

# BOARD OF DIRECTORS MEETING

DECEMBER 14, 1999

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EC004388366

**CONFIDENTIAL**

GOVERNMENT  
EXHIBIT  
553

Crim. No. H-04-25 (S-2)

Agenda

EC004388367

K. L. Lay, Chairman

R. A. Belfer ✓  
N. P. Blake, Jr. ✓  
R. C. Chan ✓  
J. H. Duncan ✓  
J. H. Foy ✓  
W. L. Gramm ✓  
K. L. Harrison ✓  
R. K. Jaedicke ✓  
C. A. LeMaistre ✓

*Derrick  
Sutton*

R.P. Mark-Jusbasche ✓  
J. Mendelsohn ✓  
J. J. Meyer ✓  
P.V. Ferraz Pereira ✓  
F. Savage ✓  
J. K. Skilling ✓  
J. A. Urquhart ✓  
J. Wakeham ✓  
H. S. Winokur, Jr. ✓

**AGENDA  
MEETING OF THE BOARD OF DIRECTORS  
ENRON CORP.**

**8:00 A.M., December 14, 1999  
Boardroom, Enron Building  
Houston, Texas**

*8:03*

**EXECUTIVE SESSION:**

1. Approve minutes of meetings of the Board of Directors held on September 17 and October 11-12, 1999 – Mr. Lay *Jac Gramm*
2. Report on Executive Committee meeting held on October 20, 1999 and Approve minutes of Executive Committee meetings held on September 3, 14, and 24, 1999 – Mr. Duncan *Duncan Jae*
3. Report on Compensation and Management Development Committee meeting held on December 13, 1999 – Dr. LeMaistre *Le M. Babe*
  - ✓(a) Compensation and Management Development Committee Agenda included for information purposes only
  - ✓(b) Approve amendment to the 1991 Stock Plan to provide clarification of grant limits as a result of the Company's stock split and change references to "Management Committee" to "Executive Committee" of the Company
  - ✓(c) Approve amendment to the 1994 Stock Plan to provide clarification of grant limits as a result of the Company's stock split
4. Report on Audit and Compliance Committee meeting held on December 13, 1999 – Dr. Jaedicke

Audit and Compliance Committee Agenda included for information purposes only

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5. Report on Joint Audit and Compliance and Finance Committee Meeting held on December 13, 1999 – Mr. Winokur

Joint Audit and Compliance and Finance Committee Agenda included for information purposes only

6. Report on Finance Committee Meeting held on December 13, 1999 – Mr. Winokur

(a) Finance Committee Agenda included for information purposes only

(b) Approve Revision of Cash Management Policy *Centralize*

(c) Approve Enron Caribbean/Middle East Project Dolphin *730m for JV development*

*Note: Approval of the Operating Plan Financing, as recommended by the Finance Committee, will occur after the presentation of the Operating Plan (See agenda item 12)*

(d) Approve Turbine Purchases *\$919 mn of turbines*

(e) Approve Enron North America Project EEX Lending *\$120 mn*

(f) Approve Revision to Risk Management Policy *Splits Europe in*

(g) Approve Subsidiary Preferred Stock Financing

(h) Approve Bahia Las Minas (Panama) Sell Down  
*Eastern transaction*

(i) Merchant and Strategic Transactions approved by the Office of the Chairman since the last Board meeting included for information purposes only

7. *Koenig Causey + Butts joined meeting*  
Report on Year 2000 Oversight Committee meeting held on December 13, 1999 – Mr. Causey

Year 2000 Oversight Committee Agenda included for information purposes only

8. Financial and earnings report – Mr. Causey

9. Stock Performance Report – Mr. Koenig

10. Other business to be considered in executive session – Mr. Lay

*Company overview presentation JKS*

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**OPEN SESSION:**

- Break → Olson, Fitzgerald, Horton, McConnell, White, Pai, Bakus, Olson, Whalley joined
11. 1999 Performance against Objectives – Mr. Sutton
12. Presentation and Approval of the 2000 Operating Plan – Mr. Skilling
- Approve Operating Plan Financing – Mr. Winokur
13. Special Reports/Updates:
- (a) ResCo Presentation and Approve Private Placement Transaction – Mr. Pai  
    Blake Gramm
  - (b) Florida Pipeline Expansion – Messrs. Horton and Meyer. left.  
    Horton left
  - (c) Global Recruiting and Retention – Ms. Olson
  - (d) eCommerce and EnronOnline – Mr. McConnell and Ms. Kitchen  
    Whalley & Kitchen left
14. Legal report – Mr. Derrick
15. General corporate matters:
- (a) Approve date, time, and place of the 2000 Annual Meeting of Shareholders and record date to establish shareholders entitled to vote at such meeting – Mr. Lay
  - (b) Approve 2000 Board meeting dates – Mr. Lay
  - (c) Approve the declaration of dividend on the ~~Series A Junior Voting Convertible Preferred Stock~~ – Mr. Skilling  
    Mandatorily Convertible Junior Series B
  - (d) Approve election of corporate officer – Mr. Skilling
  - (e) Approve designation of Section 16 officers as “Executive Officers” – Mr. Derrick  
    Gramm Winokur
16. Other Business
17. Adjournment 12:10

**THE NEXT REGULAR MEETING OF THE BOARD WILL BE HELD ON FEBRUARY 7-8, 2000 IN HOUSTON, TEXAS. DIRECTOR ROOM RESERVATIONS WILL BE MADE AT THE FOUR SEASONS HOTEL.**

Minutes

EC004388371

MINUTES  
SPECIAL MEETING OF THE BOARD OF DIRECTORS  
ENRON CORP.  
September 17, 1999

Minutes of a special meeting of the Board of Directors of Enron Corp. ("Company"), held pursuant to due notice at 4:30 p.m., C.D.T., on September 17, 1999 at the Enron Building in Houston, Texas.

The following Directors were present, constituting a quorum, in person or by telephone conference connection whereby each of the participants could hear the comments and discussions by the other participants and join in the discussions:

Mr. Kenneth L. Lay, Chairman  
Mr. Robert A. Belfer  
Mr. Norman P. Blake, Jr.  
Mr. Ronnie C. Chan  
Mr. John H. Duncan  
Mr. Joe H. Foy  
Dr. Wendy L. Gramm  
Mr. Ken L. Harrison  
Dr. Robert K. Jaedicke  
Dr. Charles A. LeMaistre  
Dr. John Mendelsohn  
Mr. Jerome J. Meyer  
Mr. Jeffrey K. Skilling  
Mr. John A. Urquhart  
Lord John Wakeham  
Mr. Herbert S. Winokur, Jr.

Director Rebecca P. Mark was absent from the meeting. Messrs. Jeffrey McMahon and Joseph W. Sutton and Ms. Rebecca C. Carter, all of the Company, also attended the meeting.

The Chairman, Mr. Lay, presided at the meeting, and the Secretary, Ms. Carter, recorded the proceedings.

Mr. Lay called the meeting to order and inquired if the Committee members had received the material for the meeting, and each responded that he or she had received the material. He stated that the meeting had been called for the Board to

consider a financing transaction and called upon Mr. McMahon to present the matter.

Mr. McMahon stated that in December of 1997 the Company, with the Board's approval, had put in place a financing structure referred to as "Condor". He reviewed the original Condor transaction and stated that the Company and an outside third-party ("Nighthawk") had each contributed \$500 million cash to a financing vehicle ("Whitewing"). Whitewing then paid the Company \$1 billion cash for the Company's mandatory convertible preferred stock. He stated that the primary purpose of the transaction had been to convert debt to equity. He stated that the value of the preferred stock in Whitewing, in which the Company has a 50% ownership interest, had increased significantly since the original transaction. He stated that the Company was proposing a redemption of the original preferred stock and the issuance of a similar preferred stock. He stated that this would allow the Company to take advantage of the increase in value of the preferred stock. He discussed how Condor would be structured after the redemption of the preferred stock, noting that Whitewing would be funded by a private placement sale of bonds to institutional investors and outside equity. The Company would then contribute assets from its "Merchant Portfolio" and receive cash from Whitewing. Following a discussion in which Mr. McMahon answered questions from the Committee, upon motion duly made by Mr. Duncan, seconded by Mr. Blake, and carried, the following resolutions were approved:

WHEREAS, Enron Corp. (the "Company") desires to consummate a structured finance transaction using a newly established series of Mandatorily Convertible Junior Preferred Stock, Series B of the Company (the "Preferred Shares") which are to be exchanged for the outstanding Series A Junior Voting Convertible Preferred Stock of the Company ("Exchanged Shares") presently held by Whitewing Associates L.L.C. ("Whitewing") to raise up to approximately \$1.5 billion of funding for general corporate purposes (approximately \$930 million) and to restructure the outstanding equity of Whitewing and provide funds for the repayment of a previous structured financing (approximately \$570 million) which transaction involves the sale by Donaldson, Lufkin & Jenrette Securities Corporation, Deutsche Bank Securities Inc., Bear, Stearns & Co. Inc., and Salomon Smith Barney Inc. (together the "Initial Purchasers") of up to \$1,400,000,000 of senior secured notes (the "Osprey Notes") of a newly formed entity, Osprey Trust, and the issuance and sale by Osprey Trust of approximately \$100 million of trust certificates (the "Osprey Trust Certificates") and the purchase by Osprey Trust using the proceeds of such offerings of a limited partner interest in Whitewing (which will be converted into a limited partnership in connection with such transactions) (all transactions



necessary to recapitalize Whitewing and to consummate the sale of the Osprey Notes and the Osprey Trust Certificates are herein referred to as the "Osprey Transactions");

NOW, THEREFORE, IT IS RESOLVED, that the Osprey Transactions and the issuance of the Preferred Shares are hereby authorized and approved, and that the Company shall proceed with the consummation of such transactions in accordance with the resolutions hereby adopted;

RESOLVED FURTHER, that the issuance of the Preferred Shares and the Osprey Transactions shall be subject to the following terms and conditions (the "Board Conditions"):

(i) the Preferred Shares shall have the terms and conditions and powers, preferences, and relative, participating, optional, or other special rights, and the qualifications, limitations, and restrictions set forth in the Statement of Resolutions attached hereto as Exhibit A and which is incorporated herein by this reference as if fully set forth herein (together with any changes thereto consistent with the Board Conditions negotiated by and among the Initial Purchasers, the purchasers of the Osprey Trust Certificates, and the Company and approved by an officer of the Company or other person authorized and empowered to act pursuant to these resolutions, the execution and filing of which by any such officer or person, in the name and on behalf of the Company, with the appropriate agencies of the State of Oregon to be conclusive evidence of the approval by such officers or person of the contents thereof;

(ii) the maximum number of Preferred Shares to be issued shall be an indefinite number of shares up to the number of shares necessary to fulfill the Company's obligations pursuant to the Share Settlement Agreement (as defined in Exhibit A), but in no event more than the number of authorized but unissued shares of Preferred Stock, with 250,000 shares to be initially issued;

(iii) the Preferred Shares shall initially be convertible into no more than 50,000,000 shares of common stock of the Company ("Common Stock") (the same number of shares of Common Stock into which the Exchanged Shares are presently convertible), and the number of shares of Common Stock which the Company may ultimately be obligated to issue at the maturity of the Osprey Transactions shall also be increased by (a) antidilution adjustments to be provided in the terms of the Preferred Shares and (b) the requirements of the

Share Settlement Agreement upon a resale by the share trust pursuant to Remarketing (as defined in the remarketing and registration rights agreement associated with the Preferred Shares) based on the closing price per share of Common Stock on or about the date of such resale or such Remarketing, but in no event more than the number of authorized but unissued shares of Common Stock that have not been reserved by the Board of Directors for other purposes as of the date of such resale or such Remarketing (or as of such other date determined by any officer of the Company authorized to act in accordance with these resolutions);

(iv) the liquidation preference per share of the Preferred Shares, exclusive of accrued dividends, shall not exceed \$4,000 (an aggregate of \$1.0 billion) in respect of initially issued Preferred Shares; and

(v) the number of shares of Common Stock that may be issued after the Preferred Shares have been issued pursuant to the remarketing and registration rights agreement referred to above shall not exceed the number of authorized but unissued shares of Common Stock that have not been reserved by the Board of Directors for other purposes as of the date of such issuance;

RESOLVED FURTHER, that each of the Chairman and Chief Executive Officer, the President and Chief Operating Officer, any Vice Chairman or any Vice President is hereby authorized, empowered, and directed, with the power and authority of the full Board of Directors to the fullest extent permitted by law, to authorize and approve (or ratify if already executed or taken) all agreements, instruments, and documents, and the taking of all actions, as any such officer may deem necessary, advisable, convenient, or proper to consummate the Osprey Transactions and the issuance of the Preferred Shares (subject, however, in all respects, to the Board Conditions), including, without limitation:

(i) the determination of all or any part of the terms of the issuance of the Preferred Shares;

(ii) the determination of all or any part of the designation and relative rights, preferences, and limitations of the Preferred Shares;

(iii) the approval of a form certificate representing the Preferred Shares;

(iv) all matters insofar as they affect the Company or any of its subsidiaries or affiliates associated with the issuance of the Osprey Notes and the Osprey Trust Certificates and the authorization, execution, and delivery by the purchasers of the Osprey Certificates of a trust agreement for Osprey Trust with such terms and conditions relative to the Company and any of its subsidiaries or affiliates as such officer shall approve;

(v) the authorization, execution, and delivery of a purchase agreement among the Company, Osprey Trust, and the purchasers of the Osprey Trust Certificates for the sale of the Osprey Trust Certificates with such terms and conditions (including pricing terms) as such officer shall approve;

(vi) the authorization, execution, and delivery of a purchase agreement among the Company, Osprey Trust, and the Initial Purchasers for the sale of the Osprey Notes with such terms and conditions (including pricing terms) as such officer shall approve;

(vii) the authorization, execution, and delivery of an indenture among Osprey Trust, Osprey I, Inc. and a trustee to be selected with such terms and conditions as such officer shall approve;

(viii) the approval insofar as they affect the Company or any of its subsidiaries or affiliates of a form of note representing the Osprey Notes and a certificate representing the Osprey Certificates;

(ix) the authorization, execution, and delivery of a participation agreement (the Osprey Participation Agreement") among the Company, Osprey Trust, Whitewing, Whitewing Management LLC, Egret I LLC, Peregrine I LLC, Condor Share Trust, and the Indenture Trustee providing for the parties' participation in the Osprey Transactions and certain undertakings made by each of the parties, with such terms and conditions as such officer shall approve;

(x) the authorization, execution, and delivery of (a) a remarketing and registration rights agreement among the Company, Condor Share Trust, Osprey Trust, Whitewing Associates L.P., Whitewing Management LLC, the Indenture Trustee, and the Initial Purchasers providing for, among other things, the registration of the Preferred Shares or Common Stock into which it is convertible, and (b) the related Share Settlement Agreement providing for the potential issuance of additional Preferred Shares or Common Stock to the extent required by the remarketing and registration rights agreement

and such Share Settlement Agreement with such terms and conditions as such officer shall approve;

(xi) all matters insofar as they affect the Company or any of its subsidiaries or affiliates associated with the formation of Whitewing Associates L.P. (by the conversion of Whitewing into a limited partnership) and its subsidiary, Condor Share Trust, including the authorization, execution, and delivery of a trust agreement for the formation of Condor Share Trust with such terms and conditions as such officer shall approve; and

(xii) the negotiation, authorization, execution, and delivery of such other agreements, instruments, and documents relating to the Osprey Transactions and the Preferred Shares, including, but not limited to, agreements, instruments, and documents that provide, among other things, for the indemnification of third parties, and the payment of fees and expenses of third parties as such officer may deem necessary, advisable, convenient, or proper in connection with the Osprey transactions or any other matters addressed by these resolutions;

RESOLVED FURTHER, that Ben Glisan is hereby appointed as agent and attorney-in-fact of the Company and is authorized, empowered, and directed, with the power of the full Board of Directors, subject to control and direction by the Company, to the fullest extent permitted by law, to authorize and approve all agreements, instruments, and documents and the taking of all actions as such agent and attorney-in-fact may deem necessary or desirable and shall have all the powers of an officer of the Company with respect to these resolutions (subject, however, in all respects, to the Board Conditions) solely for the purpose of consummating the Osprey Transactions (excluding, however, the issuance of the Preferred Shares and the matters set forth in or contemplated by (ii) and (iii) in the immediately preceding resolution); it is the intent of the Board of Directors that Mr. Glisan, in his capacity as agent and attorney-in-fact of the Company, shall have all the duties, obligations, and responsibilities of an officer of the Company for purposes of the Osprey Transactions, as if he were an officer of the Company;

RESOLVED FURTHER, that pursuant to the authority expressly granted and vested in this Board of Directors by the Company's Amended and Restated Articles of Incorporation (the "Articles"), and pursuant to the appointment and authorization by

this Board of Directors to the officers of the Company set forth above, this Board of Directors hereby authorizes the amendment of the Articles for the purpose of the creation of the Preferred Shares, and hereby authorizes the officers of the Company to authorize, execute, and deliver for filing the Articles of Amendment, setting forth the Statement of Resolutions of the terms of the Preferred Shares, with the Office of the Secretary of State of the State of Oregon and such other offices as the officers of the Company shall deem necessary or advisable;

RESOLVED FURTHER, upon issuance of certificates for the 250,000 initially issued Preferred Shares in exchange for the Exchanged Shares in accordance with the foregoing resolutions, such Preferred Shares shall be validly issued, fully paid, and nonassessable;

RESOLVED FURTHER, upon issuance of certificates for any Preferred Shares required to be issued pursuant to the terms of the Share Settlement Agreement in accordance with the terms of the Share Settlement Agreement and in accordance with the foregoing resolutions, such Preferred Shares shall be validly issued, fully paid, and nonassessable;

RESOLVED FURTHER, that the 50 million common shares currently reserved for Whitewing (in connection with the Exchanged Shares) shall remain reserved under the remarketing and registration rights agreement referred to above in for use in upon the conversion of the Preferred Shares;

RESOLVED FURTHER, that, subject to the Board Conditions, effective immediately upon issuance of the Preferred Shares, there will be reserved 20 million additional shares of Common Stock of the Company and 100,000 Preferred Shares of the Company for issuance under the Share Settlement Agreement;

RESOLVED FURTHER, that upon any adjustment to the conversion price of the Preferred Shares, sufficient additional shares of Common Stock shall be reserved and kept available so that the maximum number of shares of Common Stock issuable upon conversion of the Preferred Shares shall at all times be reserved and kept available;

RESOLVED FURTHER, that the Company is authorized to issue such shares of Common Stock of the Company upon

conversion of the Preferred Shares, and that upon any such issuance in accordance with the terms of the Preferred Shares, such shares of Common Stock shall be validly issued, fully paid, and non-assessable;

RESOLVED FURTHER, that upon issuance of certificates for any shares of Common Stock required to be issued pursuant to the terms of the Share Settlement Agreement in accordance with the terms of the Share Settlement Agreement and in accordance with the foregoing resolutions, such shares of Common Stock shall be validly issued, fully paid, and nonassessable;

RESOLVED FURTHER, that if it is deemed necessary or advisable by the officers of the Company that the Preferred Shares and/or the Common Stock issuable upon conversion of the Preferred Shares be qualified or registered for sale under the applicable Blue Sky Laws or securities acts of any jurisdiction, or that a filing be made in any jurisdiction to secure or obtain an exemption from qualification or registration, or that a listing application be filed with any national securities exchange, the officers of the Company are each authorized to perform on behalf of the Company any and all such acts as any one or more of them may deem necessary or advisable in order to comply with such laws of such jurisdiction or the rules of such exchanges, and in connection therewith, to execute and file all requisite papers and instruments and to make any and all payments of filing, registration, or other fees, costs, and expenses, and to take any and all further action in connection with the foregoing which any one or more of them shall deem necessary or advisable;

RESOLVED FURTHER, that the execution by any officer of the Company of any papers and instruments or the performance by any one or more of them of any act in connection with the foregoing resolutions shall conclusively establish their authority therefor from the Company and the approval and ratification by the Company of the papers and instruments so executed and the actions so taken;

RESOLVED FURTHER, that the actions of the officers of the Company heretofore taken on behalf of the Company in connection with the above resolutions and the actions contemplated thereby are, in all respects, confirmed and ratified, and the officers of the Company, together or individually, may take any and all action and do any and all things as may be deemed by any of them to be necessary or advisable to effectuate the lawful issuance and sale of

the Preferred Shares, and the taking of any and all such actions and the performance of any and all such things in connection with the foregoing shall conclusively establish their authority from the Company and the approval and ratification by the Company; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

Messrs. Lay and Skilling then gave the Board a brief update on activities throughout the Company.

There being no further business to come before the Board, the meeting was adjourned at 4:50 p.m., C.D.T.

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Secretary

APPROVED:

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Chairman

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**DRAFT**

**MINUTES  
MEETING OF THE BOARD OF DIRECTORS  
ENRON CORP.  
October 11-12, 1999**

Minutes of a meeting of the Board of Directors of Enron Corp. ("Company") noticed to begin at 7:00 p.m., C.D.T., but actually begun at 7:20 p.m., C.D.T., on October 11, 1999 at the Four Seasons Hotel, Whitney Room, in Houston, Texas.

The following Directors were present, constituting a quorum:

Mr. Kenneth L. Lay, Chairman  
Mr. Robert A. Belfer  
Mr. Norman P. Blake, Jr.  
Mr. John H. Duncan  
Mr. Joe H. Foy  
Dr. Wendy L. Gramm  
Mr. Ken L. Harrison  
Dr. Robert K. Jaedicke  
Dr. Charles A. LeMaistre  
Ms. Rebecca P. Mark  
Dr. John Mendelsohn  
Mr. Jerome J. Meyer  
Mr. Jeffrey K. Skilling  
Mr. John A. Urquhart  
Lord John Wakeham  
Mr. Herbert S. Winokur, Jr.

