>49 27</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves deducted from assets from price risk management activities</td>
<td>$282 $325</td>
<td>$141</td>
<td>$</td>
</tr>
<tr>
<td>Reserves for regulatory issues</td>
<td>262 247</td>
<td>15 27</td>
<td></td>
</tr>
<tr>
<td>Other reserves(a)</td>
<td>45 20</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

(a) Primarily consists of allowance for doubtful accounts and reserve for insurance claims and losses.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 30th day of March, 2001.
ENRON CORP.
(Registrant)

By: RICHARD A. CAUSEY
   (Richard A. Causey)
   Executive Vice President
   and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below on March 30, 2001 by the following persons on behalf of the Registrant and in the capacities indicated.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>JEFFREY K. SKILLING</td>
<td>Chief Executive Officer and</td>
</tr>
<tr>
<td>(Jeffrey K. Skilling)</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td>(Principal Executive Officer)</td>
</tr>
<tr>
<td>RICHARD A. CAUSEY</td>
<td>Executive Vice President and</td>
</tr>
<tr>
<td>(Richard A. Causey)</td>
<td>Chief Accounting Officer</td>
</tr>
<tr>
<td></td>
<td>(Principal Accounting Officer)</td>
</tr>
<tr>
<td>ANDREW S. FASTOW</td>
<td>Executive Vice President and</td>
</tr>
<tr>
<td>(Andrew S. Fastow)</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>(Principal Financial Officer)</td>
</tr>
<tr>
<td>ROBERT A. BELFER*</td>
<td>Director</td>
</tr>
<tr>
<td>(Robert A. Belfer)</td>
<td></td>
</tr>
<tr>
<td>NORMAN P. BLAKE, JR.*</td>
<td>Director</td>
</tr>
<tr>
<td>(Norman P. Blake, Jr.)</td>
<td></td>
</tr>
<tr>
<td>RONNIE C. CHAN*</td>
<td>Director</td>
</tr>
<tr>
<td>(Ronnie C. Chan)</td>
<td></td>
</tr>
<tr>
<td>JOHN H. DUNCAN*</td>
<td>Director</td>
</tr>
<tr>
<td>(John H. Duncan)</td>
<td></td>
</tr>
<tr>
<td>WENDY L. GRAMM*</td>
<td>Director</td>
</tr>
<tr>
<td>(Wendy L. Gramm)</td>
<td></td>
</tr>
<tr>
<td>KEN L. HARRISON*</td>
<td>Director</td>
</tr>
<tr>
<td>(Ken L. Harrison)</td>
<td></td>
</tr>
<tr>
<td>ROBERT K. JAEDICKE*</td>
<td>Director</td>
</tr>
<tr>
<td>(Robert K. Jaedicke)</td>
<td></td>
</tr>
<tr>
<td>KENNETH L. LAY*</td>
<td>Chairman of the Board and</td>
</tr>
<tr>
<td>(Kenneth L. Lay)</td>
<td>Director</td>
</tr>
<tr>
<td>CHARLES A. LeMAISTRE*</td>
<td>Director</td>
</tr>
<tr>
<td>(Charles A. LeMaistre)</td>
<td></td>
</tr>
<tr>
<td>JOHN MENDELSOHN*</td>
<td>Director</td>
</tr>
<tr>
<td>(John Mendelsohn)</td>
<td></td>
</tr>
</tbody>
</table>

00200000001342
JEROME J. MEYER*  
(Jerome J. Meyer)  
Director

PAULO V. FERRAZ PAREIRA*  
(Paulo V. Ferraz Pereira)  
Director

FRANK SAVAGE*  
(Frank Savage)  
Director

JOHN A. URQUHART*  
(John A. Urquhart)  
Director

JOHN WAKEHAM*  
(John Wakeham)  
Director

HERBERT S. WINOKUR, JR.*  
(Herbert S. Winokur, Jr.)  
Director

*By: REBECCA C. CARTER  
(Rebecca C. Carter)  
(Attorney-in-fact for persons indicated)

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

EXHIBITS TO  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000  
Commission File Number 1-13159

ENRON CORP.  
(Exact name of Registrant as specified in its charter)

OREGON  
(State or other jurisdiction of  
incorporation or organization)  
47-0255140  
(IRS Employer  
Identification No.)