Director Ronnie C. Chan was absent from the meeting. The meeting was begun in executive session, during which Messrs. Richard A. Causey, Andrew S. Fastow, Mark E. Koenig, Jeffrey McMahon, and Joseph W. Sutton and Ms. Rebecca C. Carter, all of the Company or affiliates thereof, and Messrs. Paulo V. Ferraz Pereira and Frank Savage, candidates for election to the Company's Board of Directors, were also in attendance.

The Chairman, Mr. Lay, presided at the meeting, and the Secretary, Ms. Carter, recorded the proceedings.

Mr. Lay called the meeting to order and called for a revised agenda to discuss the election of two new directors to the Company's Board of Directors. He called upon Lord Wakeham to present the candidates. Lord Wakeham noted

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that the Nominating Committee of the Board was recommending that Messrs. Paulo Ferraz Pereira and Frank Savage be elected to the Company's Board. He proposed that Mr. Pereira be asked to join the Finance and Audit and Compliance Committees of the Board and Mr. Savage be asked to join the Finance and Compensation and Management Development Committees of the Board. Lord Wakeham moved approval of the recommendation, his motion was duly seconded by Dr. Gramm, and carried, and the following resolutions were approved:

RESOLVED, that Paulo V. Ferraz Pereira and Frank Savage be, and each of them hereby is, elected a director of the Company, effective October 12, 1999, to serve during the ensuing year until the next Annual Meeting of Shareholders and until their successors shall have been duly elected and qualified;

RESOLVED FURTHER, that Paulo V. Ferraz Pereira be, and hereby is, elected a member of the Finance Committee and the Audit and Compliance Committee of the Board of Directors of the Company, to serve for the ensuing year and until his successor is duly elected and qualified; and

RESOLVED FURTHER, that Frank Savage be, and hereby is, elected a member of the Finance Committee and the Compensation and Management Development Committee of the Board of Directors of the Company, to serve for the ensuing year and until his successor is duly elected and qualified.

Mr. Lay called upon Mr. Causey for the financial and earnings and the Year 2000 ("Y2K") Oversight Committee reports, and copies of Mr. Causey's presentations are filed with the records of the meeting. Mr. Causey discussed diluted earnings per share ("EPS") for the third quarter and first nine months of 1999 and compared them to the 1999 Operating Plan. He discussed the impact on third quarter earnings of the Company's sale of its ownership interest in Enron Oil & Gas Company ("EOG") and write-down of its MTBE facility. He noted that certain recent events led the Company to the decision that the MTBE asset value was impaired. He discussed the growth in EPS from 1998 to 1999, results for the third quarter and first nine months by operating unit, and certain items that had impacted the operating units' performance. He presented a roll-forward, from the end of 1998, of balance sheet debt and noted that the Company was in a strong position from a debt level and cash flow perspective.

Mr. Causey then updated the Board on the Company's Y2K readiness program. He gave a general overview of the status of the Y2K project, noting that work on mission-critical applications, embedded systems, and third-party evaluations was essentially complete and that residual risk analyses were

complete. He noted that there was one remaining Y2K compliance review to be performed in India, the legal review of documentation was underway, and detailed contingency planning continued. He discussed the status of mission-critical items and stated that all business units except some international regions had achieved 99% or 100% completion on mission critical items. He discussed what the potential consequences of inaction in making systems Y2K compliant would have been and noted that the majority of power plant control systems had not previously been Y2K compliant. He commented on the benefits of the Y2K efforts, which included risk mitigation, standardization, investment in performance enhancing solutions, and a thorough review of the business processes throughout the Company. He reviewed the contingency planning milestones and noted that risks had been prioritized by site, task level contingencies were under development, alternative communications were in place, and a crisis management center was under construction. He commented on the contingency planning tasks remaining and noted that the biggest concerns regarded any acquisitions made prior to year-end and the Y2K readiness of external entities, particularly internationally.

Mr. Lay called upon Mr. Koenig for an investor relations update, a copy of which is filed with the records of the meeting. Mr. Koenig reviewed the Company's total return to shareholders for the first nine months of 1999, of 45.2%, and noted that it substantially exceeded the total return achieved by the S&P 500, of 5.4%, and the Company's peer group, of 15.6%. He reported on the Company's price-to-earnings ("p/e") valuation for 2000 compared to that of the S&P 500 and the Company's peer group and discussed the p/e ratios of the Company's industry peers. He presented the Company's largest shareholders and reviewed holdings by mutual funds. He discussed the top twenty holdings of the largest mutual funds owning the Company's stock ("investment peers") and displayed charts showing the investment peers' market capitalizations, expected five year earning-per-share growth rates, p/e ratios, and dividend yields. He commented on the investment analysts' current consensus valuations and the valuation methodology for each business unit commonly used.

Mr. Lay stated that minutes of a meeting of the Board held on August 10, 1999 had been distributed to the Directors and were included in the meeting material. He called for additions, corrections, or comments. There being none, upon motion duly made by Mr. Foy, seconded by Lord Wakeham, and carried, the minutes of the meeting held August 10, 1999 were approved as distributed. He called upon Mr. Duncan to discuss Executive Committee meetings.

Mr. Duncan reported on meetings of the Executive Committee of the Board of Directors held on September 3, 14, and 24, 1999. He stated that at the September 3, 1999 meeting the Executive Committee considered a transaction by Enron Energy Services, LLC ("EES") regarding the acquisition of a publicly traded equipment breakdown insurance company. He noted that the Company was

only seeking an indication from the Committee as to whether or not the potential acquisition warranted additional attention and stated that the potential acquisition was still being reviewed. He stated that at its September 14, 1999 meeting the Executive Committee considered a transaction proposed by Enron Communications, Inc. ("ECI") regarding the acquisition of a publicly traded company that is a leading provider of global network services. He stated that there were some concerns from the Executive Committee regarding the structure of the transaction and that the Committee asked for additional information before making a decision. He stated that at the September 24, 1999 meeting the Executive Committee approved the signing of financing documents related to the Cuiaba energy project in Brazil. He noted that minutes of the July 16, 1999 Executive Committee meeting, discussed at the August Board meeting, were included in the meeting material and moved the acceptance of the report and approval of the minutes of the July 16, 1999 meeting. Mr. Duncan's motion was duly seconded by Dr. LeMaistre and carried, and the reports of the Executive Committee were accepted and the minutes of the July 16, 1999 meeting were approved. Consideration of the approval of the minutes of the September 3, 14, and 24, 1999 meetings was deferred to a subsequent meeting.

Dr. LeMaistre reported on the meeting of the Compensation and Management Development Committee held on October 11, 1999. He stated that at the meeting, the Committee approved for recommendation to the Board: (i) proposed amendments to the Enron Corp. 1991 and 1994 Stock Plans to provide delegation of authority to an Administrative Committee, composed of at least two members of the Office of the Chairman, in granting awards to employees other than Section 16 officers subject to the terms and provisions of the Plans; (ii) proposed amendments to the Enron Corp. 1991 and 1994 Stock Plans to change the definition of retirement to avoid constructive receipt and defer taxation relating to grants of restricted stock; (iii) a proposed amendment to the Enron Corp. 1994 Stock Plan to address certain grants of stock options that were priced and communicated to recipients on Friday, June 25, 1999 but not approved by the Committee until Monday, June 28, 1999; and (iv) the proposed adoption of the Enron Corp. 1999 Stock Plan ("1999 Plan"). He stated that the purpose of the 1999 Plan was to provide a funding source for the issuance of common stock of the Company in connection with special situations, including, but not limited to, divestitures, outsourcing, remuneration payable under compensatory programs sponsored by the Company, and any other circumstance deemed a special situation by the Committee. Dr. LeMaistre moved approval of the amendments and adoption of the 1999 Plan, his motion was duly seconded by Mr. Blake, and carried, and the following resolutions were approved:

EC004388384

*Approval of Amendments to the 1991 Stock Plan*

WHEREAS, ENRON CORP. (the "Company") and the stockholders of the Company have heretofore approved and adopted the Enron Corp. 1991 Stock Plan (As Amended and Restated Effective May 4, 1999)(the "Plan"); and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, the Plan is amended as follows:

1. Section 2.2 is deleted and the following is inserted in its place:

"2.2 Subject to the terms of the Plan and applicable law, the Committee shall have sole power, authority, and discretion to: (i) designate Participants; (ii) determine the types of Awards to be granted to a Participant under the Plan; (iii) determine the number of Shares to be covered by or with respect to which payments, rights, or other matters are to be calculated in connection with Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, under what circumstances, and how Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or may be canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret, construe, and administer the Plan and any instrument or agreement relating to an Award made under the Plan; (viii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) make a determination as to the right of any person to receive payment of an Award or other benefit; (x) except for awards made to persons subject to Section 16 of the Securities Exchange Act of 1934, as amended, or New York Stock Exchange listing requirements, delegate to individuals in specified officer positions of the Company the authority to make and issue awards for a specified number of Shares subject to the terms and provisions of the Plan, and (xi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

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NOW, THEREFORE, IT IS RESOLVED, that the Issued Grants are hereby ratified and approved, and that the Plan, with respect to the Authorized Grants and such related Issued Grants only, is amended to provide that the per share purchase price of the Authorized Grants shall be the Fair Market Value of shares of Company common stock on June 25, 1999; and

RESOLVED FURTHER, that the Chairman of the Compensation Committee and proper officers of the Company and its counsel are hereby authorized, empowered, and directed to take all such further action, to amend, execute, and deliver all such instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses, as in their judgment may be necessary, appropriate, or advisable in order to fully carry into effect the purposes and intentions of this and the foregoing resolution.

*Approval of Adoption of the 1999 Stock Plan*

WHEREAS, it is the desire of the Company to adopt an Enron Corp. 1999 Stock Plan (the "Plan");

NOW, THEREFORE, IT IS RESOLVED, that the proper officers of the Company be, and they are, authorized and directed to prepare and execute a Plan document substantially in the form as outlined at this meeting, providing, among other things, for the issuance of stock options and shares of restricted stock, not exceeding an aggregate of 3,000,000 shares of Common Stock of the Company, to be granted only to persons who are not subject to Section 16 of the Securities Exchange Act of 1934, and for the administration of the Plan by the Compensation Committee of the Board of Directors of the Company;

RESOLVED FURTHER, that upon execution of such Plan document prepared according to the above provisions, the Plan shall be deemed adopted by this Board and is hereby ratified and approved;

RESOLVED FURTHER, that the officers of the Company be, and they hereby are, authorized to take all actions necessary to finalize and put the Plan into effect, including the authority and power to execute, in the name and on behalf of the Company and under its corporate seal, as registrant, a Registration Statement on Form S-8 for the registration under the Securities Act of 1933 of 3,000,000 shares of Common Stock of the Company for the Plan, said Registration

waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) make a determination as to the right of any person to receive payment of an Award or other benefit; (x) except for awards made to persons subject to Section 16 of the Securities Exchange Act of 1934, as amended, or New York Stock Exchange listing requirements, delegate to individuals in specified officer positions of the Company the authority to make and issue awards for a specified number of Shares subject to the terms and provisions of the Plan, and (xi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

2. Paragraph (u) under Section 9 regarding definitions is deleted and the following definition of "Retirement" is inserted in its place:

(u) "Retirement" shall mean (i) with respect to an Employee of the Company or one of its Affiliates, with the consent of the Committee, after age 55 with at least five years of service, the Employee's termination of employment, and (ii) upon or after age 71 the employee's termination of employment and commencement of receipt of benefits accrued under the Enron Corp. Cash Balance Plan."

*Approval of Amendment to the 1994 Stock Plan*

WHEREAS, the Compensation Committee of the Company's Board of Directors, on June 28, 1999, authorized and approved grants of stock options to certain eligible employees under the 1994 Stock Plan (the "Plan") to purchase shares of Company common stock (the "Authorized Grants");

WHEREAS, the Company, pursuant to such authorization, issued written grants of stock options under the Plan dated June 25, 1999, having as the exercise price the Fair Market Value, as defined in the Plan, of shares of Company common stock on June 25, 1999 (the "Issued Grants");

WHEREAS, the Plan provides that the per share purchase price of an Option shall not be less than the Fair Market Value of a share on the date of grant of such Option; and

WHEREAS, the Board has determined that the date of grant of such Authorized Grants was June 28, 1999;

2. Paragraph (u) under Section 11 regarding definitions is deleted and the following definition of "Retirement" is inserted in its place:

(u) "Retirement" shall mean (i) (a) with respect to an Employee of the Company or one of its Affiliates, with the consent of the Committee, after age 55 with at least five years of service, the Employee's termination of employment, or (b) upon or after age 71 the employee's termination of employment and commencement of receipt of benefits accrued under the Enron Corp. Cash Balance Plan, and (ii) with respect to a Director of the Company, with the consent of a majority of the Board of Directors of the Company, termination of service as a Director or Honorary Director after at least five (5) years of continuous service, or upon or after the date the Director attains age 72."

*Approval of Amendments to the 1994 Stock Plan*

WHEREAS, ENRON CORP. (the "Company") has heretofore adopted and maintains the Enron Corp. 1994 Stock Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, the Plan is amended effective October 11, 1999, as follows:

1. Section 2.2 is deleted and the following is inserted in its place:

"2.2 Subject to the terms of the Plan and applicable law, the Committee shall have sole power, authority, and discretion to: (i) designate Participants; (ii) determine the types of Awards to be granted to a Participant under the Plan; (iii) determine the number of Shares to be covered by or with respect to which payments, rights, or other matters are to be calculated in connection with Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, under what circumstances, and how Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or may be canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret, construe, and administer the Plan and any instrument or agreement relating to an Award made under the Plan; (viii) establish, amend, suspend, or

Statement to be in such form as shall be approved by the officers of the Company, and by at least a majority of the Directors of the Company, whose approval shall be conclusively evidenced by their signatures thereon, in person or by power of attorney; and the officers of the Company be, and they hereby are, further authorized to cause said Registration Statement, when executed, to be filed with the Securities and Exchange Commission, and thereafter to execute and file with said Commission, in the name and on behalf of the Company from time to time, any amendments to said Registration Statement, which in the judgment of said officers, may be necessary or advisable for the registration of said Common Stock under said Act;

RESOLVED FURTHER, that the officers of the Company be, and each of them hereby is, authorized, in the name and on behalf of the Company, to make application to such securities exchange(s) as the officers acting shall deem necessary or appropriate for the listing thereon of any issue of the Securities subject to the Plan and that each such officer, or such other person as such officer may designate in writing, is authorized to appear before any official or officials or before any body of any such exchange, and to execute and deliver any and all papers and agreements, specifically including, without limitation, indemnity agreements for the benefit of any such exchange relating to the use of facsimile signatures, and to do any and all things which may be necessary to effect such listing;

RESOLVED FURTHER, that the officers of the Company be, and they hereby are, authorized and empowered to execute, in the name and on behalf of the Company, any application, amendments, or other documents, including powers of attorney, for the receipt or acceptance of service of process, necessary or proper for the qualification or the registration by the Company of the Securities subject to the Plan, in any state of the United States under any State Securities Act, Blue Sky Law, or similar statutes, and to do any and all things, and to take any and all action, necessary or desirable in connection therewith; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel are hereby authorized, empowered, and directed to take all such further action, to amend, execute, and deliver all such instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses, as in their judgment may be necessary, appropriate, or advisable in order to fully carry into effect the purposes and intentions of this and the foregoing resolutions, including the execution of any



further amendments, forms, or documents recommended by counsel or required by any governmental agency, and to do anything necessary to effect compliance with applicable law or regulation.

Mr. Winokur reported on the Finance Committee meeting that was held on October 11, 1999. He stated that the Finance Committee had approved certain items for recommendation to the Board. He stated that the first item related to a proposed "shelf" registration statement to be filed with the Securities and Exchange Commission. He noted that the proposed resolution was necessary to increase the number of shares that could be offered and sold from time to time pursuant to the registration statement to reflect the impact of the Company's recent stock split. He then discussed a proposed resolution to allow a Special Committee of the Board to approve the issuance and sale of shares of the Company's common stock in connection with acquisitions. He stated that this would enable the Company to use small amounts of stock to make relatively small acquisitions without having to bring the matter before the full Board. Mr. Winokur moved approval of the proposals, his motion was duly seconded by Mr. Blake, and carried, and the following resolutions were approved:

*Approval of Equity Shelf Registration*

WHEREAS, the Company desires to file with the Securities and Exchange Commission (the "Commission") a registration statement and post-effective amendments (collectively, the "shelf registration statement") for the registration and sale from time to time of shares of Common Stock; and

WHEREAS, this Board desires to provide for the issuance and sale from time to time of Common Stock by the Company;

RESOLVED, that the Board of Directors hereby deems it advisable and in the best interests of the Company for the Company to issue and sell from time to time up to 15 million (Fifteen Million) shares of its Common Stock, no par value (the "Common Stock") (of which amount 7.5 million shares have been previously registered pursuant to the Securities Act of 1933), at prices to be agreed upon and established by the Special Common Stock Committee referred to below, and to be sold from time to time in public or private offerings;

RESOLVED FURTHER, that the Company enter into one or more purchase agreements, underwriting agreements, sales agency agreements, or other agreements, however designated, together with all necessary agreement wires, confirmation letters, or term

agreements (collectively the "Common Stock Agreements"), with such underwriting firm or firms or with such institutions or dealers or purchasers as may, in the judgment of the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be necessary to effect the sale of the Common Stock; that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company, be and each of them hereby is, authorized and directed to execute and deliver the Agreements, for and in the name and on behalf of the Company, in such forms as the officer executing such Common Stock Agreements shall approve, such approval to be conclusively evidenced by such execution; and that the Company be, and it hereby is, authorized and directed to perform in full all of its obligations under the Common Stock Agreements;

RESOLVED FURTHER, that the officers of the Company be, and they hereby are, authorized, empowered, and directed to cause to be prepared, executed, and filed with the Commission (i) one or more Registration Statements, including exhibits thereto (collectively, the "Registration Statement"), and (ii) such amendments and post-effective amendments to the Registration Statement or supplements to the Prospectuses constituting a part thereof, and to take all such further action, including the filing of final forms of the Prospectuses, as may, in the judgment of such officers, be necessary, desirable, or appropriate to secure and thereafter to maintain the effectiveness of the Registration Statement;

RESOLVED FURTHER, that the Board of Directors of the Company, in accordance with Section 60.354 of the Oregon Business Corporation Act and Article IV of the Bylaws of the Company, as amended, does hereby create a special Common Stock pricing committee (the "Special Common Stock Committee") and designate Kenneth L. Lay and Jeffrey K. Skilling as the members of the Special Common Stock Committee, and that the Special Common Stock Committee is hereby authorized and empowered to determine, for and in the name and on behalf of the Company, the price per share of Common Stock to be received by the Company in the offerings, and any other term of any Common Stock Agreement and all such other matters as may be determined by such Special Common Stock Committee consistent with Oregon law and these resolutions, such Special Common Stock Committee's approval of such terms and conditions to be conclusively determined by their

inclusion in the executed copies of any Common Stock Agreements; and that the Special Common Stock Committee is hereby authorized to take any and all action and to do or cause to be done any or all things which may appear to the Special Common Stock Committee to be necessary or advisable in order to offer, issue, and sell the Common Stock, to the full extent and with the same effect as the Board of Directors of the Company could take such action or do or cause such things to be done; and that a majority of the members of the Special Common Stock Committee shall constitute a quorum for the transaction of business; and that the Special Common Stock Committee shall keep a written record of its meetings, shall present such record to the meetings of the Special Common Stock Committee, and shall file a copy of such record in the corporate minutes of the Company;

RESOLVED FURTHER, that the Chairman of the Board, any Vice Chairman of the Board, the President of the Company, any Vice President of the Company, the Corporate Secretary, any Deputy Corporate Secretary, or any Assistant Secretary of the Company be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Company, to sign, under the corporate seal of the Company (if required), any or all of the certificates of Common Stock and that the signatures of the aforesaid authorized officers and the corporate seal of the Company (if required) may be facsimile, and that the Company hereby adopts and approves any such facsimile signatures and seal;

RESOLVED FURTHER, that the facsimile signatures which appear upon any of the certificates of Common Stock shall be valid regardless of whether such officer ceases to hold such office prior to the issuance of the Common Stock;

RESOLVED FURTHER, that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President, and the Senior Vice President and Secretary, any Deputy Corporate Secretary, or any Assistant Secretary of the Company be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Company, to take any and all action which they may deem necessary or advisable in order to obtain a permit, to register or to qualify part or all of the Common Stock for issuance and sale or to request an exemption from registration of part or all of the Common Stock or to register or obtain a license for the Company as a dealer or broker under the securities laws of such of the states of the United States of America

and of such foreign jurisdictions as such officers may deem advisable, and in connection with such registrations, permits, licenses, qualifications, and exemptions, to execute, acknowledge, verify, deliver, file, and publish all such applications, reports, resolutions, irrevocable consents to service of process, powers of attorney, and other papers and instruments as may be required under such laws, and to take any and all further action which they may deem necessary or advisable in order to maintain such registration in effect for as long as they may deem to be in the best interests of the Company;

RESOLVED FURTHER, that if the officers of the Company determine that it is necessary for the Company to do so, the Company make application to the New York Stock Exchange, Inc. and one or more other national securities exchanges for listing of the Common Stock in the number of shares issued or reserved for issuance; that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be, and each of them hereby is, authorized and directed to execute and deliver on behalf of the Company to the New York Stock Exchange, Inc. or other such securities exchanges such indemnity agreements in such form as may be necessary to effect the aforesaid listing; and that the officers of the Company be, and they hereby are, authorized and directed to execute and deliver any applications, documents, or agreements, to take any and all actions, to appear before such exchanges if necessary, to appoint any banking or other institution as an agent of the Company for any purpose, and to do or cause to be done any and all things as may appear to them to be necessary or desirable in order to effect such listing; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

*Approval of Granting Authority to a Special Committee of the Board in connection with certain acquisitions*

WHEREAS, the Company desires to issue and sell from time to time shares of Company Common Stock in connection with the Company's acquisition of assets and securities of other parties; and

WHEREAS, this Board desires to provide for the issuance and sale from time to time of Common Stock by the Company for such purpose;

RESOLVED, that the Board of Directors hereby deems it advisable and in the best interests of the Company for the Company to issue and sell from time to time up to 500,000 (Five Hundred Thousand) shares of its Common Stock, no par value (the "Common Stock"), at prices to be agreed upon and established by the Special Common Stock Committee referred to below, and to be sold from time to time in public or private offerings, solely and specifically for the purpose of utilizing such shares as consideration currency in connection with the Company's acquisition of assets or securities of other companies or entities;

RESOLVED FURTHER, that the Company enter into one or more purchase agreements, underwriting agreements, sales agency agreements, or other agreements, however designated, together with all necessary agreement wires, confirmation letters, or terms agreements (collectively the "Common Stock Agreements"), with such underwriting firm or firms or with such institutions or dealers or other counter-parties as may, in the judgment of the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be necessary to effect the sale of the Common Stock; that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be, and each of them hereby is, authorized and directed to execute and deliver the Common Stock Agreements, for and in the name and on behalf of the Company, in such forms as the officer executing such Common Stock Agreements shall approve, such approval to be conclusively evidenced by such execution; and that the Company be, and it hereby is, authorized and directed to perform in full all of its obligations under the Common Stock Agreements;

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RESOLVED FURTHER, in connection with the sale of Common Stock pursuant to the Common Stock Agreements, that the officers of the Company be, and they hereby are, authorized, empowered, and directed to cause to be prepared, executed, and filed with the Commission (i) one or more Registration Statements, including exhibits thereto (collectively, the "Registration Statement"), and (ii) such amendments and post-effective amendments to the Registration Statement or supplements to the Prospectuses constituting a part thereof, and to take all such further action, including the filing of final forms of the Prospectuses, as may, in the judgment of such officers, be necessary, desirable, or appropriate to secure and thereafter to maintain the effectiveness of the Registration Statement;

RESOLVED FURTHER, that the Board of Directors of the Company, in accordance with Section 60.354 of the Oregon Business Corporation Act and Article IV of the Bylaws of the Company, as amended, does hereby create a special Common Stock pricing committee (the "Special Common Stock Committee") and designate Kenneth L. Lay and Jeffrey K. Skilling as the members of the Special Common Stock Committee, and that the Special Common Stock Committee is hereby authorized and empowered to determine, for and in the name and on behalf of the Company, the price per share of Common Stock to be received by the Company in the offerings, and any other term of any Common Stock Agreement and all such other matters as may be determined by such Special Common Stock Committee consistent with Oregon law and these resolutions, such Special Common Stock Committee's approval of such terms and conditions to be conclusively determined by their inclusion in the executed copies of any Common Stock Agreements; and that the Special Common Stock Committee is hereby authorized to take any and all action and to do or cause to be done any or all things which may appear to the Special Common Stock Committee to be necessary or advisable in order to offer, issue and sell the Common Stock, to the full extent and with the same effect as the Board of Directors of the Company could take such action or do or cause such things to be done; and that a majority of the members of the Special Common Stock Committee shall constitute a quorum for the transaction of business; and that the Special Common Stock Committee shall keep a written record of its meetings, shall present such record to the meetings of the Special Common Stock Committee, and shall file a copy of such record in the corporate minutes of the Company;

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RESOLVED FURTHER, that the Chairman of the Board, any Vice Chairman of the Board, the President of the Company, any Vice President of the Company, the Corporate Secretary, any Deputy Corporate Secretary, or any Assistant Secretary of the Company be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Company, to sign, under the corporate seal of the Company (if required), any or all of the certificates of Common Stock and that the signatures of the aforesaid authorized officers and the corporate seal of the Company (if required) may be facsimile, and that the Company hereby adopts and approves any such facsimile signatures and seal;

RESOLVED FURTHER, that the facsimile signatures which appear upon any of the certificates of Common Stock shall be valid regardless of whether such officer ceases to hold such office prior to the issuance of the Common Stock;

RESOLVED FURTHER, that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President, and the Senior Vice President and Secretary, any Deputy Corporate Secretary, or any Assistant Secretary of the Company be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Company, to take any and all action which they may deem necessary or advisable in order to obtain a permit, to register or to qualify part or all of the Common Stock for issuance and sale or to request an exemption from registration of part or all of the Common Stock or to register or obtain a license for the Company as a dealer or broker under the securities laws of such of the states of the United States of America and of such foreign jurisdictions as such officers may deem advisable, and in connection with such registrations, permits, licenses, qualifications, and exemptions, to execute, acknowledge, verify, deliver, file, and publish all such applications, reports, resolutions, irrevocable consents to service of process, powers of attorney, and other papers and instruments as may be required under such laws, and to take any and all further action which they may deem necessary or advisable in order to maintain such registration in effect for as long as they may deem to be in the best interests of the Company;

RESOLVED FURTHER, that if the officers of the Company determine that it is necessary for the Company to do so, the Company make application to the New York Stock Exchange, Inc. and one or more other national securities exchanges for listing of the

Common Stock in the number of shares issued or reserved for issuance; that the Chairman of the Board, any Vice Chairman of the Board, the President, any Executive or Senior Vice President, or any Vice President of the Company be, and each of them hereby is, authorized and directed to execute and deliver on behalf of the Company to the New York Stock Exchange, Inc. or other such securities exchanges such indemnity agreements in such form as may be necessary to effect the aforesaid listing; and that the officers of the Company be, and they hereby are, authorized and directed to execute and deliver any applications, documents, or agreements, to take any and all actions, to appear before such exchanges if necessary, to appoint any banking or other institution as an agent of the Company for any purpose, and to do or cause to be done any and all things as may appear to them to be necessary or desirable in order to effect such listing; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

Mr. Winokur then discussed information concerning an unaffiliated investment partnership, LJM 2, and stated that the partnership could possibly provide the Company with an alternative, optional source of private equity to manage its investment portfolio risk, funds flow, and financial flexibility. He noted that Mr. Andrew S. Fastow would be acting as the managing partner of LJM 2 and discussed Mr. Fastow's role in the LJM 2 partnership. He commented on the controls that would be put in place to manage any transactions between the Company and LJM 2 and noted that the Company and LJM 2 were not obligated to one another in any way. He noted that the controls include review and approval of all transactions by the Chief Accounting Officer and the Chief Risk Officer of the Company. He stated that the Audit and Compliance Committee would, on an annual basis, review all transactions completed within the past year and make any recommendations they deemed appropriate. He stated that the Company's Conduct of Business Affairs Policies (relating to investments and outside business interests of officers and employees) would prohibit Mr. Fastow from participating in LJM 2 as managing partner due to his position as Executive Vice President and Chief Financial Officer of the Company, absent appropriate reviews and waivers from the Board and a finding that such participation does not adversely affect the best



interests of the Company. He recommended that such review and findings be made in this instance, his motion was duly seconded by Mr. Urquhart, and carried, and the following resolutions were approved:

WHEREAS, Andrew S. Fastow serves as the Executive Vice President and Chief Financial Officer of the Company;

WHEREAS, Mr. Fastow has the opportunity to participate in the formation of an investment partnership (the "Partnership") that would not be affiliated with the Company;

WHEREAS, it is anticipated that Mr. Fastow will serve as the managing partner/manager of the Partnership;

WHEREAS, it is anticipated that the Partnership will invest in energy and communications-related businesses and assets, including businesses and assets of the Company;

WHEREAS, the Partnership, as a potential ready purchaser of the Company's businesses and assets or as a potential contract counterparty, could provide liquidity, risk management, and other financial benefits to the Company;

WHEREAS, the Office of the Chairman of the Company has determined, for the foregoing reasons, that Mr. Fastow's participation as the managing partner/manager of the Partnership will not adversely affect the interests of the Company;

NOW, THEREFORE IT IS RESOLVED, that the Board hereby adopts and ratifies the determination by the Office of the Chairman pursuant to the Company's Conduct of Business Affairs/Investments and Outside Business Interests of Officers and Employees that participation of Mr. Fastow as the managing partner/manager of the Partnership will not adversely affect the interests of the Company; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary,

proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

Mr. Winokur stated that the Finance Committee had discussed the Company's dividend level taking into consideration the Company's increasing capital needs and investment opportunities. He recommended that the Board keep the dividend level constant and approve the declaration of dividends payable in the fourth quarter of 1999 for the common and preferred issues of stock; his motion was duly seconded by Mr. Blake, and carried, and the following resolutions were adopted:

RESOLVED, that a dividend of \$3.413 per share on the Cumulative Second Preferred Convertible Stock of the Company, covering the quarter ending December 31, 1999, be, and it hereby is, declared payable on January 3, 2000, to shareholders of record of said stock at the close of business on December 10, 1999; and

RESOLVED FURTHER, that a dividend of \$0.125 per share on the Common Stock of the Company be, and it hereby is, declared payable on December 20, 1999, to shareholders of record of said stock at the close of business on December 1, 1999, out of the net profits or surplus of the Company available for the payment of dividends.

Mr. Winokur stated that the Committee had also discussed the Company's liquidity and noted that the Company had significantly increased its available capacity and lowered its cost by utilizing surety bonds, issued by insurance companies, in lieu of letters of credit. He stated that Messrs. Fastow, McMahon, and Skilling had met recently with Moody's Investor Services and formally requested an upgrade to the Company's credit rating.

Mr. Lay called upon Dr. Jaedicke to report on the Audit and Compliance Committee's meeting held on October 11, 1999. Dr. Jaedicke stated that Mr. Causey and Mr. David B. Duncan, of Arthur Andersen, LLP ("AA"), had given a status report on the Company's internal controls. He noted that Mr. Richard B. Buy had given credit and market risk reports and Mr. Causey had discussed the progress made on the SAP implementation. He stated that the Committee also heard a report from Ms. Sharon A. Butcher, of the Company, regarding the Company's compliance with its Conduct of Business Affairs Policies. He stated that the Committee held an executive session with AA to discuss the adequacy of the Company's financial disclosure and he noted that AA was very comfortable with the Company's level of disclosure.

Mr. Lay call upon Mr. Sutton to discuss a proposed Human Rights Policy, a copy of which is filed with the records of the meeting. Mr. Sutton stated that the Company was working on launching a program for Social and Environmental Responsibility which would include clear policies on expected behavior, training mechanisms for staff and contractors, and better interface with nongovernmental organizations in the human rights and environmental fields. He stated that, as a first step in its program for Social and Environmental Responsibility, the Company was proposing the adoption of a Human Rights Policy. He outlined the basic framework of the Policy and following a discussion, upon motion duly made by Mr. Duncan, seconded by Mr. Blake, and carried, the Enron Human Rights Policy discussed at the meeting, including any minor revisions authorized by Mr. Lay, was approved.

Mr. Lay called on Mr. Skilling to present other general corporate matters for consideration by the Board. Mr. Skilling stated that the Company had recently hired three new corporate officers, Messrs. J. Mark Metts and Wesley H. Colwell and Ms. Charlene R. Jackson, and discussed each individual's role within the Company. He also noted that there had also been some individuals promoted to Vice President within the Company and recommended that the Board approve the election of Company officers. Upon motion duly made by Mr. Blake, seconded by Dr. LeMaistre, and carried, the following resolutions were approved:

RESOLVED, that the following persons be, and each hereby is, elected to the position set forth opposite their names, to serve for the ensuing year and until their successors are duly elected and qualified:

Kenneth L. Lay	Chairman and Chief Executive Officer
Jeffrey K. Skilling	President and Chief Operating Officer
Joseph W. Sutton	Vice Chairman
Richard B. Buy	Executive Vice President and Chief Risk Officer
Richard A. Causey	Executive Vice President and Chief Accounting Officer
James V. Derrick, Jr.	Executive Vice President and General Counsel
Andrew S. Fastow	Executive Vice President and Chief Financial Officer
Steven J. Kean	Executive Vice President and Chief of Staff
Mark E. Koenig	Executive Vice President, Investor Relations
Michael S. McConnell	Executive Vice President, Technology
Jeffrey McMahan	Executive Vice President, Finance and Treasurer

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J. Mark Metts	Executive Vice President, Corporate Development
Cindy K. Olson	Executive Vice President, Human Resources and Community Relations
Rebecca C. Carter	Senior Vice President, Board Communications and Secretary
Joseph M. Hirko	Senior Vice President
Terence H. Thorn	Senior Vice President and Chief Environmental Officer
Robert H. Walls, Jr.	Senior Vice President and Deputy General Counsel
Wesley H. Colwell	Managing Director, Accounting Transaction
Charlene R. Jackson	Managing Director, Intellectual Capital
Mitchell S. Taylor	Managing Director, Corporate Development
Joe H. Allen	Vice President, External Affairs
Melissa A. Becker	Vice President, Strategic Initiatives
Philippe A. Bibi	Vice President, Technology
Robert H. Butts	Vice President and Controller
Edward R. Coats	Vice President, Tax, Audits
Angus H. Davis	Vice President and Deputy Corporate Secretary
William R. Donovan	Vice President, Corporate Administrative Services
James A. Ginty	Vice President, Tax, International
Alberto Gude, Jr.	Vice President, IT Compliance
Robert J. Hermann	Vice President and General Tax Counsel
E. Joseph Hillings	Vice President and General Manager, Federal Government Affairs
Mary K. Joyce	Vice President, Human Resources
Drew C. Lynch	Vice President, Employee Relations
R. Davis Maxey	Vice President, Tax, Planning
Peggy B. Menchaca	Vice President and Assistant Secretary
Mark A. Palmer	Vice President, Communications
Christie A. Patrick	Vice President, North American Indian Affairs
Louis E. Potempa	Vice President, Corporate Development
Greek L. Rice	Vice President, Tax, GPG
Paula H. Rieker	Vice President, Investor Relations
Rex R. Rogers	Vice President, Associate General Counsel and Assistant Secretary
Richard S. Shapiro	Vice President, State Government Affairs and Federal Regulatory Affairs
William W. Brown	Deputy Treasurer

Michael F. Jakubik	Deputy Treasurer
Elaine V. Overturf	Deputy Corporate Secretary
Kate B. Cole	Assistant Secretary
Denise A. Ernest	Assistant Secretary
Gary L. Foster	Assistant Secretary
Geneva K. Holland	Assistant Secretary
Linda F. Jenkins	Assistant Secretary
Timothy A. Despain	Assistant Treasurer
Mary A. Perkins	Assistant Treasurer

RESOLVED FURTHER, that the effective date of following persons' election be, and hereby is, May 1, 1999.

Edward R. Coats	Vice President, Tax, Audits
James A. Ginty	Vice President, Tax, International
R. Davis Maxey	Vice President, Tax, Planning
Greek L. Rice	Vice President, Tax, GPG

RESOLVED FURTHER, that the effective date of J. Mark Metts' election be, and hereby is, August 23, 1999.

Mr. Lay recessed the executive session at 9:02 p.m., C.D.T. on October 11, 1999 and reconvened the meeting at 8:00 a.m., C.D.T., on October 12, 1999 in open session at the Enron Building in Houston, Texas. All of the Directors noted in attendance on the previous evening returned to the meeting and Messrs. James P. Badum, Robert B. Butts, Joseph E. Earle, John B. Echols, Joseph M. Hirko, Gene E. Humphrey, Daniel P. Leff, Michael S. McConnell, Mark S. Muller, Lou L. Pai, Kenneth D. Rice, Martin Sunde, Joseph W. Sutton, Greg L. Whalley, and Thomas E. White and Mesdames Rebecca C. Carter, Louise J. Kitchen, Rebecca A. McDonald, and Victoria T. Sharp, all of the Company or affiliates thereof, joined the meeting. Messrs. James A. Bannantine, Donald W. Black, Richard A. Causey, Orlando R. Gonzalez, and Ricky L. Waddell, all of the Company or affiliates thereof, joined the meeting in progress as noted below.

Mr. Lay called upon Mr. Whalley to discuss the Company's Global Risk Management function. Mr. Whalley stated that as the Chief Executive Officer of Risk Management he had three groups, Insurance, EnronOnline, and Research, reporting directly to him. He discussed each of the group's roles within the Company and the number of employees. He noted that in addition to his direct reports, he had indirect supervisory authority over all trading operations, in all commodities, throughout the Company. He discussed the reports related to the Company's trading operations, including volumes traded, profit and loss, and net open positions that were produced daily for his review. He stated that his groups' primary responsibilities included reviewing major commodity risks taken by the

business units, facilitating the transfer of information and skill sets across the business units, assisting in staffing and training for the trading organizations, and consulting with local traders on general market conditions and global information relevant to the Company's operations. He gave an overview of the current market conditions, focusing on gas and power markets liquidity and the growth in the power markets on the Continent.

Mr. Skilling then gave a brief overview of EnronOnline, the Company's new online trading system, and called upon Ms. Kitchen to present the matter. Ms. Kitchen noted that EnronOnline was a free, internet-based transaction system that will allow the Company's counterparties to view real time prices from the Company's traders and transact online. She stated that the system was multi-currency, multi-commodity, and would eventually be offered globally. She presented a demonstration how the system will operate and discussed the information that would be available to users. She commented on the support work that had gone into the development, the different systems built to support EnronOnline, and the timeline for when the system would be available in different areas of the world. She discussed the projected number of transactions that would be done online over the next two years and noted that by the end of 2001 the Company estimated that over two-thirds of all transactions would be done online. Ms. Kitchen answered questions from the Board regarding the security built into the system, potential credit issues, applicable laws and regulations that could impact the ability to transact online, and the counterparties ability to customize their EnronOnline screens. A copy of Ms. Kitchen's presentation is filed with the records of the meeting.

Messrs. McConnell, Skilling, and Whalley and Ms. Kitchen left the meeting following the presentation.

Mr. Lay called upon Mr. White to update the Board on EES. Mr. White stated that EES' presentation would be focused on the details of execution related to contracts that had previously been signed and the progress to date on previously stated goals. He discussed the strong market response to total energy outsourcing that EES has experienced and stated that both third and fourth quarter results would be very strong. He noted that EES had put in place an organization to successfully execute the deals already signed and stated that financial goals for the year would be met. He introduced the other employees from EES in attendance and called upon Mr. Sunde to discuss the sales function.

Mr. Sunde stated that the biggest issues EES faced in executing transactions included the counterparties' concerns regarding the length of the contract obligation, typically ten years, and EES' concern regarding change of control risk. He noted that the biggest obstacle EES faced was a "business as usual" philosophy. He discussed the deals in progress for the third and fourth quarters

and noted whether they were outsourcing, commodity, upsell, or other types of contracts. He commented on the stages of deal development, the time frame involved, and the percentage of initiated transactions that typically closed. Mr. Sunde answered questions from the Board concerning the average contractual savings offered to customers and change of control unwind provisions in contracts. Mr. Sunde stated that in addition to spending considerable time negotiating the unwind provisions EES also took reserves when the contract was recorded related to the potential for a change of control at the counterparty company. Mr. White called upon Mr. Echols to discuss EES's risk management function.

Mr. Echols discussed EES' near-term and long-term value levers, or the manner in which the Company makes money on a transaction. He stated that near-term value came from optimizing the operations at companies that had outsourced operations to EES and included establishing best practices/processes, making capital investments in more energy efficient equipment, and better management of the commodity price aspect of the business. He stated that long-term value related to scale procurement, improved technology, and more efficient use of labor.

Mr. Echols introduced Mr. Leff to discuss EES execution account management division. Mr. Leff discussed EES' existing portfolio of contracts, including the total contract value ("TCV"), a measure of the value of the contract over the entire life of the deal, and the potential additional value that could come from selling incremental services to the customer. He discussed the five divisions within his organization and the roles and responsibilities of each division. He commented on how the effectiveness of his organization was measured and noted that customer satisfaction was considered the most important measurement. He showed the results of customer satisfaction surveys from earlier in the year, differentiated by type of customer, and stated that his organization had established a "referral threshold" that they felt was necessary to achieve in order to get business referrals.

Mr. Leff called upon Mr. Earle to discuss EES' facility services division. Mr. Earle stated that the group's goal was to be the premier nationwide provider of comprehensive services for energy systems. He noted that facility services included facilities management, mechanical and electrical construction, heating, ventilation, and air conditioning ("HVAC") service and HVAC franchising. He commented on the strategy of the group going forward and the anticipated financial performance for 1999.

Mr. Earle called upon Mr. Muller to discuss EES' international operations. Mr. Muller discussed the status of commercial development, including the deals currently in place, the status of the market, and EES' evaluation of opportunities in Europe, the Southern Cone, the Pacific Rim, and other markets. He discussed

completed deals in Europe and noted the TCV of the transactions, countries where delivery of services would occur, and the projected timeline for closing the transactions. He discussed a proposed acquisition of a publicly traded equipment breakdown insurance company that EES had discussed with the Executive Committee of the Board but noted that due to changes in market conditions EES was now considering an outsourcing contract as opposed to an acquisition.