1400 Smith Street
# EXHIBIT INDEX

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>*3.01</td>
<td>Amended and Restated Articles of Incorporation of Enron Oregon Corp. (Annex E to the Proxy Statement/Prospectus included in Enron's Registration Statement on Form S-4 - File No. 333-13791).</td>
</tr>
<tr>
<td>*3.02</td>
<td>Articles of Merger of Enron Oregon Corp., an Oregon corporation, and Enron Corp., a Delaware corporation (Exhibit 3.02 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 33-60417).</td>
</tr>
<tr>
<td>*3.03</td>
<td>Articles of Merger of Enron Corp., an Oregon corporation, and Portland General Corporation, an Oregon corporation (Exhibit 3.03 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 33-60417).</td>
</tr>
<tr>
<td>*3.04</td>
<td>Bylaws of Enron (Exhibit 3.04 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 33-60417).</td>
</tr>
<tr>
<td>*3.05</td>
<td>Articles of Amendment of Enron: Form of Series Designation for the Enron Convertible Preferred Stock (Annex F to the Proxy Statement/Prospectus included in Enron's Registration Statement on Form S-4 - File No. 333-13791).</td>
</tr>
<tr>
<td>*3.06</td>
<td>Articles of Amendment of Enron: Form of Series Designation for the Enron 9.142% Preferred Stock (Annex G to the Proxy Statement/Prospectus included in Enron's Registration Statement on Form S-4 - File No. 333-13791).</td>
</tr>
<tr>
<td>*3.07</td>
<td>Articles of Amendment of Enron: Statement of Resolutions Establishing Series A Junior Voting Convertible Preferred Stock (Exhibit 3.07 to Enron's Registration Statement on Form S-3 - File No. 333-44133).</td>
</tr>
<tr>
<td>*3.08</td>
<td>Articles of Amendment of Enron: Statement of Resolutions Establishing A Series of Preferred Stock of Enron Corp. - Mandatorily Convertible Single Reset Preferred Stock, Series A (Exhibit 4.01 to Enron's Form 8-K filed on January 26, 1999).</td>
</tr>
<tr>
<td>*3.09</td>
<td>Articles of Amendment of Enron: Statement of Resolutions Establishing A Series of Preferred Stock of Enron Corp. - Mandatorily Convertible</td>
</tr>
</tbody>
</table>
Single Reset Preferred Stock, Series B (Exhibit 4.02 to Enron's Form 8-K filed on January 26, 1999).

*3.10 - Articles of Amendment of Enron amending Article IV of the Articles of Incorporation (Exhibit 3.10 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 333-70465).

*3.11 - Articles of Amendment of Enron: Statement of Resolutions Establishing A Series of Preferred Stock of Enron Corp. - Mandatorily Convertible Junior Preferred Stock, Series B (Exhibit 3.11 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3 - File No. 333-70465).

*4.01 - Indenture dated as of November 1, 1985, between Enron and Harris Trust and Savings Bank (now The Bank of New York), as supplemented and amended by the First Supplemental Indenture dated as of December 1, 1995 (Form T-3 Application for Qualification of Indentures under the Trust Indenture Act of 1939, File No. 22-14390, filed October 24, 1985; Exhibit 4(b) to Form S-3 Registration Statement No. 33-64057 filed on November 8, 1995). There have not been filed as exhibits to this Form 10-K other debt instruments defining the rights of holders of long-term debt of Enron, none of which relates to authorized indebtedness that exceeds 10% of the consolidated assets of Enron and its subsidiaries. Enron hereby agrees to furnish a copy of any such instrument to the Commission upon request.

*4.02 - Supplemental Indenture, dated as of May 8, 1997, by and among Enron Corp., Enron Oregon Corp. and Harris Trust and Savings Bank (now The Bank of New York), as Trustee (Exhibit 4.02 to Post-Effective Amendment No. 1 to Enron's Registration Statement on Form S-3, File No. 333-60417).

*4.03 - Third Supplemental Indenture, dated as of September 1, 1997, between Enron Corp. and Harris Trust and Savings Bank (now The Bank of New York), as Trustee (Exhibit 4.03 to Enron Registration Statement on Form S-3, File No. 333-15549).

*4.04 - Fourth Supplemental Indenture, dated as of August 17, 1999, between Enron Corp. and Harris Trust and Savings Bank (now The Bank of New York), as Trustee (Exhibit 4.05 to Enron Registration Statement on Form S-3 - File No. 333-83549).

Executive Compensation Plans and Arrangements Filed as Exhibits Pursuant to Item 14(c) of Form 10-K: Exhibits 10.01 through 10.53

*10.01 - Enron Executive Supplemental Survivor Benefits Plan, effective January 1, 1987 (Exhibit 10.01 to

*10.02 - First Amendment to Enron Executive Supplemental Survivor Benefits Plan (Exhibit 10.02 to Enron Form 10-K for 1999).

*10.03 - Enron Corp. 1988 Stock Plan (Exhibit 4.3 to Form S-8 Registration Statement No. 33-27893).

*10.04 - Second Amendment to Enron Corp. 1988 Stock Plan (Exhibit 10.04 to Enron Form 10-K for 1996).

*10.05 - Enron Corp. 1988 Deferral Plan (Exhibit 10.19 to Enron Form 10-K for 1987).

*10.06 - First Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.06 to Enron Form 10-K for 1995).

*10.07 - Second Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.07 to Enron Form 10-K for 1995).

*10.08 - Third Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.09 to Enron Form 10-K for 1996).

*10.09 - Fourth Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.10 to Enron Form 10-K for 1996).

*10.10 - Fifth Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.11 to Enron Form 10-K for 1996).

*10.11 - Sixth Amendment to Enron Corp. 1988 Deferral Plan (Exhibit 10.11 to Enron Form 10-K for 1999).


*10.13 - Amended and Restated Enron Corp. 1991 Stock Plan (Exhibit A to Enron Proxy Statement filed pursuant to Section 14(a) on March 24, 1997).


*10.15 - Second Amendment to Enron Corp. Amended and Restated 1991 Stock Plan (Exhibit 10.14 to Enron Form 10-K for 1997).

*10.16 - Enron Corp. 1991 Stock Plan (As Amended and Restated Effective May 4, 1999) (Exhibit B to Enron Proxy Statement filed pursuant to Section 14(a) on March 30, 1999).


*10.18 - Second Amendment to Enron Corp. 1991 Stock Plan (As Amended and Restated Effective May 4, 1999) (Exhibit 10.18 to Enron Form 10-K for 1999).


*10.21  - First Amendment to Enron Corp. 1992 Deferral Plan (Exhibit 10.10 to Enron Form 10-K for 1995).

*10.22  - Second Amendment to Enron Corp. 1992 Deferral Plan (Exhibit 10.11 to Enron Form 10-K for 1995).


*10.30  - Fourth Amendment to Consulting Services Agreement between Enron and John A. Urquhart dated as of May 9, 1994 (Exhibit 10.35 to Enron Form 10-K for 1994).

*10.31  - Fifth Amendment to Consulting Services Agreement between Enron and John A. Urquhart (Exhibit 10.36 to Enron Form 10-K for 1995).

*10.32  - Sixth Amendment to Consulting Services Agreement between Enron and John A. Urquhart (Exhibit 10.37 to Enron Form 10-K for 1995).

*10.33  - Seventh Amendment to Consulting Services Agreement between Enron and John A. Urquhart, dated October 27, 1997 (Exhibit 10.27 to Enron Form 10-K for 1997).


*10.36 - Tenth Amendment to Consulting Services Agreement between John A. Urquhart and Enron Corp. dated January 1, 2000 (Exhibit 10.36 to Enron Form 10-K for 1999).

*10.37 - Enron Corp. Performance Unit Plan (Exhibit A to Enron Proxy Statement filed pursuant to Section 14(a) on March 25, 1994).

*10.38 - Enron Corp. Annual Incentive Plan (Exhibit B to Enron Proxy Statement filed pursuant to Section 14(a) on March 25, 1994).

*10.39 - Enron Corp. Annual Incentive Plan dated May 4, 1999 (Exhibit A to Enron Proxy Statement filed pursuant to Section 14(a) on March 30, 1999).

*10.40 - Enron Corp. Performance Unit Plan (as amended and restated effective May 2, 1995) (Exhibit A to Enron Proxy Statement filed pursuant to Section 14(a) on March 27, 1995).

*10.41 - First Amendment to Enron Corp. Performance Unit Plan (Exhibit 10.46 to Enron Form 10-K for 1995).


*10.47 - Loan Agreement effective October 13, 1997, between
Enron Corp. and Jeffrey K. Skilling (Exhibit 10.43 to Enron Form 10-K for 1997).


*10.49 - Executive Employment Agreement between Enron Operations Corp. and Stanley C. Horton, dated as of October 1, 1999 (Exhibit 10.45 to Enron Form 10-K for 1997).

*10.50 - First Amendment to Executive Employment Agreement by and between Enron Operations Corp., Enron Corp. and Stanley C. Horton, dated December 27, 1999 (Exhibit 10.56 to Enron Form 10-K for 1999).

10.51 - Employment Agreement between Enron Corp. and Mark A. Prevert, effective March 1, 2000

*10.52 - Executive Employment Agreement between Enron Corp. and Kenneth D. Rice, effective June 1, 1998 (Exhibit 10.43 to Enron Form 10-K for 1998).


12 - Statement re computation of ratios of earnings to fixed charges.

21 - Subsidiaries of registrant.

23.01 - Consent of Arthur Andersen LLP.

23.02 - Consent of Arthur Andersen LLP.

24 - Powers of Attorney for the directors signing this Form 10-K.

99 - Financial Statements of Atlantic Water Trust.

* Asterisk indicates exhibits incorporated by reference.

</TEXT>
</DOCUMENT>

<DOCUMENT>
<TYPE>EX-10
<SEQUENCE>2
<FILENAME>exh1051.txt
<DESCRIPTION>MATERIAL CONTRACTS
<TEXT>Exhibit 10.51
Employment Agreement

This Employment Agreement ("Agreement"), including the attached Exhibit "A," is entered into between Enron Corp. ("Enron"), and Mark Prevert ("Employee"), to be effective as of March 1, 2000 (the "Effective Date"). Enron and Employee agree as follows:

Article 1: Employment, Compensation and Benefits

1.1 Term and Position. Enron agrees to employ Employee, and Employee agrees to be employed by Enron for the Term (the "Term") described on Exhibit "A." Enron may assign Employee to a different position or modify Employee's duties and responsibilities, subject to the terms and conditions of this Agreement.

1.2 Compensation. Employee shall be paid as set forth on Exhibit "A." Employee's monthly base salary shall be paid in semimonthly installments in accordance with Enron's standard payroll practice, and (as with all other payments made to Employee by Enron) is subject to withholding of all federal, state, city, or other taxes as may be required by law.