Mr. Muller called upon Mr. Pai to update the Board on EES' residential business ("ResCo"). Mr. Pai stated that opportunities in the residential market were improving and that EES had recently executed a letter of intent with America OnLine that would give ResCo a six-year exclusive. He stated that the initial funding for ResCo was coming from external sources and discussed the amounts each of the external sources had committed to. He noted that EES was still anticipating an initial public offering of common stock in ResCo in early 2000 and discussed the estimated valuation and the anticipated percentage of ResCo that the Company would retain.

Mr. Pai then discussed the financial performance of EES during 1999 and that projected for 2000. He commented on the TCV of deals closed during 1999 and the margins that had been created, noting whether the contracts were bundled/outsourced, facility services, or commercial gas. He discussed the projected gross margin, operating expenses, and earnings for each quarter of 2000.

Messrs. Earle, Echols, Leff, Muller, Pai, Sunde and White left the meeting and Messrs. Bannantine, Black, and Waddel joined the meeting following the presentation.

Mr. Lay called upon Mr. Humphrey to discuss Enron Economic Development Corp. ("EEDC"). Mr. Humphrey showed a short video that focused on EEDC's current customers and purpose, to create a profit-oriented "social investing" business that focused on historically underserved and economically disadvantaged communities. He then discussed the number of deals that had been closed, evaluated, or rejected during the third quarter and the third-party investor commitments that had been received thus far to help fund EEDC's initiatives. He gave a brief summary of each company that had received funding from EEDC and the amount and closing date of the funding. He discussed the expected return on the capital funded to the companies and the range of ownership that EEDC would hold in the companies. He noted that EEDC was working to establish a national economic opportunity fund and discussed how it would be structured and the targeted cities.

Mr. Humphrey left the meeting and Mr. Causey joined the meeting following the presentation.



Mr. Lay then called upon Ms. McDonald to discuss the Company's operations in the Asia/Pacific region, Africa, and China ("APACHI"). Ms. McDonald displayed a map outlining the facilities that the APACHI group currently has under development or in operation. She stated that there was significant disparity within the regions as to the availability of natural resources and noted that some countries have existing networks that the APACHI group could leverage off of while in other countries there was the opportunity for the APACHI group to develop a network. She discussed the forecasted versus plan 1999 net income by region and discussed reasons for a shortfall in the China region. She outlined the group's rationale for concentrating on certain regions and noted that two factors, strategic importance to the Company and execution lead-time, were important in determining which regions to focus on. She discussed Japan's liberalizing power market, high industrial power prices, and desirable market characteristics. She discussed in detail APACHI's two-pronged approach to Japan, (i) focusing on generation aggregation and (ii) offering a full array of the Company's products and services to the country. She updated the Board on the Company's current investment in Korea and outlined the factors necessary to establish a viable origination and trading business. She discussed the Company's electricity trading and projected revenues in Australia and gave a brief overview of regions where APACHI is not currently focusing its efforts. A copy of Ms. McDonald's presentation is filed with the records of the meeting.

Mr. Skilling rejoined the meeting during Ms. McDonald's presentation.

Mr. Lay called upon Mr. Rice to discuss ECI. Mr. Rice discussed the outlook for the internet and e-commerce markets over the next three years and stated that ECI's vision was to be the world's first global eBusiness network. He displayed charts showing ECI's five year projections for different aspects of the internet and e-commerce businesses, including access speed, content revenue rates, broadband and bandwidth market size and potential, and revenue potential. He gave an update on ECI's domestic and international strategy and noted it focused on two areas, (i) network reach, including a global, flexible backbone with a broad distribution network and (ii) network commerce, which includes the Enron Intelligent Network, bandwidth commerce, financing, trading, streaming video, data storage and archiving, and distributed computing. He updated the Board on the domestic and international network reach currently in place and that anticipated by the end of 2000. He commented on video streaming that ECI had recently performed for the Country Music Awards and discussed the number of viewers who had participated. He discussed the competitive landscape and noted where competitors fell within the internet value chain, from content providers to internet service providers. He concluded by stating that business will increasingly move toward electronic, internet-based commerce, there is a need for a global eBusiness network provider, and that the Company is capable of creating the global

eBusiness platform. Mr. Hirko joined Mr. Rice in answering questions from the Board.

Messrs. Causey, Hirko, and Rice and Ms. McDonald left following the presentation.

Mr. Lay called upon Mr. Bannantine to begin the presentation on Enron South America ("ESA"). Mr. Bannantine displayed a map showing ESA's existing assets and operations and projects/businesses under construction and discussed the rapid expansion of the Company's activities in South America over the last three years. He explained how ESA was organized and the number of personnel employed. He commented on ESA's successes in 1999 including a consolidation of the Company's position in Elektro, beginning commercial operations at the Cuiaba power facility, and flowing gas on the Bolivia to Brazil pipeline. He discussed how capital was employed in South America and commented on whether the capital was invested in strategic assets, completed expansion/exploitation opportunities, or expansion/exploitation opportunities in progress. He commented on ESA's South American market outlook over the next five years and noted that the Company was a dominant player in a large and fast growing energy market. He called upon Mr. Gonzalez to discuss Elektro.

Mr. Gonzalez discussed ESA's Elektro concession, which gave ESA the right to generate and distribute electricity from two hydroelectric facilities, and commented on the area served, number of customers, area population, revenues, and number of employees. He discussed the 1999 major accomplishments which included achieving a tariff increase, reducing operating costs, completing a successful reorganization, and being chosen the best electric distribution company in Brazil. He discussed Elektro's targets for 2000 of continued improvement in profitability, environmental, health and safety performance, and successfully pursuing joint development opportunities with the Company's other business units. He then called upon Mr. Waddell to discuss ESA's gas business unit.

Mr. Waddell discussed the locations of ESA's Brazilian gas local distribution companies, Gaspart and CEG/RIOGAS, and commented on the Brazilian states where they operated and the population of the regions. He then discussed the gas business unit's 1999 accomplishments and the action plan for 2000. He called upon Mr. Christodoulou to discuss ESA's overall strategy.

Mr. Christodoulou stated that ESA's strategy was to fully transition its asset holdings and merchant functions into an integrated Southern Cone business. He noted that the Company's selective asset positions gave it an opportunity to deliver unique merchant services. He stated that there were three phases to the strategy, (i) build a strategic asset position whereby the Company would receive regulated returns, (ii) expansion/exploitation of the strategic assets for an enhanced return on

equity, and (iii) establish a network integration of gas and power trading, communications functions, an EES type business, and asset monetizations which would lead to an increasing return on intellectual capital. He discussed the key areas of focus for the merchant business and the potential need for additional strategic assets and commented on the potential expansion/exploitation opportunities they could bring to the Company.

There being no further business to come before the Board, the meeting was adjourned at 12:30 p.m., C.D.T.

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Secretary

APPROVED:

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Chairman

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**Executive Committee  
Minutes**

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**MINUTES**  
**MEETING OF THE EXECUTIVE COMMITTEE**  
**OF THE BOARD OF DIRECTORS**  
**ENRON CORP.**  
**September 3, 1999**

Minutes of a meeting of the Executive Committee ("Committee") of the Board of Directors of Enron Corp. ("Company"), held pursuant to due notice at 9:00 a.m., C.D.T., on September 3, 1999 at the Enron Building in Houston, Texas.

The following Committee members were present, either in person or by telephone conference connection, where each participant could hear the comments of the others and join in the discussion, constituting a quorum:

Mr. Robert A. Belfer  
Mr. Joe H. Foy  
Mr. Kenneth L. Lay  
Dr. Charles A. LeMaistre  
Mr. Jeffrey K. Skilling  
Mr. Herbert S. Winokur, Jr.

Chairman John H. Duncan was absent from the meeting. Messrs. John B. Echols, Jeffrey R. Golden, Mark E. Koenig, J. Mark Metts, Lou L. Pai, and Thomas E. White and Ms. Rebecca C. Carter, all of the Company or affiliates thereof, also attended the meeting. Mr. Joseph W. Sutton, of the Company, joined the meeting in progress as noted below.

With the Committee's permission, Mr. Lay acted as Chairman and presided at the meeting and the Secretary, Ms. Carter, recorded the proceedings.

Mr. Lay called the meeting to order and inquired if the Committee members had received the material for the meeting, and each responded that he had received the material. He noted that the purpose of the meeting was for the Committee to consider a potential transaction that had previously been discussed with Mr. Winokur and Director Norman P. Blake, Jr. He called upon Mr. Skilling, who indicated that the meeting had been called for the Committee to discuss a potential acquisition by Enron Energy Services, LLC ("EES"). He noted that the Company was only seeking an indication from the Committee as to whether or not the potential acquisition warranted additional attention and that approval of the potential transaction was not being sought at the time.

Mr. Skilling gave an overview of the potential transaction, "Project Newton" and noted that the company being considered for acquisition was publicly traded. He discussed the anticipated purchase price, strategic rationale for the potential transaction,

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and proposed timeline for completion of a definitive agreement, if appropriate. He discussed the valuation analysis performed by the Company and the price-to-earnings ("P/E") multiples of companies in the same industry as Newton.

Mr. Sutton joined the meeting.

Mr. Skilling stated that there were different aspects of Newton that made the company an appealing acquisition target for EES. He discussed Newton's two business segments, analyzing the P/E multiples of each and discussing how each segment could be optimized if acquired by the Company. He commented on the potential synergies between EES and Newton and discussed the financial impact the acquisition would have on the Company. A copy of Mr. Skilling's presentation is filed with the records of the meeting.

A discussion ensued, with Messrs. Lay, Pai, Skilling, and White answering questions from the Committee regarding Newton's reputation within the industry and the expected reaction from investment analysts and investors if the Company were to proceed and complete this type of an acquisition.

Following a discussion, upon motion duly made by Mr. Foy, seconded by Mr. Belfer, and carried, the Committee approved the Company going forward with due diligence on Project Newton.

There being no further business to come before the Committee, the meeting was adjourned at 9:30 a.m., C.D.T.

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Secretary

APPROVED:

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Chairman

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**MINUTES  
MEETING OF THE EXECUTIVE COMMITTEE  
OF THE BOARD OF DIRECTORS  
ENRON CORP.**

**September 14, 1999**

Minutes of a meeting of the Executive Committee ("Committee") of the Board of Directors of Enron Corp. ("Company"), held pursuant to due notice at 9:15 a.m., C.D.T., on September 14, 1999 at the Enron Building in Houston, Texas.

All of the Committee members were present, either in person or by telephone conference connection, where each participant could hear the comments of the others and join in the discussion:

Mr. John H. Duncan, Chairman  
Mr. Robert A. Belfer  
Mr. Joe H. Foy  
Mr. Kenneth L. Lay  
Dr. Charles A. LeMaistre  
Mr. Jeffrey K. Skilling  
Mr. Herbert S. Winokur, Jr.

Messrs. C. Kevin Garland, Joseph M. Hirko, Steven J. Kean, J. Mark Metts, Kenneth D. Rice, and Joseph W. Sutton and Ms. Rebecca C. Carter, all of the Company or affiliates thereof, also attended the meeting.

The Chairman, Mr. Duncan, presided at the meeting, and the Secretary, Ms. Carter, recorded the proceedings.

Mr. Duncan called the meeting to order and inquired if the Committee members had received the material for the meeting, and each responded that he had received the material. He asked Mr. Lay to present the business of the meeting. Mr. Lay indicated that the meeting had been called for the Committee to consider transactions proposed by Enron Communication, Inc. ("ECI") and Enron Energy Services, LLC ("EES"). He called upon Mr. Skilling to present the ECI transaction and to solicit preliminary comments from the Committee.

Mr. Skilling noted that ECI was considering an acquisition of a publicly traded company that was a leading provider of global network services ("Mountaineer"). He discussed the strategic rationale for the acquisition and noted that Mountaineer provided a similar range of services to those provided by ECI. He noted that the acquisition of

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Mountaineer primarily related to the purchase of intellectual capital and market position as opposed to assets. He called upon Mr. Rice to present an overview of the transaction.

Mr. Rice stated that the primary goal of ECI was to become a global e-commerce company, with significant scale and scope throughout the world. He stated that Mountaineer had been involved in the market for two to three years and had established very good customer relationships. He gave a brief overview of the total transaction cost, supplied additional information on the strategic rationale for the acquisition, and called upon Mr. Hirko to give a business overview.

Mr. Hirko stated that Mountaineer provided customers a global network with a total outsourcing of e-commerce applications utilizing low bit rate applications, as opposed to ECI's current orientation, which utilized high bit rate technology. He discussed Mountaineer's customer base, regional data centers, the experience level of the senior management, and the strategic fit between the Company and Mountaineer. He called upon Mr. Garland to discuss the proposed purchase price.

Mr. Garland discussed Mountaineer's market capitalization and valuation, including current and 52 week high and low share prices. He noted that Mountaineer has traded at a significant discount to its comparable companies. He reviewed an analysis of comparable companies and noted that the industry's stocks typically traded based on revenues rather than earnings or cash flow. He discussed the impact the acquisition would have on the Company's earnings and credit ratios, noting that it would be dilutive to earnings. Mr. Skilling joined in a discussion of potential options regarding the goodwill amortization period.

Mr. Hirko discussed how the acquisition would be financed and the anticipated timing if the transaction were approved. He and Messrs. Rice and Skilling answered questions from the Committee regarding competitors, ongoing capital requirements, financing possibilities, stock ownership of and retention issues affecting Mountaineer's management, and the structure of the transaction. Following a discussion, the Committee agreed by consensus that it had concerns about the consequences on the Company's stock of the dilution which would result from the proposed transaction and the ability to retain and motivate the key managers of Mountaineer and that additional information was needed before the Committee could recommend the transaction.

Mr. Lay left the meeting following the discussion.

Mr. Duncan called upon Mr. Skilling to discuss the proposed EES transaction. Mr. Skilling stated that EES was proposing to acquire Torpy Group, a small, privately-held United Kingdom ("UK") based company providing engineering and facility management services in the UK and continental Europe. He noted that the Company's management



could have approved an acquisition of this size but because the transaction called for 25% of the consideration to be paid in Company stock it required the Committee's approval. Following a discussion, upon motion duly made by Mr. Foy, seconded by Mr. Belfer, and carried, the following resolutions were approved:

RESOLVED, that in connection with the acquisition by Enron Energy Services Operations, Inc. or its affiliates ("EESOI") of the outstanding capital stock of Torpy M&E Engineers Limited, Torpy & Partners Limited, and Torpy M&E Engineers (Northern) Limited (collectively, "Torpy"), the Chairman of the Board, any Vice Chairman of the Board, the President, any Vice President, the Chief Financial Officer, the Treasurer, or any Deputy Treasurer of the Company (each an "Authorized Officer") be, and each of them hereby is, in consideration of the acquisition by EESOI of the capital stock of Torpy ("Acquisition"), authorized at any time or from time to time to:

- (a) cause EESOI to purchase, on one or more of the stock exchanges on which the common stock, no par value, of the Company ("Common Stock") is listed for trading, a number of shares of Common Stock (such shares being hereinafter referred to as "Purchased Shares") equal to (i) \$1,000,000, divided by (ii) the average of the last reported sales prices of the Common Stock on the New York Stock Exchange on the 20 trading days immediately preceding the date of closing of the Acquisition;
- (b) determine the price to be paid by EESOI for the Purchased Shares;
- (c) cause EESOI to transfer and assign the Purchased Shares to the shareholders of Torpy as part of the consideration for the Acquisition; and
- (d) negotiate and execute any agreements providing for the purchase and subsequent transfer and assignment of the Purchased Shares to the shareholders of Torpy (the "Definitive Agreements") and take any and all other actions and do or cause to be done any or all things that may appear to the Authorized Officers to be necessary or advisable in order to purchase, transfer, and assign the Purchased Shares, to the full extent and with the same effect as the Board of Directors of the Company could take such action or do or cause such things to be done;

RESOLVED FURTHER, that the Authorized Officers be, and each hereby is, authorized, empowered, and directed (any one of them acting

alone) to take such further actions as such officer deems necessary or desirable to cause the purchase, transfer, and assignment of the Purchased Shares at any time or from time to time and to consummate the Acquisition, including, without limitation, (i) the issuance of certificates of the Company evidencing the Purchased Shares, with or without restrictive legends as may be necessary for such issuances, (ii) the making of any federal or state securities or "blue sky" filings or applications in conjunction with the issuances, and (iii) the making of any other required regulatory filings;

RESOLVED FURTHER, that the Authorized Officers be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone), for and in the name of the Company, to negotiate, execute, deliver, amend, and consummate the Definitive Agreements, in such forms as shall be approved by the officer executing same, such approval to be conclusively evidenced by the execution thereof by such officer;

RESOLVED FURTHER, that the Authorized Officers be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone), for and in the name and on behalf of the Company, to take any and all action which they may deem necessary or advisable in order to obtain a permit or to qualify part or all of the Purchased Shares for sale to the shareholders of Torpy, or to request an exemption from registration of part or all of the Purchased Shares, or to register or obtain a license for the Company as a dealer or broker under the securities laws of the United States of America and any states thereof and of such foreign jurisdictions as such officers may deem advisable, and in connection with such permits, licenses, qualifications, and exemptions, to execute, acknowledge, verify, deliver, file, and publish all such applications, reports, resolutions, irrevocable consents to service of process, powers of attorney, and other papers and instruments as may be required under such laws;

RESOLVED FURTHER, that the signature of any of the Authorized Officers and the corporate seal of the Company on any or all of the certificates representing the Purchased Shares may be facsimile, and that the Company hereby adopts and approves any such facsimile signatures and seal;

RESOLVED FURTHER, that the facsimile signatures which appear on any of the certificates representing the Purchased Shares shall be valid regardless of whether such officer ceases to hold such office prior to the issuance of the Common Stock;

RESOLVED FURTHER, that the Authorized Officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary or desirable to carry into effect the purposes and intentions of this and each of the foregoing resolutions; and

RESOLVED FURTHER, that all actions heretofore taken by any officer of the Company related to or in connection with the transactions contemplated by these resolutions be, and hereby are, adopted, ratified, confirmed, and approved in all respects.

There being no further business to come before the Committee, the meeting was adjourned at 10:20 a.m., C.D.T.

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Secretary

APPROVED:

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Chairman

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**MINUTES  
MEETING OF THE EXECUTIVE COMMITTEE  
OF THE BOARD OF DIRECTORS  
ENRON CORP.  
September 24, 1999**

Minutes of a meeting of the Executive Committee ("Committee") of the Board of Directors of Enron Corp. ("Company"), held pursuant to due notice at 9:30 a.m., C.D.T., on September 24, 1999 at the Enron Building in Houston, Texas.

All of the Committee members were present, either in person or by telephone conference connection, where each participant could hear the comments of the others and join in the discussion:

Mr. John H. Duncan, Chairman  
Mr. Robert A. Belfer  
Mr. Joe H. Foy  
Mr. Kenneth L. Lay  
Dr. Charles A. LeMaistre  
Mr. Jeffrey K. Skilling  
Mr. Herbert S. Winokur, Jr.

Messrs. James M. Bannantine, James V. Derrick, Jr., Richard A. Lammers, and Joseph W. Sutton and Ms. Rebecca C. Carter, all of the Company or affiliates thereof, also attended the meeting.

The Chairman, Mr. Duncan, presided at the meeting, and the Secretary, Ms. Carter, recorded the proceedings.

Mr. Duncan called the meeting to order and inquired if the Committee members had received the material for the meeting, and each responded that he had received the material. He asked Mr. Sutton to present the business of the meeting.

Mr. Sutton indicated that the meeting had been called for the Committee to approve the financing documents related to the Cuiaba Integrated Energy Project ("the Project") in Brazil. He stated that the Board of Directors had originally provided authorization to construct the Project in November of 1997 but did not explicitly provide approval to execute financing documents. He called upon Mr. Bannantine to provide an update on the project.

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Mr. Bannantine gave a description of the Project and noted that it was the first power project tied to the Company's Bolivia to Brazil pipeline. He discussed the different phases of the Project, the status of the construction, and the financing approvals obtained from third parties. Following a discussion, upon motion duly made by Mr. Belfer, seconded by Dr. LeMaistre, and carried, the Committee authorized the Company or its designated affiliate to sign financing documents related to the Cuiaba Integrated Energy Project.

There being no further business to come before the Committee, the meeting was adjourned at 9:40 a.m., C.D.T.