1.3 Benefits. Employee shall be allowed to participate, on the same basis generally as other employees employed in the same or similar positions, in all general employee benefit plans and programs that Enron has made available to Enron's employees on or after the Effective Date. Nothing in this Agreement is to be construed to provide greater rights, participation, coverage, or benefits than provided to similarly-situated employees pursuant to the terms of such benefit plans and programs. Enron is not obligated to institute, maintain, or refrain from changing, amending, or discontinuing any such benefit program or plan, so long as such actions are similarly applicable to covered employees generally. Copies of benefit plans will be made available to Employee upon request.

Article 2: Termination Before the Term Expires and Effects of Such Termination

2.1. Termination By Enron. Enron may terminate Employee's employment before the Term expires for the following reasons:

a. Cause. For "cause" upon the determination by Enron that "cause" exists to terminate the Employee. "Cause" means (i) Employee's gross negligence, willful misconduct, or neglect in the performance of the duties and services as an Enron employee; (ii) Employee's final conviction of a felony by a trial court; (iii) Employee's material breach of any material provision of this Agreement that, if possible to correct, remains uncorrected for 30 days after Enron notifies Employee in writing of such breach; or (iv) Employee's material violation of any material policy of Enron. If Enron terminates Employee's employment for Cause, Employee shall be entitled only to his or her pro rata salary through the date of such termination, and all future
compensation and benefits, other than benefits to which Employee is entitled under the terms of Enron compensation and/or benefit plans, shall cease.

b. Involuntary Termination. Involuntary termination at Enron's option may occur for any reason whatsoever, including termination without cause, in the sole discretion of Enron. Upon an Involuntary Termination before the Term expires, Employee is entitled to receive the amount of one year's annual base salary and performance bonus ("Amount"). This Amount will be calculated by taking the average of Employee's annual base salary and performance bonus for the last two years of Employee's employment with Enron. Fifty percent of the Amount shall be paid in six equal installments each month during the first six months following the Involuntary Termination; the remaining fifty percent will be paid in a single lump-sum payment at the end of that six month period.

c. Death/Disability. Upon Employee's (i) death, or (ii) becoming incapacitated or disabled so as to entitle Employee to benefits under Enron's long-term disability plan, or (iii) becoming permanently and totally unable to perform Employee's duties for Enron as a result of any physical or mental impairment supported by a written opinion by a physician selected by Enron. Upon termination of employment under this paragraph, Employee or Employee's heirs shall be entitled only to Employee's pro rata salary through the date of such termination, and all future compensation and benefits, other than benefits to which Employee is entitled under the terms of Enron compensation and/or benefit plans, shall cease.

2.2 Termination By Employee. Employee may terminate the employment relationship before the Term expires for the following reasons:

a. Breach by Enron. A material breach by ENA of any material provision of this Agreement which remains uncorrected for 30 days following Employee's written notice to ENA of such breach. Upon such a termination, Employee shall be entitled to receive the amount of one year's annual base salary and performance bonus ("Amount"). This Amount will be calculated by taking the average of Employee's annual base salary and performance bonus for the last two years of Employee's employment with ENA. Fifty percent of the Amount shall be paid in six equal installments each month during the first six months following the Involuntary Termination; the remaining fifty percent will be paid in a single lump-sum payment at the end of that six month period.

b. Voluntary Termination. For any other reason whatsoever, in Employee's sole discretion. Upon a Voluntary Termination before the Term expires, all of Employee's future compensation and benefits, other than benefits to which Employee is entitled under the terms of Enron compensation and/or benefit plans, shall cease as of the date of termination, and Employee shall be
entitled only to pro rata salary through the termination date.

2.3 Offset. In all cases, the compensation and benefits payable to Employee under this Agreement upon termination of employment shall be offset by any amounts to which Employee otherwise may be entitled under any benefit plans, severance plans, voluntary payments, and policies of Enron or its affiliates, or amounts (including the value of Enron's property) that Employee owes to Enron.

2.4 Certain Obligations Continue. Neither termination of employment nor expiration of the Term terminates the continuing obligations of this Agreement, including obligations under Articles 3 and 4.1.

2.5 Employment Beyond Term. Should Employee remain employed by Enron after the Term expires, such employment shall convert to an employment-at-will relationship, terminable at any time by either Enron or Employee for any reason whatsoever, with or without cause.

Article 3: Confidential Information; Post-Employment Obligations

3.1 This Agreement. The terms of this Agreement constitute confidential information, which Employee shall not disclose to anyone other than Employee's spouse, attorneys, tax advisors, or as required by law. Disclosure of these terms is a material breach of this Agreement and could subject Employee to disciplinary action, including without limitation, termination of employment for cause.

3.2 Enron Property. All written materials, records, data, and other documents prepared or possessed by Employee during Employee's employment by Enron are Enron property. All information, ideas, concepts, improvements, discoveries, and inventions that are conceived, made, developed, or acquired by Employee individually or in conjunction with others during Employee's employment (whether during business hours and whether on Enron's premises or otherwise) which relate to Enron's business, products, or services are Enron's sole and exclusive property. All memoranda, notes, records, files, correspondence, drawings, manuals, models, specifications, computer programs, maps, and all other documents, data, or materials of any type embodying such information, ideas, concepts, improvements, discoveries, and inventions are Enron's property. At the termination of Employee's employment with Enron for any reason, Employee shall return all of Enron's documents, data, or other Enron property to Enron.

3.3 Confidential Information; Non-Disclosure. Employee acknowledges that the business of Enron and its affiliates is highly competitive and that Enron has agreed to provide and immediately will provide Employee with access to Confidential Information relating to the business of Enron and its affiliates. "Confidential Information" means and includes Enron's confidential and/or proprietary information and/or trade secrets that have been developed or used and/or will be developed and that cannot be obtained
readily by third parties from outside sources. Confidential Information includes, by way of example and without limitation, the following: information regarding customers, employees, contractors, and the industry not generally known to the public; strategies, methods, books, records, and documents; technical information concerning products, equipment, services, and processes; procurement procedures and pricing techniques; the names of and other information concerning customers, investors, and business affiliates (such as contact name, service provided, pricing for that customer, type and amount of services used, credit and financial data, and/or other information relating to Enron's relationship with that customer); pricing strategies and price curves; positions; plans and strategies for expansion or acquisitions; budgets; customer lists; research; weather data; financial and sales data; trading methodologies and terms; evaluations, opinions, and interpretations of information and data; marketing and merchandising techniques; prospective customers' names and marks; grids and maps; electronic databases; models; specifications; computer programs; internal business records; contracts benefiting or obligating Enron; bids or proposals submitted to any third party; technologies and methods; training methods and training processes; organizational structure; personnel information, including salaries of personnel; payment amounts or rates paid to consultants or other service providers; and other such confidential or proprietary information. Employee acknowledges that this Confidential Information constitutes a valuable, special, and unique asset used by Enron and its affiliates in their businesses to obtain a competitive advantage over their competitors. Employee further acknowledges that protection of such Confidential Information against unauthorized disclosure and use is of critical importance to Enron and its affiliates in maintaining their competitive position. Employee also will have access to, or knowledge of, Confidential Information of third parties, such as actual and potential customers, suppliers, partners, joint venture partners, investors, financing sources and the like, of Enron and its affiliates. Enron also agrees to provide Employee with immediate access to Confidential Information and specialized training regarding Enron's methodologies and business strategies, which will enable Employee to perform his or her job at Enron.

Employee agrees that Employee will not, at any time during or after Employee's employment with Enron, make any unauthorized disclosure of any Confidential Information or specialized training of Enron or its affiliates, or make any use thereof, except in the carrying out of his or her employment responsibilities hereunder. Employee also agrees to preserve and protect the confidentiality of third party Confidential Information to the same extent, and on the same basis, as Enron's Confidential Information.

3.4 Non-Competition Obligations. Enron agrees to and shall provide Employee with immediate access to Confidential Information. Ancillary to the rights provided to Employee following Involuntary Termination, Enron's provision of Confidential Information and specialized training to Employee, and Employee's agreement not to disclose
Confidential Information, and in order to protect the Confidential Information described above, Enron and Employee agree to the following non-competition provisions. Employee agrees that during the Period of Post-Employment Non-Competition Obligations defined in Exhibit "A," Employee will not, directly or indirectly, for Employee or for others, in the Geographic Region of Responsibility described on Exhibit "A" (or, if Employee's Geographic Region has changed, in any and all geographic regions in which Employee has worked during the 12-month period immediately preceding Employee's termination of Employment):

a. engage in the business of buying, selling, trading, structuring, or executing transactions in commodities, assets, or products in which Enron is doing business, has plans to engage in business, or has engaged in business in the preceding 12-month period, including, but not limited to, gas, electricity, coal, chilled water, clean fuel, liquids, emissions, petrochemicals, energy assets, transmission capacity, paper, pulp, packaging, telecommunications, metals, weather products, electronic commerce (including business-to-business electronic commerce), "click trading," bandwidth communications, interest rates, credit, currencies, securities, or other commodities (including, without limitation, other energy commodities), or any futures, derivatives, or equities related to any of the foregoing, whether at wholesale or retail, or the development of systems, information technology, accounting, or risk management with respect to any of the foregoing;

b. engage in other types of business performed by Enron, including the acquiring or disposing of assets or equity investments or providing or raising capital, through loans, equity, joint ventures, partnerships, working interests, production payments, or similar arrangements into products, commodities, futures, derivatives, or other items in which Enron currently is engaging in business, has plans to engage in business, or has engaged in business in the preceding 12-month period;

c. engage in activities relating to Enron's business not described in parts a and b of this Article 3.4, to the extent that Employee has knowledge or information about such activities; or

d. render advice or services to, or otherwise assist, any other person, association or entity in the business of a, b, or c above.

Employee understands that the foregoing restrictions may limit his or her ability to engage in certain businesses in the geographic region and during the period provided for above, but acknowledges that these restrictions are necessary to protect the Confidential Information Enron has provided to Employee.

3.5 Non-Solicitation of Customers. For the Period of Non-Solicitation of Customers described on Exhibit "A,"
Employee will not call on, service, or solicit competing business from customers of Enron or its affiliates whom that Employee, within the previous twenty-four (24) months, (i) had or made contact with, or (ii) had access to information and files about.