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Secretary

APPROVED:

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Chairman

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**Compensation Committee  
Agenda**

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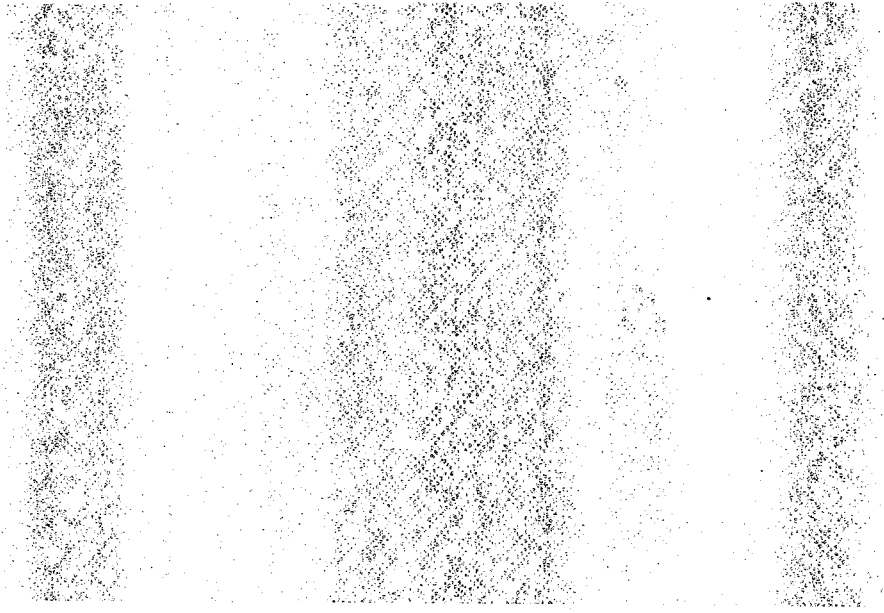
Charles A. LeMaistre - Chairman  
Norman P. Blake  
John H. Duncan  
Robert K. Jaedicke  
Frank Savage

**AGENDA**  
**MEETING OF THE COMPENSATION AND**  
**MANAGEMENT DEVELOPMENT COMMITTEE**  
**OF THE BOARD OF DIRECTORS**  
**ENRON CORP.**

**1:00 p.m. on Monday, December 13, 1999**  
**The Enron Building – 50<sup>th</sup> Floor – 50M Dining**  
**Houston, Texas**

1. Approve minutes of the meeting held on October 11, 1999.
2. Approve and recommend to the Enron Board an amendment to the 1991 and 1994 Stock Plans to provide clarification of grant limits as a result of the August 13, 1999 stock split and an amendment to the 1991 Stock Plan to change the definition of the "Management Committee."
3. Review total shareholder return relative to the Performance Unit Plan and discuss replacement for Sonat.
4. Stock Plan items.
  - a) Revisions to All-Employee Stock Program (AESOP) operating guidelines.
  - b) Approve expansion of Enron's equity program for key performers.
5. Other Business.
6. Executive Session.
  - a) Grants to executives pursuant to contractual agreements.
  - b) Quarterly update of Executive Committee compensation values.
  - c) Other Executive Items.
7. Adjournment.

EC004388420



3 (b)

EC004388421



**AGENDA ITEM 3(b)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, Enron Corp. (the "Company") and the shareholders of the Company have heretofore approved and adopted the Enron Corp. 1991 Stock Plan (As Amended and Restated Effective May 4, 1999) (the "Plan"); and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, IT IS RESOLVED, that the proper officers of the Company be, and they are authorized and directed to prepare an amendment to the Plan incorporating the form of amendment presented at this meeting;

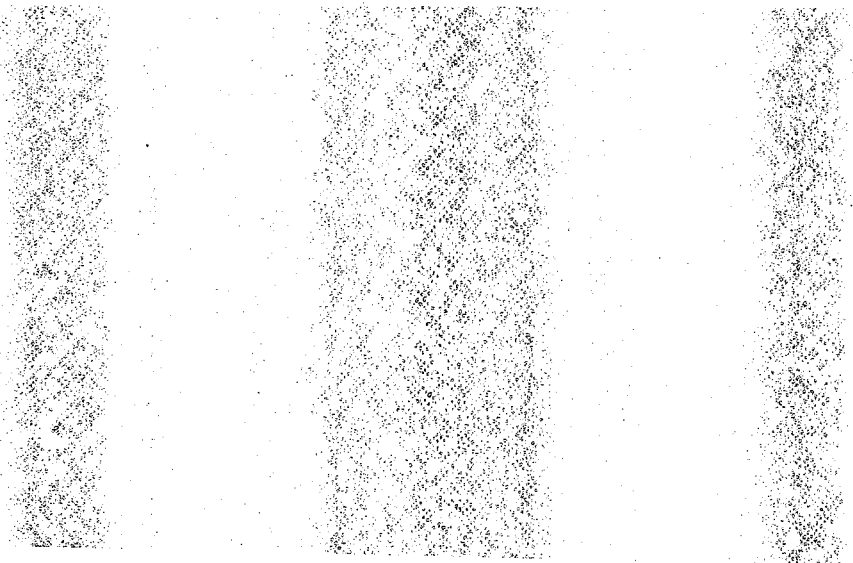
RESOLVED FURTHER; that upon execution of such amendment prepared according to the above provisions, such amendment shall be deemed adopted by this Board and is hereby ratified and approved; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel are hereby authorized, empowered, and directed to take all such further action, to amend, execute, and deliver all such instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses, as in their judgment may be necessary, appropriate, or advisable in order fully to carry into effect the purposes and intentions of this and each of the foregoing resolutions, including the execution of any further amendments, forms, or documents recommended by counsel or required by any governmental agency, and to do anything necessary to effect compliance with applicable law or regulation.

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EC004388422

3 (c)



EC004388423

**AGENDA ITEM 3(c)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, ENRON CORP. (the "Company") has heretofore adopted and maintains the Enron Corp. 1994 Stock Plan (As Amended and Restated Effective October 11, 1999) (the "Plan"); and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, IT IS RESOLVED, that the proper officers of the Company be, and they are authorized and directed to prepare an amendment to the Plan incorporating the form of amendment presented at this meeting;

RESOLVED FURTHER; that upon execution of such amendment prepared according to the above provisions, such amendment shall be deemed adopted by this Board and is hereby ratified and approved; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel are hereby authorized, empowered, and directed to take all such further action, to amend, execute, and deliver all such instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses, as in their judgment may be necessary, appropriate, or advisable in order fully to carry into effect the purposes and intentions of this and each of the foregoing resolutions, including the execution of any further amendments, forms, or documents recommended by counsel or required by any governmental agency, and to do anything necessary to effect compliance with applicable law or regulation.

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EC004388424

Audit Committee  
Agenda

EC004388425

Dr. Robert K Jaedicke, Chairman  
Mr. Ronnie C. Chan  
Mr. Joe H. Foy  
Dr. Wendy L. Gramm  
Dr. John Mendelsohn  
Mr. Paulo V. Ferraz Pereira  
Lord John Wakeham

**Agenda**  
**Meeting of the Audit and Compliance**  
**Committee of the**  
**Board of Directors**  
**Enron**

**2:30 p.m., December 13, 1999**  
**Boardroom - Enron Building**  
**Houston, Texas**

1. Approve minutes of meeting of the Audit Committee held on October 11, 1999. – Dr. Jaedicke.
2. 1999 Internal Controls Update. –Mr. Causey and Messrs. Duncan and Bauer, Arthur Andersen LLP.
3. Review of Enron Compliance Report for 1998. – Ms. Butcher and Ms. Backus, VINSON & ELKINS L.L.P.
4. Other Business, including executive session with auditors and/or management as deemed necessary. – Dr. Jaedicke.
5. Adjourn to the joint session of the Audit and Compliance Committee and the Finance Committee.

EC004388426

**Joint Audit & Finance  
Committee Agenda**

EC004388427

Audit and Compliance and Finance Committees

Robert K. Jaedicke – Chairman, Audit and Compliance Committee  
Herbert S. Winokur, Jr. – Chairman, Finance Committee  
Robert A. Belfer  
Norman P. Blake, Jr.  
Ronnie C. Chan  
Joe H. Foy  
Wendy L. Gramm  
John Mendelsohn  
Jerome J. Meyer  
Paulo V. Ferraz Pereira  
Frank Savage  
John A. Urquhart  
John Wakeham

**AGENDA  
JOINT MEETING OF THE AUDIT AND COMPLIANCE  
AND FINANCE COMMITTEES  
OF THE ENRON CORP. BOARD OF DIRECTORS**

**December 13, 1999  
3:00 p.m. (C.S.T.)  
Enron Corp. Boardroom  
Houston, Texas**

- |    |  |            |
|----|--|------------|
| 1. | Merchant Portfolio Summary             | Mr. Buy    |
| 2. | Merchant Investment Returns            | Mr. Buy    |
| 3. | Market Risk Update                     | Mr. Murphy |
| 4. | Enron Online Risk Perspective          | Mr. Buy    |
| 5. | Enron Energy Services Risk Perspective | Mr. Buy    |
| 6. | Other Business                         |            |
| 7. | Adjourn                                |            |

EC004388428

Finance Committee  
Agenda

EC004388429



Herbert S. Winokur, Jr. – Chairman  
Robert A. Belfer  
Norman P. Blake, Jr.  
Ronnie C. Chan  
Jerome J. Meyer  
Paulo V. Ferraz Pereira  
Frank Savage  
John A. Urquhart

**AGENDA  
MEETING OF THE FINANCE COMMITTEE  
OF THE ENRON CORP. BOARD OF DIRECTORS**

**4:00 p.m. (C.S.T.), December 13, 1999  
Boardroom, Enron Building  
Houston, Texas**

- |  |             |
|--|-------------|
| 1. Approval of October 11, 1999 Finance Committee Minutes  | Mr. Winokur |
| 2. Chief Financial Officer Report  | Mr. Fastow  |
| 3. Treasurer Report  | Mr. McMahon |
| ◆ <b>Revision of Cash Management Policy</b><br>Approve for Recommendation to the Board                           |             |
| ◆ <b>Operating Plan Financing</b><br>Approve for Recommendation to the Board                                     |             |
| 4. Projects and Amendments   |             |
| ◆ <b>Enron Caribbean/Middle East Project Dolphin</b><br>Approve for Recommendation to the Board                  | Mr. Sutton  |
| ◆ <b>Turbine Purchases</b><br>North America<br>Southern Cone<br>EE&CC<br>Approve for Recommendation to the Board | Mr. Sutton  |
| ◆ <b>Enron North America EEX Project</b><br>Approve for Recommendation to the Board                              | Mr. Buy     |
| ◆ <b>Revision to the Risk Management Policy</b><br>Approve for Recommendation to the Board                       | Mr. Buy     |

EC004388430

◆ **Subsidiary Preferred Stock Financing**  
Approve for Recommendation to the Board

Mr. Causey

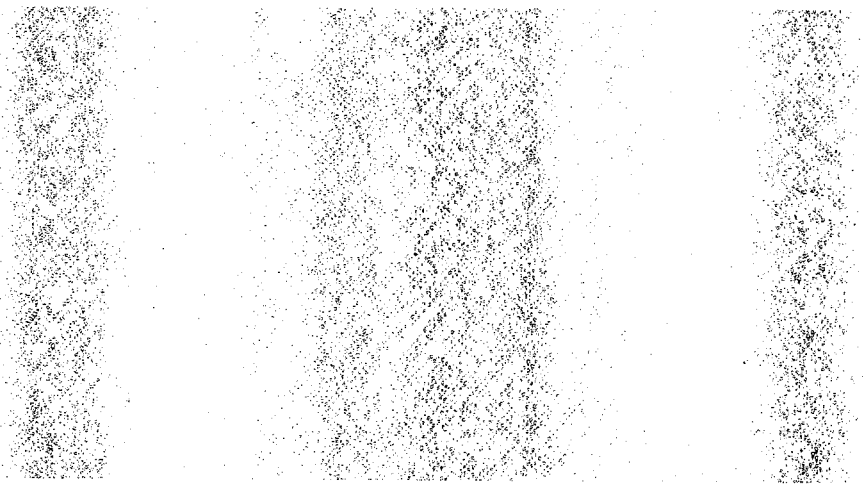
◆ **Bahia Las Minas (Panama) Sell Down**  
Approve for Recommendation to the Board

Mr. Causey

5. Other Business

6. Adjourn

EC004388431



6 (b)

EC004388432

**AGENDA ITEM 6(b)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

RESOLVED, that the Cash Management Policy (the "Cash Management Policy") be, and the same hereby is, approved and adopted, in the form presented to and discussed at this meeting, a copy of which is attached to the minutes of the meeting as Exhibit I;

RESOLVED FURTHER, that the Cash Management Policy shall supersede and replace all prior policies or guidelines relating to the cash management process; and

RESOLVED FURTHER, that the Chairman of the Board, the Vice Chairman of the Board, the President, the Chief Financial Officer, the Treasurer, any Deputy Treasurer and any Assistant Treasurer of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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## **EXHIBIT I**

### **Cash Management Policy**

#### **OBJECTIVE:**

Enron Corp's (the Company) primary objectives are to:

- 1) Protect the cash assets of the Company with respect to cash management;
- 2) Effectively employ the cash resources of the Company;
- 3) Provide strong controls for the operation and maintenance of cash accounts and cash information; and
- 4) Manage bank relationships and services.

#### **SCOPE:**

This policy will apply to all entities and joint ventures where Enron Corp. directly or indirectly owns greater than 50% of the voting rights of the entity (Enron Companies).

#### **SERVICES:**

All administrative aspects relating to cash management and banking services will be managed centrally by Enron Corp. Cash Management (Treasury).

Cash management services provided by Treasury include:

- Administration of bank accounts, including managing the opening, closure, authorized signatories, and maintenance of the account.
- Selection or approval of financial institutions with which accounts are maintained.
- Management of draw-downs and repayments of borrowings that directly affect Enron Corp.'s balance sheet.
- Investment of excess account balances in compliance with the Enron Corp Investment Policy.
- Execution of foreign exchange transactions associated with liquidity.
- Administration of inter-company funding agreements.
- Negotiation and management of payment, collection, and other banking services

#### **BORROWINGS OR OTHER OBLIGATIONS:**

All third-party agreements (any agreement with a non-Enron entity) that represent current or future obligations of Enron Companies to borrow money must be approved by the Treasurer of Enron Corp. prior to execution.

#### **REGIONAL TREASURY:**

Treasury may establish regional treasury offices to facilitate this policy. Regional Treasuries operate under the direction of Enron Corp.

EC004388434

**OPERATING PROCEDURES:**

Treasury is responsible for maintaining operating procedures for the implementation of this policy. The procedures will be approved by the Treasurer of Enron Corp.

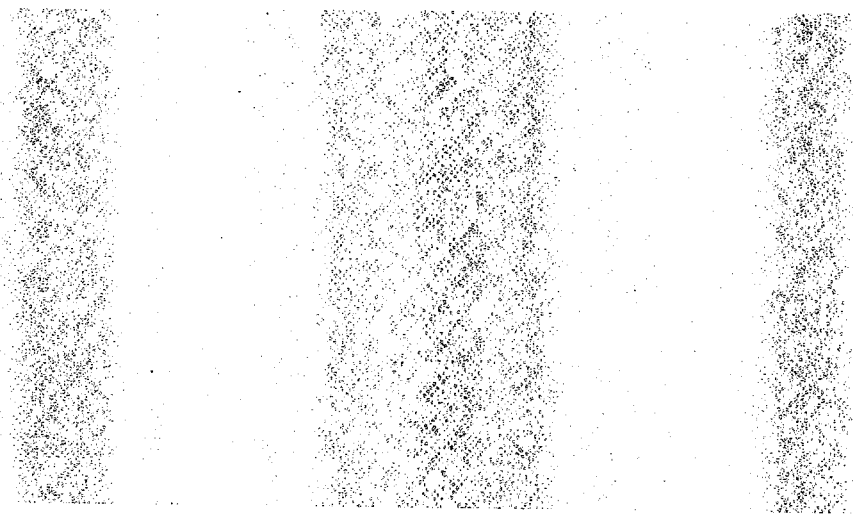
**COMPLIANCE:**

It is the responsibility of each operating unit to ensure compliance with this policy. Compliance shall be monitored in conjunction with regular internal audit procedures. Exceptions to this policy may be granted by the Treasurer of Enron Corp.

This policy replaces the Financial Institutions Account & Funding Policy previously approved by the Enron Corp. Board of Directors in October 1995.

EC004388435

6 (c)



EC004388436

**AGENDA ITEM 6(c)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, pursuant to a Project Development Agreement (the "PDA") to be executed by and among (a) Enron Gulf Holdings Ltd., a company organized and existing under the laws of the Cayman Islands ("EGHL") and an indirect, partially owned subsidiary of the Company, (b) The United Arab Emirates Offsets Group, an instrumentality of the Government of the United Arab Emirates ("UOG") and (c) Elf Gulf Limited, a company organized and existing under the laws of Bermuda ("Elf") and an indirect, partially owned subsidiary of Elf Aquitaine, EGHL, UOG and Elf (collectively, the "Project Sponsors") intend to engage in the development, construction, financing, ownership, operation and maintenance of a major natural gas pipeline and related facilities and infrastructure project designed to source natural gas and associated liquids from Qatar and transport and market such natural gas in the United Arab Emirates, Oman, Pakistan and eventually Northwestern India, as well as transporting and marketing the associated liquids on a worldwide basis (the "Project"); and

WHEREAS, the Project Sponsors intend to carry out all Project activities through DTC Limited, a company organized and existing under the laws of Jersey, Channel Islands, and various subsidiaries of DTC (collectively, "DTC"), and in connection therewith, EGHL requires funding for its share of initial equity funding contributions to DTC of approximately \$25 million and working capital (debt) contributions of approximately \$5 million, the full amount of such contributions being refundable to EGHL upon withdrawal from the Project subject to certain conditions within the earlier to occur of (a) one (1) year or (b) the signing of a definitive Joint Venture Agreement governing the terms and conditions under which the Project Sponsors intend to further develop and implement the Project through DTC; and

WHEREAS, UOG and Elf may require that the Company provide a direct corporate guaranty of certain exclusivity and non-competition obligations of EGHL under the PDA; and

WHEREAS, the Company, through its affiliates, owns or has the right to own a legal and/or beneficial interest in EGHL of one hundred percent, and upon execution of the PDA will own a legal and/or beneficial interest in DTC of twenty four decimal five percent (24.5%), and such ownership will benefit, directly or indirectly, the Company, and the Company's financial resources

EC004388437



are necessary in order for EGHL to meet the financial requirements of being a Project Sponsor;

NOW, THEREFORE, IT IS RESOLVED, that the Company be, and it hereby is, authorized to take such action as the appropriate officers of the Company deem necessary or desirable in connection with the furtherance of EGHL's participation in the Project, including without limitation: (a) making available EGHL's initial equity funding contributions of up to \$25 million and working capital contributions of up to \$5 million, and (b) guaranteeing the performance of certain exclusivity and non-competition obligations of EGHL or its subsidiaries or affiliates pursuant to the PDA;

RESOLVED FURTHER, that the Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President, the Treasurer or any Assistant Treasurer of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company, under its corporate seal or otherwise, to take such action and to do all things that may appear to be reasonably necessary, in the sole discretion of any of such officers, to undertake, effectuate and carry out the further participation of EGHL in connection with the development and implementation of the Project, insofar as such action or things relate to the Company, including without limitation, the authority and power to negotiate, execute, deliver, amend, perform, and consummate the guarantee described above and such other agreements, instruments, or documents as such officer may deem necessary or desirable to carry out the purpose and intent of the foregoing premises and resolutions, in such forms as shall be approved by the officer executing the same, such approval to be conclusively evidenced by the execution thereof by such officer;

RESOLVED FURTHER, that each such officer be, and each such officer hereby is, authorized in the name and on behalf of the Company to take or cause to be taken such action as such officer may deem necessary or desirable in connection with the performance by the Company of its obligations under such guarantee or any other agreement, document or instrument related to these transactions to which the Company is a party;

RESOLVED FURTHER, that all actions heretofore taken by any officer of the Company, related to or in connection with the transactions contemplated by these resolutions, including without limitation the execution and delivery of any of such guarantee, instruments or other documents as any

such officer shall have deemed necessary, proper, or advisable, are hereby adopted, ratified, confirmed and approved in all respects; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing premises and resolutions.

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# Project Dolphin

Enron has executed non-binding LOI with the government of United Arab Emirates to develop an interconnected 3 bcf/day gas pipeline system from Qatar through UAE to Oman

- 650 km, 48"-28" offshore/onshore pipeline
- Multiple off-takers / new downstream industries
- Future expansion to Pakistan, India

Partnership between Enron, UAE government, and Elf

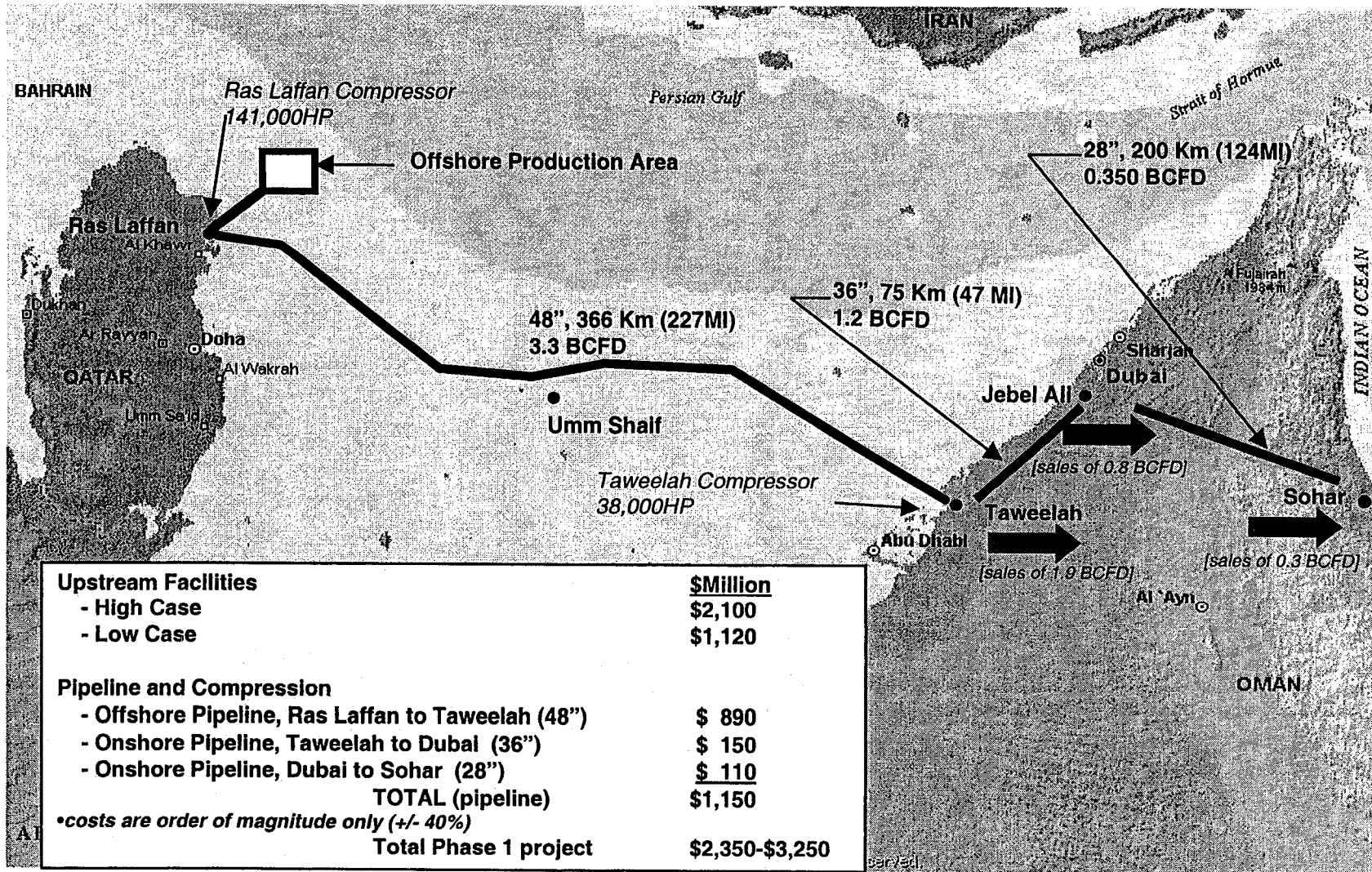
Rationale: excess gas supply in Qatar, need for cheap gas & gas-based industry in Abu Dhabi, Dubai, and Oman

Enron roles: co-lead developer, pipeline builder & operator, risk manager, downstream market maker, equity investor

Enron benefits: earnings, cash flow, regional stature, downstream opportunities, partner relationship, international gas / LNG plays

EC004388440

# Dolphin Pipeline Route



EC004388441



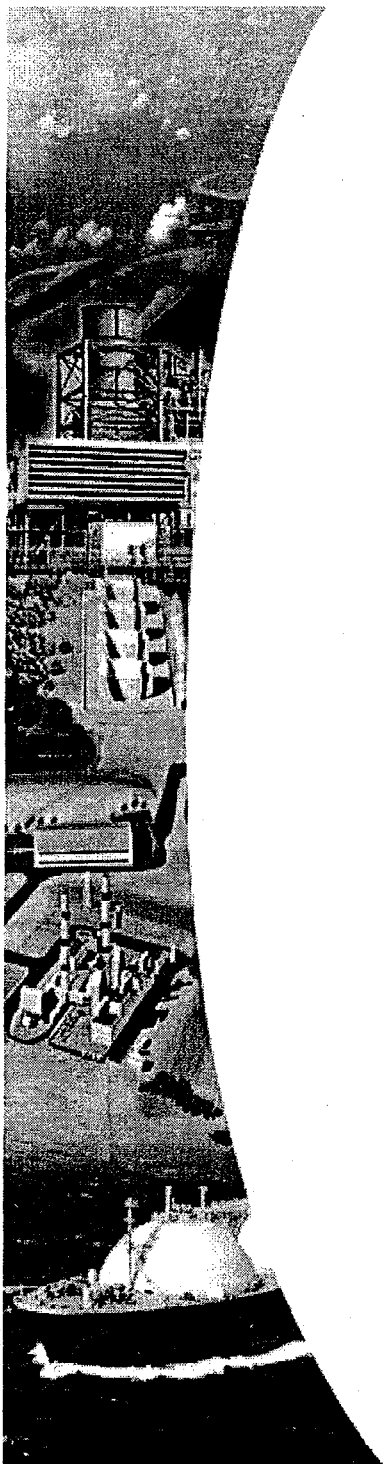
# Key Project Motivators

UAE - Large cash reserves; expensive gas; need huge gas volumes for reinjection; need economic diversification; "short" 800 mmcf/d commitment to Dubai

Qatar - 350 tcf proven gas reserves, less than 5% committed; no non-LNG markets; potential threat from Iran; need cash flow for economic growth; loans from UAE; close ties to UAE Sheik Zayed

Dubai - Gas shortage limits electricity, industrial growth, declining production curves; Shortage in 1-2 years

Oman - Limited gas reserves; need economic diversification



EC004388442



# Key Commercial Terms

Enron, Elf contribute \$25mm each. UAE contributes all prior work, studies, MOU's, exclusivity

## Future contributions:

- Phase I (Qatar to Oman): Enron 40%, Elf 40%, UOG 20%, up to first \$800mm equity
- Projected 70/30 Debt / Equity
- Future phases / expansions: Enron 24.5%, Elf 24.5%, UOG 51%

## Distributions - Phase I:

- 10% preferred return on all capital needed
- Thereafter 51% UOG (24.5% Enron & Elf) until UOG has 25% ROE, then declines to 33% / 33% / 33% once UOG achieves 40% ROE
- After Phase I, capital contributions and dividends 51% / 24.5% / 24.5%

Voting rights: 51% / 24.5% / 24.5% but all capital and contractual commitments require unanimous agreement

EC004388443

# Benefits to Enron

Base economics: 17% IRR, \$50 MM NPV<sub>14</sub>, \$320 MM ENE Investment (Phase I)

Steady earnings growth and upside

- \$1 billion pipeline construction @ 5% = \$50MM
- Improve D/E ratio above 70/30 base case
- Downstream development fees/sell downs
- Continuation to Pakistan and India

Strongest partner (UAE government) in region, one of richest in world

Reputation as partner in largest integrated energy project in region

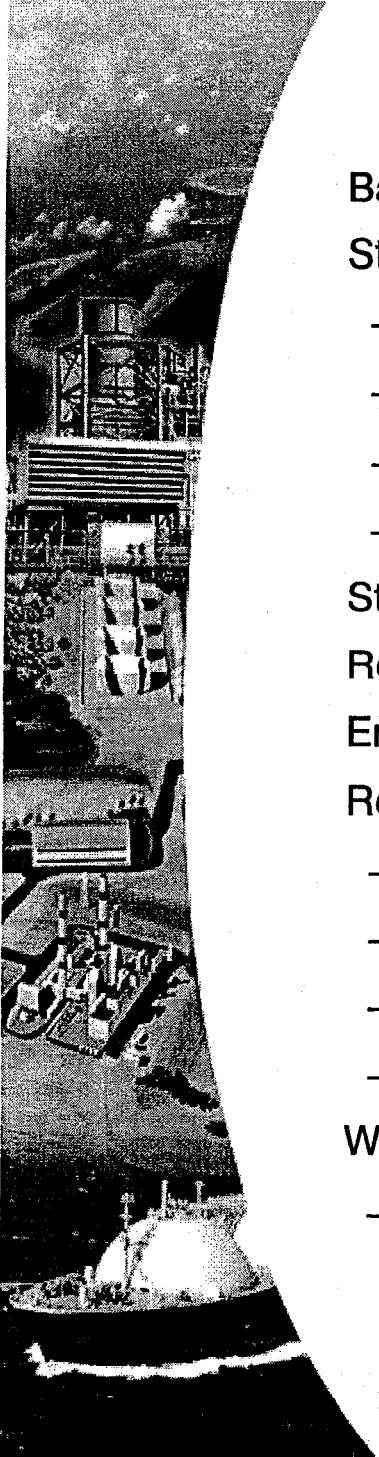
Enron showcase - development, gas marketing, risk management, financial services

Regional spinoffs

- Power plants and other downstream gas-based projects
- Access to ~100MBD Qatari liquids plus LPG's
- Local gas distribution companies (Oman and Abu Dhabi)
- EES opportunities

Worldwide spinoffs, e.g.

- Jordan IPP, Argentina gas project (TGN)



EC004388444

# Next Steps

Continue MOU negotiations to execution

- Initial MOU, then conduct 2 week “due diligence”
- Pay initial \$25 million “promote” to UOG, with rights for refund in very limited circumstances (e.g., UAE takes project from UOG, UOG management changes, no JVA signed in 6 months)
- Pay \$5 million into project company for 1/3 of working capital

**Requesting board to delegate to Office of Chairman approval of initial investment (\$30mm)**

EC004388445



# ENRON RISK ASSESSMENT AND CONTROL DEAL APPROVAL SHEET

**DEAL NAME: DOLPHIN**  
Counterparty: United Arab Emirates (UAE) and Elf Aquataine  
Business Unit: Enron Middle East  
Business Unit Originator: David Haug/Rick Bergsieker/Jan Avery  
 Public  Private  
 Merchant  Strategic  
 Conforming  Nonconforming

Date DASH Completed: December 3, 1999  
RAC Analyst: Annabelle Brown / Laura Wente  
Investment Type: Equity  
Capital Funding Source(s): Balance Sheet  
Expected Closing Date: December 15, 1999  
Expected Funding Date: December 17, 1999  
Board Approval:  Pending  Received  Denied  N/A

RAC Recommendation:  Proceed with Transaction  Returns below Capital Price  Do not Proceed

Due to the preliminary nature of the project and the corresponding uncertainty relating to project risks and economics, a normal RAC review at this juncture is not meaningful; therefore, a RAC recommendation has not been provided.

## APPROVAL AMOUNT REQUESTED

Enron Middle East is requesting approval to spend \$30 million to obtain the rights to participate in a gas supply, pipeline transportation, and gas marketing project to move gas from Qatar to the UAE and Oman.

## EXPOSURE SUMMARY

This Transaction:	\$30 million*	EC004388446
Total Counterparty Exposure:	\$30 million	

\* Includes \$5 million of working capital and a \$25 million payment ("entry fee"). After the entry fee is paid, Enron will become the key developer for gas sales agreements, gas supply agreements and related pipeline contracts. Until further development work in these areas is completed, it is difficult to define precise capital requirements beyond the \$30 million proposed herein. Future project equity requirements require unanimous consent; therefore, capital related to the actual project development would require a separate RAC review and management approval.

## DEAL DESCRIPTION

The United Offsets Group (UOG), a United Arab Emirates (UAE) government agency, is sponsoring an integrated gas supply, transportation, and gas marketing project in the Arab Gulf region. The pipeline initially will transport natural gas from Qatar to Abu Dhabi, Dubai and Oman. UOG has identified two strategic partners, Enron and Elf, to contribute capital and technical expertise, and has executed Letters of Intent (LOI's) with each. The ownership of the project company will be Enron 24.5%, Elf 24.5%, and UOG 51%. Enron and Elf will each fund 40% of the first \$800 million (Phase I) of equity capital associated with the development of upstream facilities in Qatar and the pipeline (total Phase I project cost estimated at \$2.7 billion). Subsequent funding will match the aforementioned ownership structure. Dividends will be distributed as follows: (a) a 10% non-cumulative preferred dividend allocated among the parties based on their relative equity capital contributions, (b) a second tranche distributed 51% to UOG and 24.5% each to Enron and Elf until UOG's annual return on capital ("ROC") reaches 25%, (c) a third tranche distributed on a sliding scale which declines from 51% to 33% for UOG (with the remainder split equally between Enron and Elf) as UOG's annual ROC increases from 25% to 40%, and (d) a fourth tranche distributed 33% each to UOG, Enron and Elf if UOG's annual ROC exceeds 40%. These terms are set out in the LOI's.

UOG has executed a Memorandum of Understanding ("MOU") with the Government of Qatar regarding development of upstream gas supplies and an MOU with Mobil Oil Qatar to supply the first tranche of long-term gas (roughly 500 MCF/D) to the project. UOG also has executed MOUs with the Abu Dhabi Water and Electricity Authority and with the governments of Dubai and Oman regarding purchase of up to 3 BCF/D of gas from the project and an MOU with the government of Pakistan which provides for up to an additional 1.5 BCF/D supply to Pakistan. In addition, UOG and the Abu Dhabi National Oil Company ("ADNOC") have agreed on guidelines regarding market allocation and common use of ADNOC's existing pipeline infrastructure to the extent feasible. However, these agreements are very general and do not include specific commercial terms. Substantial commercial analysis and development needs to be done before the project becomes a reality. The \$25 million payment should be viewed as a one-time "entry fee" or "exclusivity fee", allowing Enron to participate with Elf and UOG in developing the project. It could also be viewed as development expenditure for the region. There is no guarantee that the project will be completed; other companies have attempted to develop Arab Gulf gas pipelines over the last eight years. However, previous developers have been private rather than government entities and have not enjoyed the regional multi-government support that is now in place for this project.

At this time, Enron Middle East is requesting approval to sign an MOU among affiliates of Enron, Elf, and UOG. Joint project development will begin when the MOU is executed; a Joint Venture Agreement ("JVA") will be signed at a later date. The key provisions in the MOU are: (i) it legally binds the parties as exclusive partners; (ii) it defines the terms of the initial \$25 million investments by Enron and Elf and related initial working capital funding; (iii) it defines Phase 1 of the project (3 BCF/D pipeline from Qatar to Oman); (iv) it defines the parameters of UOG's carried interest and the dividend distribution structure; and (v) it outlines the JV management and governance structure including minority shareholder protections. A side letter to be

**RAC Deal Approval Sheet****Deal Name: Dolphin**

executed directly by UOG includes provisions that allow Enron to terminate the MOU and to recoup its \$25 million investment if, prior to the execution of a JVA, either (i) any of the key project MOU's referenced above are amended or cancelled, (ii) UOG ceases to be authorized by the UAE government to develop the project, (iii) certain project development milestones are not achieved, (iv) the top management of UOG is replaced or (v) any legal actions are taken which would delay the project. Per the MOU, major commitments, including all capital investments, will require the unanimous consent of the partners and will be subject to Enron's Transaction Approval Process. Per the MOU, major decisions also will require unanimous approval.

The strategic rationale for Enron Middle East's participation in the Dolphin project includes the following: 1) it is expected to provide strong IRR/NPV earnings on the base project; 2) it provides several potential ancillary revenue opportunities related to the capital assets (pipeline EPC, O&M); 3) it establishes a platform for potential future business activity in the region (risk management, trading, asset development); and 4) it builds strong political ties and goodwill in the Middle East.

**TRANSACTION SOURCES AND USES OF FUNDS**

	<u>Sources (000s)</u>		<u>Uses (000s)</u>
Enron Equity	\$30,000	Exclusivity Fee	\$25,000
		Working Capital	<u>5,000</u>
Total	\$30,000		\$30,000

**RETURN SUMMARY**

Given the limited information available, no RAROC analysis was performed.

**RISK MATRIX - THE FOLLOWING RISK MATRIX INCLUDES ONLY THOSE RISKS IDENTIFIED BY RAC AT THIS TIME. A MORE COMPLETE MATRIX WILL BE DEVELOPED AS FUTURE INVESTMENTS WHICH REQUIRE ENRON CORP APPROVAL BECOME MORE CLEARLY DEFINED.**

<b>DESCRIPTION</b>	<b>MITIGATION/COMMENTS</b>
<b>Upstream Development Costs and Price of Qatari Gas</b> - Upstream capital costs are as yet undefined - FOB export terms have not yet been discussed <b>Both are key drivers in the economics.</b>	<ul style="list-style-type: none"> <li>▪ Recent statements by several key Government of Qatar officials (including the Emir) indicate strong support of the project for both economic and political reasons.</li> <li>▪ No capital or contractual commitments (other than the \$30 million requested herein) will be made without Enron approval</li> </ul>
<b>Marketing Margins</b> - project economics are very sensitive to assumed margins - at this time, actual margins are unknown because neither capital costs nor market prices have been agreed	<ul style="list-style-type: none"> <li>▪ The project team has run indicative economics on several different investments, volume, and pricing scenarios. Although such economics are purely speculative at this time, they indicate that, within a reasonable range of parameters, the project will show satisfactory returns.</li> </ul>

EC004388447

**RAC Deal Approval Sheet**

**Deal Name: Dolphin**

<p><b>Political Issues</b> The age and health of the current leader of Abu Dhabi (UAE president) as well as the existing and potential rivalries within the royal family pose a potential threat to the project.</p>	<ul style="list-style-type: none"> <li>▪ A successor to the President has been named (Khalifa), and he is effectively already managing the day-to-day affairs of the country.</li> <li>▪ The most prominent potential rival to Khalifa is his brother Mohammed, the Minister of Defense. Mohammed oversees the activities of the UOG and is a strong supporter of the Project.</li> <li>▪ A recent agreement between Dolphin and ADNOC has been reached, stipulating the role of each player in the Development of Dolphin. Both Khalifa and Mohammed have blessed such agreement.</li> </ul>
<p><b>Immature Gas Market</b> A developed and operating regional natural gas market does not currently exist.</p>	<ul style="list-style-type: none"> <li>▪ Regional demand growth potential appears to be high (per the EIU and reports of Abu Dhabi's re-injection needs).</li> <li>▪ Pricing and marketing opportunities are uncertain.</li> </ul>
<p><b>ADNOC</b> ADNOC (the state oil company) is the traditional developer of oil and gas assets in the UAE and may view Dolphin as a rival.</p>	<ul style="list-style-type: none"> <li>▪ A recent agreement between Dolphin and ADNOC has been reached, stipulating the role of each player in the development of Dolphin. Both Khalifa and Mohammed have reportedly blessed such agreement.</li> </ul>
<p><b>Uncertainty Related to Overall Economics</b> The projected annual ROE in the deterministic model may be aggressive.</p>	<ul style="list-style-type: none"> <li>▪ Enron receives a 10% annual return on its capital invested before the government receives its promote.</li> </ul>

**KEY SUCCESS FACTORS**

	NA	Poor	Excellent
Core Business			X
Strategic Fit			X
Upside Potential			X
Management			X
Risk Mitigation	NA		

**OTHER RAC COMMENTS:**

The project economics (upstream, pipeline, and marketing) are very general at this time; therefore, a RAROC analysis was not performed.

EC004388448



APPROVALS	Name	Signature	Date
Region Originator	Jan Avery		
Region Management	Rick Bergsieker		
Region Management	David Haug		
Region Legal	Dan Rogers		
RAC Management	Rick Buy or Dave Gorte	<i>Dave B. Gorte</i>	6 December 1999
Enron Capital Management	Andy Fastow or Jeff McMahon		
Office of the Chairman	Joe Sutton		
Office of the Chairman	Jeffrey Skilling		

EC004388450



**Executive Committee**  
John H. Duncan, Chairman  
Robert A. Belfer  
Joe H. Foy  
Kenneth L. Lay  
Charles A. LeMaistre  
Jeffrey K. Skilling  
Herbert S. Winokur, Jr.

**Audit Committee**  
Robert K. Jaedicke, Chairman  
Ronnie C. Chan  
Joe H. Foy  
Wendy L. Gramm  
John Mendelsohn  
Paulo V. Ferraz Pereira  
John Wakeham

**Finance Committee**  
Herbert S. Winokur Jr., Chairman  
Robert A. Belfer  
Norman P. Blake, Jr.  
Ronnie C. Chan  
Jerome J. Meyer  
Paulo V. Ferraz Pereira  
Frank Savage  
John A. Urquhart

**Compensation Committee**  
Charles A. LeMaistre, Chairman  
Norman P. Blake, Jr.  
John H. Duncan  
Robert K. Jaedicke  
Frank Savage

**Nominating Committee**  
John Wakeham, Chairman  
Wendy L. Gramm  
John Mendelsohn  
Jerome J. Meyer

# SCHEDULE OF EVENTS



**BOARD AND COMMITTEE MEETINGS  
HOUSTON, TEXAS**

**DECEMBER 13-14, 1999**

**BOARD OF DIRECTORS**  
Kenneth L. Lay, Chairman

Robert A. Belfer  
Norman P. Blake, Jr.  
Ronnie C. Chan  
John H. Duncan  
Joe H. Foy  
Wendy L. Gramm  
Ken L. Harrison  
Robert K. Jaedicke  
Charles A. LeMaistre

Rebecca Mark-Jusbasche  
John Mendelsohn  
Jerome J. Meyer  
Paulo V. Ferraz Pereira  
Frank Savage  
Jeffrey K. Skilling  
John A. Urquhart  
John Wakeham  
Herbert S. Winokur, Jr.

EC004388896

# SCHEDULE OF EVENTS

## Monday, December 13

- 10:00 a.m. Year 2000 Oversight Committee Meeting\*  
50M Dining
- 11:30 a.m. Individual Photo Sessions (times available until 6:00 p.m.)  
50th Floor Lobby
- 1:00 p.m. Compensation and Management Development Committee Meeting\*  
50M Dining
- 2:30 p.m. Audit and Compliance Committee Meeting\*  
50th Floor Boardroom
- 3:00 p.m. Joint Audit and Compliance and Finance Committee Meeting\*  
50th Floor Boardroom
- 4:00 p.m. Finance Committee Meeting\*  
50th Floor Boardroom
- 6:45 p.m. Depart Four Seasons for Holiday Dinner hosted by Linda and Ken Lay\*\*
- 7:00 p.m. Holiday Dinner, Grille 5115

\*A car will bring Committee Members from the Four Seasons to the Enron Building 15 minutes prior to the start of the Committee meetings and will return Directors to hotel upon conclusion of respective meetings

\*\*A car will bring Directors and spouses from the Four Seasons to Grille 5115 for the Holiday Dinner and return to hotel following dinner

## Tuesday, December 14

- 7:45 a.m. Group Photo Session\*\*\*  
50th Floor Boardroom
- 8:00 a.m. Board of Directors Meeting  
50th Floor Boardroom
- 12:00p.m. Estimated time of adjournment  
A light lunch will be served following the Board Meeting  
50M Dining
- 1:00 p.m. Directors depart Enron Building\*\*\*\*

\*\*\*A van will bring Directors from the hotel to the Enron Building at 7:30 a.m. for the Board meeting.