3.6 Non-Solicitation of Employees. During Employee's employment, and for a period of twelve (12) months following the termination of employment for any reason, Employee will not, either directly or indirectly, call on, solicit, or induce any other employee or officer of Enron or its affiliates whom Employee had contact with, knowledge of, or association with in the course of employment with Enron to terminate his or her employment, and will not assist any other person or entity in such a solicitation.

3.7 Early Resolution Conference/Arbitration. The parties are entering into this Agreement with the express understanding that this Agreement is clear and fully enforceable as written. If Employee ever decides to contend that any restriction on activities imposed by this Agreement no longer is enforceable as written or does not apply to an activity Employee intends to engage in on behalf of a competing business, Employee first will notify a member of Enron's Executive Committee in writing and meet with a company representative at least fourteen (14) days before engaging in any activity that foreseeably could fall within the questioned restriction to discuss resolution of such claims (an "Early Resolution Conference"). Should the parties not be able to resolve disputes at the Early Resolution Conference, the parties agree to use confidential, binding arbitration to resolve the disputes. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association before an arbitrator licensed to practice law in Texas. Either party may seek a temporary restraining order, injunction, specific performance, or other equitable relief regarding the provisions of this Section if the other party fails to comply with obligations stated herein. The parties' agreement to arbitrate applies only to the matters subject to an Early Resolution Conference.

Article 4: Miscellaneous

4.1 Statements About Enron. Employee shall refrain, both during and after his or her employment, from publishing any oral or written statements about Enron or any of its subsidiaries or affiliates, or any of such entities' officers, employees, agents, or representatives that are disparaging, slanderous, libelous, or defamatory; or that disclose private or confidential information about their business affairs; or that constitute an intrusion into their seclusion or private lives; or that give rise to unreasonable publicity about their private lives; or that place them in a false light before the public; or that constitute a misappropriation of their name or likeness.

4.2 Notices. Notices and all other communications shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail. Notices to Enron shall
be sent to Enron Corp., 1400 Smith Street, Houston, Texas 77002, Attention: Corporate Secretary. Notices and communications to Employee shall be sent to the address Employee most recently provided to Enron.

4.3 No Waiver. Other than as described in Section 2.2 a, no failure by either party at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of any provisions or conditions of this Agreement.

4.4 Mediation. If a dispute arises out of or related to Employee's employment, other than a dispute regarding Employee's obligations under Articles 3 and 4.1, and if the dispute cannot be settled through direct discussions, then Enron and Employee agree to try to settle the dispute in an amicable manner by confidential mediation before having recourse to any other proceeding or forum.

4.5 Venue/Jurisdictions. This Agreement shall be governed by Texas law. Any litigation that may be brought by either party involving the enforcement of this Agreement or the rights, duties, or obligations of this Agreement, shall be brought exclusively in the State or federal courts sitting in Houston, Harris County, Texas.

4.6 Assignment. This Agreement shall be binding upon and inure to the benefit of Enron and any other person, association, or entity that may acquire or succeed to all or substantially all of the business or assets of Enron. Enron may assign this Agreement to any affiliate or other entity. Employee's rights and obligations under this Agreement are personal, and they shall not be assigned or transferred without Enron's prior written consent.

4.7 Other Agreements. Other agreements exist between Enron and Employee relating to the employment relationship (e.g., obligations contained in Enron's Conduct of Business Affairs booklet and benefit plans). In addition, Employee signed Agreement Type "B" on July 24, 2000, and that Agreement is incorporated by reference. This Agreement replaces and merges other, previous agreements and discussions pertaining to the nature of, term, and termination of Employee's employment relationship with Enron, and this Agreement constitutes the entire agreement of the parties with respect to such subject matters. This Agreement supersedes and replaces the Executive Employment Agreement between Enron and Employee effective June 1, 1998. No representation, inducement, promise, or agreement has been made by either party with respect to such subject matters, and no agreement, statement, or promise relating to the employment of Employee by Enron that is not contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing and signed by each party.

4.8 Invalidity. Should any provision(s) in this Agreement be held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall be unaffected and shall continue in full force and
effect, and the invalid, void or unenforceable provision(s) shall be deemed not to be part of this Agreement.

IN WITNESS WHEREOF, Enron and Employee have executed this Agreement in multiple originals to be effective on the first date of the Term.

Enron Corp. Mark Frevert

By:/s/ MARY K. JOYCE /s/ MARK FREVERT
Name: Mary K. Joyce This 25th day of August, 2000
Title: Vice President
This 25th day of August, 2000

Exhibit "A" to
Employment Agreement
Between Enron Corp. and Mark Frevert

Employee Name: Mark Frevert

Term: June 1, 2000 through May 31, 2003

Position: Chairman and Chief Executive Officer, Enron North America Corp. and Chairman, Enron Europe Limited

Location: Houston, Texas and London, England

Monthly Base Salary: Employee's Monthly Base Salary shall be at least $43,333.33.

Performance Bonus: Employee shall be eligible to participate in the Enron Corp. Annual Incentive Plan ("Plan") or any appropriate replacement bonus plan of Enron. All bonuses are discretionary and shall be paid in accordance with the terms and provisions of the Plan, a portion of which may be paid in cash and a portion of which may be paid in stock options and/or restricted stock.