\*\*\*\*A car will bring Directors from the Enron Building to the Four Seasons for departure with spouses from local airport

### Location

Enron Building  
1400 Smith Street  
Houston, Texas

### Hotel Accommodations



Four Season Hotel  
1300 Lamar Street  
Houston, Texas 77010-3098  
(713) 650-1300 Telephone  
(713) 652-6220 Facsimile

### Board Dinner

Grille 5115  
5115 Westheimer  
Houston, Texas

EC004388897

APPROVALS

	Name	Signature	Date
Region Originator	Jan Avery		12/6/99
Region Management	Rick Bergsieker		12/6/99
Region Management	David Haug		
Region Legal	Dan Rogers		
RAC Management	Rick Buy or Dave Gorte		
Enron Capital Management	Andy Fastow or Jeff McMahon		
Office of the Chairman	Joe Sutton		
Office of the Chairman	Jeffrey Skilling		

EC004388451



RAC Deal Approval Sheet

Deal Name: Dolphin

**Addendum**  
**Global Finance Summary**

1. **Transaction Summary**

	<u>Amount (\$000)</u>
Total Deal/Project Capital Commitment	\$30,000
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	<u><u>\$30,000</u></u>

2. **Investment terms and pricing:**

Market       Above Market     Below Market

Describe (if necessary):

3. **Financing terms and pricing:**

Market       Above Market     Below Market

Describe (if necessary):

Legal or practical liquidity restrictions:  
Restricted

Unrestricted     Legally Restricted     Practically

Describe (if necessary):

4. **Any recourse to Enron (other than investment):**

Recourse       No Recourse

Describe (if any):

*This commitment will become part of ENE's equity in the project.*

6a. **Business unit intent to syndicate:**

None       Partial       All

Describe (if necessary):

*Maybe be refinanced once the project is completed.*

6b. **Intended Enron hold period:**

*At least 15 yrs.*

6c. **Likely Syndication Market:**

<input type="checkbox"/> Industry/Strategic Partner	<input checked="" type="checkbox"/> Direct Private Equity
<input type="checkbox"/> Capital Markets	<input type="checkbox"/> JEDI 1
<input type="checkbox"/> JEDI 2	<input type="checkbox"/> Enserco
<input type="checkbox"/> LJM 1 or 2	<input type="checkbox"/> Condor
<input type="checkbox"/> Other: _____	<input type="checkbox"/> Margaux

6d. **Is this a JEDI 2 "Qualified Investment"?**

Yes       No

Global Finance Representative:

*Daniel Castagnola*  
Signature

*DANIEL CASTAGNOLA*  
Name (Printed)

*12/6/99*  
Date

6 (d)

EC004388453

**AGENDA ITEM 6(d)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, Enron North America Corp., by and through affiliates and designees (collectively, "ENA"), is developing approximately 1,605 MW of simple-cycle, natural gas-fired peaking generating facilities in prime markets of the Eastern Interconnect, scheduled to become commercially operational between July, 2000 and 2001 (collectively, the "Facilities"), and to incur capital expenditures of up to \$438 million in connection therewith and in furtherance thereof (collectively, the "Transaction"); and

WHEREAS, ENA has committed a non-refundable \$16.7 million for the option to purchase twenty-four (24) new GE LM6000 turbines and to intends incur total capital expenditures of up to \$336 million in connection therewith and in furtherance thereof; and

WHEREAS, ENA has committed a non-refundable \$1 million deposit for the purchase of five (5) used Fiat/Westinghouse TG-50C turbines from Enel, the Italian State utility and intends to incur total capital expenditures of up to \$102 million in connection therewith and in furtherance thereof; and

WHEREAS, it appears that the commitment for the capital expenditures of up to \$438 million is in the best interests of Enron Corp. (the "Company");

NOW, THEREFORE, IT IS RESOLVED, that ENA be, and hereby is, authorized, to develop, design, engineer, finance, procure, construct, equip, supply, and maintain the Transaction and to commit for and to incur capital expenditures of up to \$438 million in connection therewith and in furtherance thereof; and

RESOLVED FURTHER, that the proper officers of ENA and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of ENA, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and the foregoing resolution.

FURTHER RESOLVED, that all actions heretofore taken by the officers and directors of ENA with respect to the transactions contemplated above be, and hereby are, in all respects, approved, confirmed and ratified;

EC004388454

FURTHER RESOLVED, that the authority granted to any of the officers of ENA appointed under the foregoing resolutions, shall be deemed to include, in the case of each such resolution, the authority to perform such further acts and deeds as may be necessary or appropriate, in the judgment of such officers, to carry out the transactions contemplated thereby.

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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EC004388455

**AGENDA ITEM 6(d)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, Enron South America, a wholly owned subsidiary of the Company ("ESA"), has an opportunity to purchase from Mitsubishi Heavy Industries Ltd. and/or one of its affiliates major equipment, including two M501F gas turbine packages and associated materials and equipment (the "501F Package"), and to purchase from Siemens Westinghouse Power Corporation. and/or one of its affiliates major equipment, including two W501D gas turbine packages and associated materials and equipment (the "501D Package"), for an aggregate purchase price of up to US\$150 million (collectively or in part, the "Purchase");

WHEREAS, ESA believes that acquiring the Purchase is necessary to fulfill expected demand for turbines to be utilized by ESA, one of its affiliates, or other Company projects in South America in the years 2002 and 2003, and, potentially, elsewhere around the world, and that committing to the Purchase prior to the end of 1999 will allow for the delivery of such equipment in time to take advantage of expected gas-fired thermal generation demand and power trading opportunities in the Brazilian market beginning in 2002;

WHEREAS, since limited turbine availability in the global turbine market is restricting access to near term turbine delivery dates, any delay by the Company or ESA to commit to the Purchase will jeopardize meeting the schedule requirements of ESA, one of its affiliates, and other Company projects;

WHEREAS, it would be in the best interests of the Company to allow ESA, or one of its affiliates, to proceed with and commit to the Purchase;

NOW, THEREFORE, IT IS RESOLVED, that the Company, ESA, or any one of its affiliates be, and hereby are, authorized and directed to enter into such contracts, agreements, guarantees and other instruments as are necessary or appropriate in connection with Purchase;

RESOLVED FURTHER, that the Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President, the

EC004388456

Chief Financial Officer, the Treasurer or any Deputy Treasurer of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company, under its corporate seal or otherwise, to take such action and to do all things that may appear to be reasonably necessary, in the sole discretion of any of such officers, to undertake, effectuate and carry out the foregoing resolutions, insofar as such action or things relate to the Company, including without limitation, the authority and power to negotiate, execute, deliver, amend, perform, and consummate any agreements, guarantees, instruments, or documents as such officer may deem necessary or desirable to carry out the purpose and intent of the foregoing premises and resolutions, in such forms as shall be approved by the officer executing the same, such approval to be conclusively evidenced by the execution thereof by such officer;

RESOLVED FURTHER, that each such officer be, and each such officer hereby is, authorized in the name and on behalf of the Company to take or cause to be taken such action as such officer may deem necessary or desirable in connection with the performance by the Company of its obligations under such agreement, guarantee, document or instrument related to these transactions to which the Company is a party;

RESOLVED FURTHER, that all actions heretofore taken by any officer of the Company, related to or in connection with the transactions contemplated by these resolutions are hereby adopted, ratified, confirmed and approved in all respects; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing premises and resolutions.

**AGENDA ITEM 6(d)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, Enron Engineering & Construction Company, a wholly owned subsidiary of the Company ("EE&CC"), has an opportunity to purchase from General Electric Company and/or one of its affiliates ("GE") major equipment including (A) three Power Island 9FA Turbine Packages, each of which will consist of one (1) 9F Single-shaft Gas Turbine, one (1) Steam Turbine, one (1) Hydrogen Cooled generator, one (1) Heat Recovery Steam Generator, one Distribution Control System, and associated materials and equipment included therein (the "9FA Packages") and (B) two 7FA turbines and one steam turbine (the "7FA Package"), for an aggregate purchase price of \$338.5 million (collectively, the "Purchase");

WHEREAS, EE&CC believes that acquiring the Purchase is necessary to fulfill expected demand for turbines to be utilized by EE&CC, one of its affiliates, or other Company projects in Europe and North America in the years 2001 and 2002, and that committing to the Purchase prior to the end of 1999 will allow for the delivery of such equipment to begin in the fourth quarter of the year 2001;

WHEREAS, since limited turbine availability during the years 2000 and 2001 in the global turbine market is restricting access to near term turbine delivery dates, and since other parties presently approaching GE for similar equipment can expect to wait until the second and fourth quarter of the year 2002 for delivery of equipment, any delay by the Company or EE&CC to commit to the Purchase will jeopardize meeting the schedule requirements of EE&CC, one of its affiliates, and other Company projects;

WHEREAS, it would be in the best interests of the Company to allow EE&CC, or one of its affiliates to proceed with and commit to the Purchase;

NOW THEREFORE, IT IS RESOLVED, that the Company, EE&CC, or any one of its affiliates be, and hereby are, authorized and directed to enter into such contracts, agreements, guarantees and other instruments as are necessary or appropriate in connection with Purchase;

EC004388458

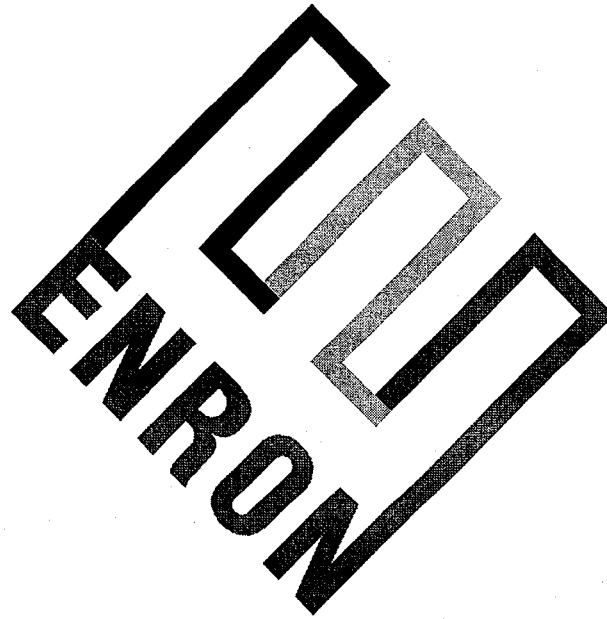
RESOLVED FURTHER, that the Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President, the Chief Financial Officer, the Treasurer or any Deputy Treasurer of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company, under its corporate seal or otherwise, to take such action and to do all things that may appear to be reasonably necessary, in the sole discretion of any of such officers, to undertake, effectuate and carry out the foregoing resolutions, insofar as such action or things relate to the Company, including without limitation, the authority and power to negotiate, execute, deliver, amend, perform, and consummate any agreements, guarantees, instruments, or documents as such officer may deem necessary or desirable to carry out the purpose and intent of the foregoing premises and resolutions, in such forms as shall be approved by the officer executing the same, such approval to be conclusively evidenced by the execution thereof by such officer;

RESOLVED FURTHER, that each such officer be, and each such officer hereby is, authorized in the name and on behalf of the Company to take or cause to be taken such action as such officer may deem necessary or desirable in connection with the performance by the Company of its obligations under such agreement, guarantee, document or instrument related to these transactions to which the Company is a party;

RESOLVED FURTHER, that all actions heretofore taken by any officer of the Company, related to or in connection with the transactions contemplated by these resolutions are hereby adopted, ratified, confirmed and approved in all respects; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing premises and resolutions.





# **Turbine Purchase Request**

**Enron Corp. Board Presentation  
December 14, 1999**

EC004388460

# Combined Turbine Purchase Request

- **Tight global availability of turbines through end of 2002**
- **Turbines required across business units**
- **Current Turbine long position - 1253MW (\$232MM)**
- **Three requests - ENA, EECC, and ESA**
  - **38 turbines 3423 additional MW's**
  - **Capital required - phased payments from \$71MM to \$919MM**
  - **Off ramps - multiple deals, sale of turbines, cancellation sched's**
- **ENA**
  - **24 GE LM6000's - multiple deals w/ layered value**
  - **5 Fiat TG-50C - from ENEL in Italy, convert, use in North America**
- **EECC**
  - **3 GE 9FA Power Islands - use in Spain, Europe, ME, or India**
  - **2 GE 7FA's w/ steam turbine - use in ENA deals in NA or Mexico**
- **ESA**
  - **2 MHI 501F's - use at Rio Gen or Cuiaba II in Brazil**
  - **2 Westinghouse 501F's - same**

Confidential

EC004388461



# Combined Current Turbine Position

		Number of Gas Turbines	Aggregate MW	Previous Payments	Total Remaining Payments	Total Capex Commitment	Potential Deal Name	Deal Description	Potential Deal IRR	Potential Deal NPV
				\$MM	\$MM	\$MM				
1A	<b>ENA</b> GE7FA - 60hz (from Co-genTech)	3	513	\$37.7	\$53.1	\$90.8	1) Vitro or Lakeworth, FL 2) Linden 6 3) Ellwood, IL	Vitro - Mexican PPA for majority of capacity, steam co-gen. Linden 6 - Very solid deal following re-structuring - Inside the fence cogen w/ TOSCO Elwood, IL - Tolling PPA, sale of turbine, EPC profit, possible equity inv	15% to 22%	\$23 to \$46MM
1B	ABB 11N1 - 60hz - used (Enron Canada)	2	166	\$9.0	\$17.0	\$26.0	1) Samia Peaker Project 2) PetroCanada Oil Sand Co-Gen	Samia Peaker - Merchant plant w/ dual electrical access (Ontario & Michigan), and access to Dawn nat gas hub	25% to 35%	\$8MM to \$12MM
1C	GE Fr 6 - 50hz - used	2	60	\$13.0	\$0.0	\$13.0	1) ENA deal 2) Enron India 3) Other 4) sell	Machines are "available" and stored in luka Miss.	NA	NA
2A	<b>ENRON CARIBBEAN</b> West 501D5A 60hz	1	122	\$19.2	\$4.8	\$24.0	1) Xfer to ENA for Electrocities 2) Panama 3) Venezuela 4) Other	Purch'd w/ ENA 2000 peakers	NA	NA reported on next sheet
2B	GE Fr 6 Barges - 50 hz - used	3	90	\$18.0	\$0.0	\$18.0	1) Lagos, Nigeria 2) Taiwan 3) Korea 4) Other	Lagos - PPA signed 6 Dec. AA grade security provided by Nigerian Govt.	29% to 30%	\$5MM to \$8MM
2C	GE Fr 6 Barges - 50 hz - used	6	180	\$36.0	\$0.0	\$36.0	1) Lagos, Nigeria 2) Taiwan 3) Korea 4) Other	Lagos - Govt has requested remaining six barges. Tariff negotiations in process.	25% to 32%	\$8MM to \$20MM
3A	<b>EECC</b> West 501D5A 60hz	1	122	\$0.0	\$24.0	\$24.0	1) Panama 2) ENA deal 3) Other	DASH aprvd Nov 99. Panama - 2nd turbine to anchor the Columbia/Panama PL	15% to 25%	\$3MM to \$25MM
	<b>TOTAL</b>	18	1,253	\$132.9	\$98.9	\$231.8			16% to 30%	\$47MM to \$111MM

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EC004388462

# Combined Turbine Purchase Request

		Number of Gas Turbines	Aggregate MW	Down payment \$MM	Total Capex Commitment \$MM	Potential Deal Name	Deal Description	Potential Deal IRR	Potential Deal NPV
	<b>ENA</b>								
1A	GE LM6000's 60hz	24	1164	\$16.7	\$334.0	1) Electricities - N. Carolina, 2) People's Dwntrn 3) United Illuminating 4) Oglethorpe II (see list in DASH)	Electricities - Customer Deal - entry point for Dev Fee, EPC Profit, Tolling, Gas Control Area Services	20% to 35%	\$40MM to \$60MM
1B	Fiat TG-50C - used (50 hz conv to 60hz)	5	445	\$12.0	\$102.0	1) MAPP (Iowa), 2) Entergy 3) Florida 4) Other	MAPP - Merchant Peaking - provide additional merchant network coverage	20% to 40%	\$20MM to \$45MM
	<b>EECC</b>								
2A	Pwr Island 9FA 50hz	3	780	\$18.0	\$248.5	1) Arcos Spain 2) Abu Dhabi - Shuweihat Desal 3) Egypt power bids 4) India Mega Projects bids	Arcos - Eventual 100% sell down after taking EPC Profit, plus call on offtake	15% to 35%	\$15MM to \$45MM
2B	GE 7FA's w/ Stm Turb 60hz	2	310	\$13.6	\$90.0	1) Oxy Chemical, Taft, LA 2) Lakeworth Florida 3) Mexico 4) Other	Oxy - Inside the fence, Combined Cycle Baseload	25% to 45%	\$30MM to \$60MM
	<b>ESA</b>								
3A	MHI 501F's 60hz	2	362	\$7.5	\$74.5	1) Rio Gen - Brasil 2) Other ENE Worldwide Projects	Rio Gen - Comb cycle - Negot'ing 250MW firm to Elektro and 250MW to other LDC's	15% to 20%	\$15M to \$20MM
3B	Westinghouse 501F's 60hz	2	362	\$3.0	\$70.0	1) Cuiaba II - Brasil 2) Other ENE Latin America Projects 3) Remarket to 3rd parties	Cuiaba II - Combined Cycle - 480MW to Electrobras - PPA by March 2000	15% to 20%	\$15M to \$20MM
	<b>TOTAL</b>	<b>38</b>	<b>3,423</b>	<b>\$70.8</b>	<b>\$919.0</b>			<b>17% to 35%</b>	<b>\$135MM to \$250MM</b>

EC004388463

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		<i>Number of Gas Turbines</i>	<i>Aggregate MW</i>	<i>Down payment \$MM</i>	<i>Total Capex Commitment \$MM</i>	<i>Potential Deal Name</i>	<i>Deal Description</i>	<i>Potential Deal IRR</i>	<i>Potential Deal NPV</i>
	<b><u>ENA</u></b>								
1A	GE LM6000's 60hz	24	1164	\$16.7	\$334.0	1) Electricities - N.Carolina, 2) People's Dwntrwn 3) United Illuminating 4) Oglethorpe II (see list in DASH)	Electricities - Customer Deal - entry point for Dev Fee, EPC Profit, Tolling, Gas Control Area Services	20% to 35%	\$40MM to \$60MM
1B	Fiat TG-50C - used (50 hz conv to 60hz)	5	445	\$12.0	\$102.0	1) MAPP (Iowa), 2) Entergy 3) Florida 4) Other	MAPP - Merchant Peaking - provide additional merchant network coverage	20% to 40%	\$20MM to \$45MM
	<b><u>EECC</u></b>								
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2B	GE 7FA's w/ Stm Turb 60hz	2	310	\$13.6	\$90.0	1) Oxy Chemical, Taft, LA 2) Lakeworth Florida 3) Mexico 4) Other	Oxy - Inside the fence, Combined Cycle Baseload	25% to 45%	\$30MM to \$60MM
	<b><u>ESA</u></b>								
3A	MHI 501F's 60hz	2	362	\$7.5	\$74.5	1) Rio Gen - Brasil 2) Other ENE Worldwide Projects	Rio Gen - Comb cycle - Negot'ing 250MW firm to Elektro and 250MW to other LDC's	15% to 20%	\$15M to \$20MM
3B	Westinghouse 501F's 60hz	2	362	\$3.0	\$70.0	1) Cuiaba II - Brasil 2) Other ENE Latin America Projects 3) Remarket to 3rd parties	Cuiaba II - Combined Cycle - 480MW to Electrobras - PPA by March 2000	15% to 20%	\$15M to \$20MM
	<b>TOTAL</b>	38	3,423	\$70.8	\$919.0			17% to 35%	\$135MM to \$250MM

EC004388464

# ENRON RISK ASSESSMENT AND CONTROL DEAL APPROVAL SHEET

**DEAL NAME:** ENA 2001 Turbines  
Counterparty: West LB  
Business Unit: Enron North America  
Business Unit Originator: Mike Miller  
Public Private  
Merchant Strategic  
Conforming Nonconforming

Date DASH Completed: 12/05/99  
RAC Analyst: E. Pedersen  
Investment Type: Enron Guarantee  
Capital Funding Source(s): Debt  
Expected Closing Date: December 1999  
Expected Funding Date: December 1999  
Board Approval: Pending Received Denied N/A

RAC Recommendation: Proceed with Transaction Returns below Capital Price Do not Proceed

## APPROVAL AMOUNT REQUESTED

Enron North America ("ENA") seeks approval to purchase twenty-nine (29) turbines to be utilized through an off-balance sheet arrangement with Westdeutsche Landesbank ("West LB") in a series of transactions expected to come on-line by June 15, 2001.

Enron Guarantee \$438.0\*

\*ENA will provide an unlimited parent guarantee for the turbines to West LB for all the financial obligations under the development agreement.

## EXPOSURE SUMMARY

LM6000 Assets	\$336.0
TG-50C Assets**	\$102.0
Total Turbine exposure***	\$438.0

\*\* Including conversion costs.