Employee's annual bonus amounts for calendar years 2000, 2001, and 2002 under the Plan (payable in 2001, 2002, and 2003, respectively) shall be based on an annual bonus target of $1,500,000.00.

Geographic Region of Responsibility: Worldwide

Grant Awards: As approved by the Compensation Committee of the Enron Corp. Board of Directors (the "Committee"), Employee shall receive the grants described below. These grants are made with the expectation that this Agreement will be executed. The grants are made pursuant
to the Enron Corp. 1991 Stock Plan (the "Stock Plan") as determined by the Committee, and shall be in the form of written agreements approved by the Committee. The terms of the grant agreements shall govern these grants. The exercise price for the grants is determined according to the provisions of the Stock Plan, on the Date of Grant established by the Committee ("Date of Grant").

Employee acknowledges and understands that the grants described below are intended to deliver value for a three-year period.

Employee shall receive a grant of Enron Corp. Common Stock options (with a two-year term) with a value of $7,875,000.00 (the number of stock options is determined by the Committee, which uses the Enron-approved Black-Scholes valuation in effect on the date that the Committee approves the grant). This grant shall vest 50% on the Date of Grant, and 50% on the first anniversary date of the Date of Grant.

Employee also shall receive a grant of Enron Corp. Common Stock options (with a three-year term) with a value of $7,875,000.00 (the number of stock options is determined by the Committee, which uses the Enron-approved Black-Scholes valuation in effect on the date that the Committee approves the grant). This grant shall vest 50% on the first anniversary date of the Date of Grant, and 50% on the second anniversary date of the Date of Grant.

Period of Post-Employment Non-Competition Obligations and Non-Solicitation of Customers:

Employee's obligations in paragraph 3.4, Non-Competition Obligations, and paragraph 3.5, Non-Solicitation of Customers, shall survive the termination of employment and extend through the latest of the following dates, whichever is applicable: (a) Twelve (12) months after Employee's voluntary termination of employment if such termination occurs during the Term; or (b) Six (6) months after the last date of Employee's employment with Enron Corp. in the event of an involuntary termination with or without cause during the Term; or (c) Three (3) months after Employee's termination of employment for any reason if such termination occurs after the Term.

Enron Corp.  
Mark Frevert
FIRST AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement, entered into on this 14th day of February, 2000, and made effective as of February 14, 2000, by and between Enron Corp., an Oregon corporation ("Employer") having its headquarters at 1400 Smith Street, Houston, Texas 77002, and KENNETH D. RICE ("Employee"), an individual residing at 4531 Birch Street, Bellaire, Texas 77401, is an amendment to that certain Executive Employment Agreement between the Company and Employee entered into the 1st day of June, 1998, and made effective as of June 1, 1998 (the "Employment Agreement").

WHEREAS, Employee is an employee in good standing with Employer;

WHEREAS, the Employer and Employee desire to amend the Employment Agreement to extend the Term of the Employment Agreement for one (1) year with consideration for said extension and to make other amendments to the Employment Agreement as provided herein;

NOW, THEREFORE, in consideration thereof and of the mutual covenants contained herein, the parties agree as follows:

1. Exhibit "A" to the Employment Agreement is hereby deleted in its entirety and the attached Exhibit "A" is inserted in its entirety.

2. Article 3, Section 3.5 of the Employment Agreement is hereby deleted in its entirety and the following is inserted in its place:

3.5 Upon an Involuntary Termination of the employment relationship by either Employer or Employee prior to the expiration of the Term, Employee shall be entitled, in consideration of Employee's continuing obligations hereunder after such termination (including, without limitation, Employee's non-competition obligations), to receive the remainder of the then current Monthly
Base Salary as if Employee's employment (which shall cease on the date of such Involuntary Termination) had continued for the full Term of this Agreement. In the event of Employee's Involuntary Termination of employment by Employer, for all vesting purposes under any grant or award agreement granted to Employee, excluding the grant agreement to Employee under the All Employee Stock Option Program, Employee shall continue to vest during the ninety (90) day period following the date of Employee's Involuntary Termination by Employer. Employee shall not be under any duty or obligation to seek or accept other employment following Involuntary Termination and the amounts due Employee hereunder shall not be reduced or suspended if Employee accepts subsequent employment. Employee's rights under this Section 3.5 are Employee's sole and exclusive rights against Employer, Enron, or their affiliates, and Employer's sole and exclusive liability to Employee under this Agreement, in contract, tort, or otherwise, for any Involuntary Termination of the employment relationship. Employee covenants not to sue or lodge any claim, demand or cause of action against Employer for any sums for Involuntary Termination other than those sums specified in this Section 3.5. If Employee breaches this covenant, Employer shall be entitled to recover from Employee all sums expended by Employer (including costs and attorneys fees) in connection with such suit, claim, demand or cause of action."

3. Article 3, Section 3.10 of the Employment Agreement is hereby deleted in its entirety.

4. Article 7, Section 7.1 of the Employment Agreement is hereby deleted in its entirety and the following is inserted in its entirety:

"7.1 As part of the consideration for the compensation and benefits to be paid to Employee hereunder, in keeping with Employee's duties as a fiduciary and in order to protect Employer's interest in the confidential information of Employer and the business relationships developed by Employee with the clients and potential clients of Employer, and as an additional incentive for Employer to enter into this Agreement, Employer and Employee agree to the non-competition provisions of this Article 7. Employee agrees that during the period of Employee's non-competition obligations hereunder, Employee will not, directly or indirectly for Employee or for others, in any geographic area or market where Employer or any of its affiliated companies are conducting any business as of the date of termination of the employment relationship or during the previous twelve months conducted any business:"
(i) engage in any business competitive with the business conducted by Employer;

(ii) render advice or services to, or otherwise assist, any other person, association, or entity who is engaged, directly or indirectly, in any business competitive with the business conducted by Employer; or

(iii) induce any employee of Employer or any of its affiliates to terminate his or her employment with Employer or its affiliates, or hire or assist in the hiring of any such employee by person, association, or entity not affiliated with Enron.

In the event of Employee's termination of employment for any reason during the Term of this Agreement, these post employment non-competition and non-solicitation obligations shall extend for a period of one (1) year plus any additional period of post employment non-competition obligations as described in the Enron Capital & Trade Resources Corp. Long-Term Compensation Program and Phantom Stock Unit Plan.*

This Amendment is a First Amendment to the Employment Agreement, and the parties agree that all other terms, conditions and stipulations contained in the Employment Agreement, and any amendments thereto, shall remain in full force and effect and without any change or modification, except as provided herein.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

ENRON CORP.

By: /s/ JEFFREY K. SKILLING
Name: Jeffrey K. Skilling
Title: President & Operating Officer

This 14th day of February, 2000

KENNETH D. RICE

/s/ KENNETH D. RICE
This 14th day of February, 2000
EXHIBIT "A" TO
EXECUTIVE EMPLOYMENT AGREEMENT
BETWEEN ENRON CORP. AND KENNETH D. RICE

Employee Name: Kenneth D. Rice

Term: February 14, 2000 through January 31, 2002

Position: Chief Commercial Officer, Enron Broadband Services Inc.

Location: Houston, Texas

Reporting Relationship: Reports to the Office of the Chairman of Enron Corp.

Monthly Base Salary: Employee's Monthly Base Salary shall be Thirty Five Thousand Dollars ($35,000.00).

Long Term Grants: Subject to and effective upon the approval by the Compensation and Management Development Committee ("Compensation Committee") of the Enron Corp. Board of Directors, after this Amendment has been executed and becomes effective, Employee shall receive the stock awards described below:

Subject to the above, at the February 14, 2000 Compensation Committee meeting after this Amendment is signed, Employee shall be granted the following from the Amended and Restated Enron Corp. 1991 Stock Plan (as amended and restated May 4, 1999): (1) a grant of 692,308 Enron Corp. Common Stock Options with a two (2) year term and a grant value of $9 million dollars on the Date of Grant to vest 50% upon the Date of Grant and 50% on February 14, 2001; (2) a grant of 600,000 Enron Corp. Common Stock Options with a three (3) year term, having a value of $9 million dollars on the Date of Grant to vest 50% on February 14, 2001 and 50% on February 14, 2002; and (3) a grant of 500,000 Enron Corp. Stock Options with a five (5) year term, having a value of $9 million dollars on the Date of Grant to vest 25% on February 14, 2001, 2002, 2003, and 2004, respectively. In the event of Employee's Involuntary Termination, options granted on February 14, 2000, which would have vested within ninety (90) days of Employee's date of Involuntary Termination, shall vest upon
the date of Involuntary Termination of
the employment relationship.

ENRON CORP.

By: /s/ JEFFREY K. SKILLING
Name: Jeffrey K. Skilling
Title: President & Operating
Officer
This 14th day of February, 2000

KENNETH D. RICE

/s/ KENNETH D. RICE
This 14th day of February, 2000

</TEXT>
</DOCUMENT>
<TYPE>EX-12
<SEQUENCE>4
<FILNAME>ex12.txt
<DESCRIPTION>STATEMENT REGARDING COMPUTATION OF RATIOS
</TEXT>

Exhibit 12
<TABLE>

<table>
<thead>
<tr>
<th>ENRON CORP. AND SUBSIDIARIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computation of Ratio of Earnings to</td>
</tr>
<tr>
<td>Fixed Charges</td>
</tr>
<tr>
<td>(Unaudited)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings available for fixed charges</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>$979</td>
<td>$1,024</td>
<td>$703</td>
<td>$105</td>
</tr>
<tr>
<td>$584</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undistributed earnings and losses of less than 50% owned affiliates</td>
<td>20</td>
<td>(12)</td>
<td>(44)</td>
<td>(89)</td>
</tr>
<tr>
<td>(39)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized interest of nonregulated companies</td>
<td>(44)</td>
<td>(61)</td>
<td>(66)</td>
<td>(16)</td>
</tr>
<tr>
<td>(10)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed charges(a)</td>
<td>1,184</td>
<td>948</td>
<td>809</td>
<td>674</td>
</tr>
</tbody>
</table>

00200000001363