\*\*\* ENA has already committed a non-refundable \$17.7 MM for the option to purchase the Turbines from GE.

## DEAL DESCRIPTION

ENA proposes to purchase twenty-four (24) new GE LM6000 and five (5) used Fiat/Westinghouse TG-50C turbines to support a large portion of the total turbine demand of ENA between July 2000 and 2001. The generating capacity of the combined turbines is 1,605 MW and will be utilized in specific customer transactions and the merchant network as outlined in Exhibit A.

The strategic benefit behind this transaction is to consolidate the anticipated turbine demand against the available supply. Strong power prices experienced this summer and a bullish forward market have extended market demand for peak generation capability, which has resulted in diminished turbine availability. The latest turbine availability report shows limited availability of new and used turbines until mid-2002.

The market for peaking power is expected to remain strong beyond 2001 for several reasons:

- (1) Capacity additions are coming on line slower than projected due to OEM turbine manufacturing constraints,
- (2) Continued growth in peak demand,
- (3) Transmission constraints limits cross-regional power transportation during peak demand,
- (4) Regulatory constraints prevents peak pricing signals from reaching retail level and curtailing demand.

ENA is targeting the GE LM 6000 turbines for customer transactions with municipal and cooperative utilities that want long term ownership of distributed generating capacity. ENA creates value by packaging the turbines and project construction with gas supply agreements, tolling agreements and asset management/control area services agreements. ENA began marketing transactions built around LM 6000 turbines in mid-October. In the two months since, ENA has generated several prospective transactions, which are more fully described in Exhibit A. Based on the market response to date, ENA is confident that it will place all of the LM 6000 turbines in value added transactions in time for Summer 2001 operations.

The five TG-50C turbines are targeted for installation in a strategic network plant (merchant) in either MAPP (Iowa) or Entergy. These markets have been experiencing strong peak demand prices and are not easily served by ENA's existing strategic network because of transmission constraints. The addition of the TG-50C turbines to the strategic network will strengthen ENA's network coverage in prime markets of the Eastern interconnect.

The total purchase price of these assets will likely be funded through an off-balance sheet arrangement with West LB, one of Enron's tier one lenders. By having West LB purchase these assets, the debt associated with these assets is not on Enron's balance sheet. The West LB arrangement grants Enron a continuous fixed price purchase option for these assets. This financing structure will maintain maximum accounting flexibility, minimize the funding cost while keeping the turbines secured through a parent guarantee provided by Enron. The guarantee runs in favor of West LB and covers all obligations under the loan.

EC004388465

## RAC Deal Approval Sheet

The purchase price for the twenty-four LM 6000 turbines is \$336 million. West LB, backed by an Enron guarantee, has placed a non-refundable deposit of \$16.7 million with GE in order to lock in turbine delivery slots that provide for Summer 2001 operations. West LB's cancellation exposure is limited to \$16.7 million until a final purchase and sale agreement has been executed with GE. The purchase and sale agreement is expected to be completed prior to year end.

The purchase price for the five TG-50C turbines from Enel, the Italian State utility, will total \$52.5 million. The turbines are proposed to be purchased from Enel through a German broker, Lohrmann GmbH. Once purchased, an additional \$50 million will be required to disassemble, ship and reconfigure for 60Hz operation and US emissions standards. ENA, through its West LB arrangement, is expecting to execute a detailed Memorandum of Understanding and place a \$1 million non-refundable deposit pending completion of definitive documentation. The deposit is non-refundable unless Enel does not grant its final approval for the deal.

The LM 6000's advantages for customer transactions are: (i) its low heat rate of 9,435 Btu/kWh compared to over 11,500 Btu/kWh for larger peaking turbines, (ii) its modular packaged design allows it to be installed quickly and at lower costs relative to larger peaking turbines, and (iii) it has 10 minute quick start capability that meets spinning reserve requirements. These advantages make the LM 6000 an excellent transaction building tool for smaller utilities that have needs for both intermediate as well as peak load capacity, but want smaller, modular and more distributed generation than offered by larger peaking turbines. The chief disadvantage of the LM 6000 turbines is the higher capital cost for the turbines and higher overall installed cost per kW. However, the market for peak and intermediate load power remains strong among smaller utilities who want capacity but did not have the foresight to lock in turbines during 1998 or early 1999. Options for owning installed capacity prior to late 2002 are highly limited and no cheaper than the LM 6000 option.

The TG-50C turbines are approximately 15 years old and were manufactured by Fiat for the 50Hz market under license from Westinghouse for the 501D model design. The TG-50C turbines were installed as peaking units and have very low run hours. ENEL maintained the turbines to the highest standards with the result being used machines in excellent condition. While the TG-50C turbines need to be reconfigured to operate in the US market, they do not need to be rebuilt and refurbished. The advantage of the TG-50C turbines is that they can be deployed in a larger scale strategic project with lower installed capital costs than the LM 6000. In addition, the TG-50C turbines come with black-start capability and the ability to sell MVAR's (for transmission system support) as well as MW's.

RAC review of ENA's past management of long turbine positions demonstrates a proven track record of managing and maximizing the value of turbines it has acquired.

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### TRANSACTION SOURCES AND USES OF FUNDS

	<u>Sources</u>		<u>Uses</u>
Enron Guarantee	\$438.0	Turbine Purchase	\$438.0
Total	\$438.0		\$438.0

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RETURN SUMMARY - N/A

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CASH FLOW SUMMARY - N/A

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TRANSACTION UPSIDES/OPTIONALITY - N/A

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EXIT STRATEGY (Merchant investments only) - Referenced above and in exhibit A

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EC004388466

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
<p><b>Long turbine position</b>                      Risk that ENA will not be able to sell the turbines or use them in ENA projects.                      Risk that ENA will not be able to assign the warranty on the GE turbines</p>	<p>If anticipated client Projects do not come to fruition, ENA could sell the turbines or use them in the Genco portfolio to expand the Enron Network.</p> <p>ENA believes strongly that the long position is justified based on the current marketing efforts and review of the market by the deal team. ENA is currently working on specific customer transactions, which could use up to 69 turbines in addition to any turbines used for the merchant network.</p> <p>The reconfiguration of the TG-50C turbines (see separate risk discussion below) limits the number of potential buyers on an as-is basis. Void of any proven performance, the TG-50C turbines may be difficult to sell unless they can be assigned to a specific project.</p> <p>In order to transfer the warranty associated with the GE turbines, Enron must use the LM6000 for specific Enron projects. ENA will be able to assign the turbines without consent to the following entities: (i) any party or contractor for which ENA has agreed to construct a facility using the turbines; (ii) a joint venture or partnership in which Enron has an equity stake of at least 19.5%; (iii) any party, which is obligated to indemnify GE; (iv) a lender or financial institution providing financing. Enron may also assign the warranties with GE's consent, which cannot be unreasonably withheld, conditioned or delayed if ENA is providing a bundled product or service, i.e. if ENA is selling a turbine in return for, for example, tolling or gas.</p>
<p><b>Conversion Risk</b>                      Risk of cost overruns during conversion of TG-50C.                      Risk of not meeting performance requirements</p>	<p>Review of the TG-50C turbines by ENA and EECC engineers suggest that refurbishment is not required but conversion from European standard 50Hz to US standard 60Hz, gearbox design and performance/environmental testing will be necessary.</p> <p>The generator conversion will be performed and warranted by the original OEM supplier, ABB Morelli. Since the generator design was based on a 60Hz specification, reconfiguration does not present a major technical difficulty.</p> <p>The major cost risk is the additional design and installation associated with adding the gearbox. The alignment of the gearbox poses the most critical technical risk aspect with respect to the gearbox, but the proposed vendor, Cincinnati Gear, has successfully supplied gearboxes for similar units. A \$5MM construction cost contingency is included in the total project cost to mitigate this risk.</p> <p>The turbines will have to meet performance guarantees and environmental standards in the US. An EECC report indicates that technical risk are manageable and pose less risk than the refurbishment of the 60Hz Korean GE 7B turbines which were successfully installed in New Albany. ENA has allowed additional time for testing and start-up to modify and tune the combustion system to meet performance requirements.</p> <p>ENA has also added a \$2.5 MM contingency budget for cost overruns with regard to removing and shipping the turbines from Italy to the US.</p>



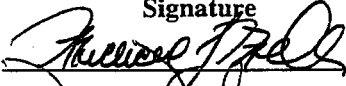
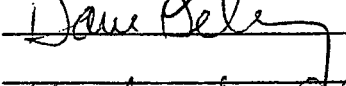
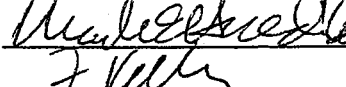
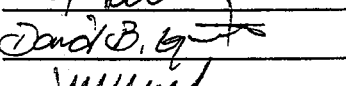
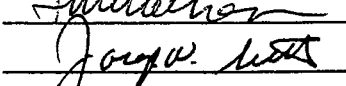


**RAC Deal Approval Sheet**

**KEY SUCCESS FACTORS**

	NA	Poor	Excellent
Core Business			X
Strategic Fit			X
Upside Potential			X
Management	N/A		
Risk Mitigation			X

**OTHER RAC COMMENTS:**

**APPROVALS**

	Name	Signature	Date
Business Originator	Mike J. Miller		12/2/99
ENA Management	Dave Delainey		12/2/99
ENA Office of the Chairman	Cliff Baxter / Kevin Hannon		
Legal	Mark Haedicke		12/3/99
EE&CC	Fred Kelly		12/3/99
RAC Management	Rick Buy / David Gorte		2 December 1999
Enron Capital Management	Andy Fastow / Jeff McMahon		
ENE Management	Jeffrey Skilling / Joe Sutton		4 Dec. 99

EC004388468



**Exhibit A - Potential Turbine Requirements**

<b>Transactions</b>	<b>Turbines Required</b>	<b>Transaction Probability</b>	<b>Region</b>
Las Vegas Cogen	1	High	WSCC
<b>Total High</b>	<b>1</b>		
Electricities	2	Medium	SERC
People's Downtown	6	Medium	MAIN
United Illuminating	6	Medium	NEPOOL
Oglethorpe II	6	Medium	SERC
City of Lakeland	4	Medium	FRCC
Santee Cooper	4	Medium	SERC
City of Bryan	2	Medium	ERCOT
<b>Total Medium</b>	<b>28</b>		
Northeast Texas Electric Cooperative	3	Low	ERCOT
Seminole Coop.	4	Low	FRCC
Madison Gas Electric	2	Low	MAIN
Lincoln Electric	4	Low	MAPP
JEA	5	Low	FRCC
Oxy / EOR Project	1	Low	WSCC
Oklahoma Municipal Power Authorit	1	Low	SPP
<b>Total Low</b>	<b>20</b>		
<b>Grand Total</b>	<b>49</b>		

\*Proposed locations for ENA merchant plants are: Florida, Entergy and Iowa MAPP

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## POTENTIAL TURBINE TRANSACTIONS

Transactions	Turbines Required	Region
Las Vegas Cogen	1	WSCC
<b><i>Total High Probability</i></b>	<b><i>1</i></b>	
Electricities	2	SERC
Peoples' Downtown	6	MAIN
United Illuminating	6	NEPOOL
Oglethorpe II	6	SERC
City of Lakeland	4	FRCC
Santee Cooper	4	SERC
City of Bryan	2	ERCOT
<b><i>Total Medium Probability</i></b>	<b><i>30</i></b>	
North Texas Electric Cooperative	3	SPP
Seminole Cooperative	4	FRCC
Madison Gas Electric	2	MAIN
Lincoln Electric	4	MAPP
Jacksonville Electric	5	FRCC
Oxy / EOR Project	1	WSCC
Oklahoma Municipal Power Authority	1	SPP
MEAG	2	SERC
Rochester Public Utilities	2	MAPP
Austin Electric	4	ERCOT
CIPCO	2	MAPP
Grat River Energy	1	MAPP
Indiana Municipal Power Agency	2	ECAR
Sacramento Municipal Utility District	1	WSCC
Northern California Power Agency	2	WSCC
SCANA	2	SERC
<b><i>Total Initial Contact</i></b>	<b><i>38</i></b>	
<b><i>Grand Total</i></b>	<b><i>69</i></b>	

EC004388471

# ENRON RISK ASSESSMENT AND CONTROL DEAL APPROVAL SHEET

**DEAL NAME: ESA Turbine**  
Counterparty: MHI/Seimens Westinghouse  
Business Unit: Enron South America  
Business Unit Originator: Brett Wiggs/Steve Pearlman  
 Public  Private  
 Merchant  Strategic  
 Conforming  Nonconforming

Date DASH Completed: 12/03/99  
RAC Analyst: E. Pedersen  
Investment Type: Equity  
Capital Funding Source(s): Balance Sheet  
Expected Closing Date: December 1999  
Expected Funding Date: December 1999  
Board Approval:  Pending  Received  Denied  N/A

RAC Recommendation:  Proceed with Transaction  Returns below Capital Price  Do not Proceed

See Other RAC Comments

## APPROVAL AMOUNT REQUESTED

Enron South America ("ESA") seeks approval for up to \$150 million to purchase up to four F technology gas turbines to be utilized for projects in the Brazilian power market.

## EXPOSURE SUMMARY

Mitsubishi Heavy Industries (MHI)	\$ 74.5 MM
Westinghouse (WH)*	\$ 75.5 MM
Total Turbine cost	\$150.0 MM

ESA will have the right to cancel the purchase contract with Westinghouse according to a cancellation schedule to be negotiated (See Exhibit A).

## DEAL DESCRIPTION

Enron proposes to purchase two (2) Mitsubishi Heavy Industries M501F and two (2) Siemens Westinghouse W501FD gas turbine packages to fulfill ESA's expected turbine requirements for projects coming on line in Brazil between 2002 and 2003. The generating capacity of the gas turbines in combined cycle will be 980 MW. The two most advanced projects that could utilize these turbines are RioGen and Cuiabá II. By purchasing the turbines now, Enron is assuming the risk that the identified projects, or alternative projects yet to be identified, will be completed and will be economically viable.

The strategic rationale for this transaction is to position ESA to take advantage of the expected demand for gas-fired thermal generation in Brazil and create a platform to take advantage of trading opportunities in the local market. The primary benefit of committing to the turbines now is to ensure turbine availability between 2002 and 2003. The development team believes purchasing the turbines now is critical due to the following:

1. Limited availability in the world turbine market for 2001 and 2002 deliveries. Negotiations with Mitsubishi and Westinghouse indicate the turbines will be sold to third parties if ESA does not commit to purchase them now.
2. Significant turbine demand in the Brazilian power market due to:
  - (a) A government program to install 6,000 MW of generation capacity; and
  - (b) Availability of gas in Brazil due to (i) the BBPL excess pipeline capacity, (ii) Cuiabá pipeline capacity (iii) planned construction of new pipelines, (iv) significant discoveries of Bolivian gas, and (v) expected development of Brazilian gas reserves.
3. Requirement for turbines for two ESA projects currently under development in Brazil (see description below)
4. The addition of cost-competitive thermal power plants will create synergies with hydro-based plants to increase the overall efficiency of the Brazilian system.

The MHI and Westinghouse equipment are large-scale advanced technology turbines with similar designs. The turbines will be utilized to construct combined cycle plants to provide base-load power and have the flexibility to not generate during extended periods of excess water availability. The plants will operate at high efficiency with an average heat rate of approximately 7,166 btu/kwhr.

### RioGen Project

RioGen is a gas-fired generating project to be located in the state of Rio de Janeiro with a planned final capacity of approximately 1,000 MW. The initial phase of the project will be 500 MW with 250 MW to be purchased by Elektro Eletricidade e Serviços S.A. ("Elektro"), Enron's wholly owned electric distribution company in the state of São Paulo. ESA expects to sell the remaining 250 MW to other LDCs in Rio de Janeiro or São Paulo. The project will be located in Rio de Janeiro to take advantage of inexpensive domestic gas and favorable electric transmission pricing. Gas will be supplied to the project by Companhia Distribuidora de Gás do Rio de Janeiro ("CEG"), the gas distribution company for the state of Rio, a 45% owned Enron company. ESA and CEG are currently in negotiations, and CEG has made a firm offer to supply gas for the first 250 MW of capacity. Initial requests for permits have been submitted, and the Region believes the full EIA study should be complete by January. ESA began the permitting process in October, 1999; based on Enron's past experiences in Brazil, timing for final EIA approval has ranged from 10-24 months. The project has received significant political support, and ESA's expectations for success are high.

EC004388472

*Cuiabá II Project*

Cuiabá II is a prospective gas-fired generating project to be located in the state of Mato Grosso on the site of Enron's existing Cuiabá generating station with a planned final capacity of approximately 480 MW with a potential expansion to 1500 MW. The economic viability of the 480 expansion will need to be confirmed/validated by a transmission grid study and analysis. ESA is negotiating with Eletrobras, the national electricity company, to purchase the project's off-take, and a Power Purchase Agreement ("PPA") is expected to be finalized by March 2000. The project expects to capitalize on current pipeline capacity paid for by the initial project and operating synergies resulting from the existing plant, Cuiabá I. Enron will supply gas to the project. Enron will likely source the gas from Bolivia, where significant reserves recently have been discovered. Initial requests for permits have been submitted, and the Region believes the full EIA study should be complete and submitted shortly. ESA expects to receive the environmental permits for the site by the end of April 2000. The project has received significant political support, and ESA's expectations for success are high.

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**TRANSACTION SOURCES AND USES OF FUNDS**

	<u>Sources (million)</u>		<u>Uses (million)</u>
Enron	\$150.0	Turbine Purchase	\$150.0

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**RETURN SUMMARY**

Substantial due diligence and development remains on the prospective projects described below; therefore, no quantitative RAC analysis was performed. Consequently, RAC is not in a position to provide a recommendation on the transaction.

The expected returns of these projects have not been determined, and RAC believes that there is a reasonable probability that the project returns will be below the capital price at that time. Also, because Enron is purchasing the turbines in advance of the projects, Enron may be forced into a position to pursue a below market project in order to utilize the turbines or to pursue other exit strategies as outlined below. Generally, due to competitive pressures, gas-fired IPPs serving a PPA in Brazil are likely to yield an IRR of approximately 15%-18%. If certain upsides can be achieved and/or Enron's role in the plant can be expanded beyond traditional development, the actual return would be higher. RAC estimates the current capital price for such a project in Brazil would be approximately 18%.

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**CASH FLOW SUMMARY**

Payment schedule based on milestone progress and industry standards to be negotiated (See Exhibit B).

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**TRANSACTION UPSIDES – N/A**

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**EXIT STRATEGY**

In the event the proposed projects do not transpire, the Region intends to (i) use the turbines either for other projects in Brazil, South America, or, in the case of the Mitsubishi turbines, in other markets around the world; (ii) pay termination fees.

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**RISK MATRIX**

DESCRIPTION	MITIGATION/COMMENTS
<p><b>Long turbine position</b> Risk that ESA will not utilize the turbines in its Brazilian projects.</p>	<ul style="list-style-type: none"> <li>• Elektro's obligation to purchase energy to supply its distribution region.</li> <li>• Continued development of targeted ESA projects.</li> <li>• Opportunity to utilize turbines in multiple other gas-fired generating projects that are likely to be developed in Brazil given the shortage of turbines for such projects.</li> <li>• For the Westinghouse turbines, Enron has the flexibility to move turbines to other projects in Latin America, to re-market turbines, or to pay a cancellation fee.</li> <li>• For the MHI turbines, Enron has the flexibility to move the turbines to alternate Enron projects throughout the world or to sell the turbines to third parties subject to MHI's consent (the specific provision has yet to be negotiated).</li> <li>• The economic viability of the 480 expansion at Cuiaba will need to be confirmed/validated by a transmission grid study and analysis and the addition of incremental transmission capacity in the region.</li> </ul>
<p><b>Regulatory risk</b> Risk that the Electricity Law will not be changed to allow full pass through of costs.</p>	<ul style="list-style-type: none"> <li>• The economics of building a power plant with a long term PPA in Brazil are questionable under the current legal regime. The current legal framework caps the amount that electric LDC's can pass-through related FX, inflation, and gas prices.</li> <li>• The government has indicated that they are willing to modify the law to reflect full passthrough of costs (subject to no cap). In particular, the government has indicated that such treatment would be given to facilities with a commercial operation date prior to December 31, 2003. Such changes are key to the implementation of any thermal project in Brazil and the need for additional capacity is critical to Brazil's energy matrix.</li> </ul>

**KEY SUCCESS FACTORS**

	NA	Poor	Excellent
Core Business			X
Strategic Fit			X
Upside Potential		X	
Management	N/A		
Risk Mitigation		X	

**OTHER RAC COMMENTS:**

It should be noted that the region currently only has two prospective projects in the advanced stages of development that could utilize these turbines. Other projects may be developed or be presented by other companies as opportunities for Enron. However, there is no guarantee that any of these projects will be completed. If these projects are not completed, the region will be forced to find an alternative use for the turbines. The region is assuming a substantial amount of risk because the Brazilian economy, the Brazilian regulatory environment, and the worldwide supply and demand of turbines may adversely influence the value of the turbines. Market sentiment suggests that worldwide turbine demand should remain strong through the term of the purchase agreements for these turbines.

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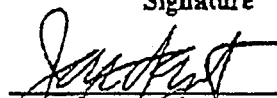

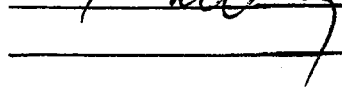
APPROVALS	Name	Signature	Date
Region Management	Jim Bannantine or Diomedes Christodoulou		
Region Legal	Randy Young		
EE&CC Management	Larry Reynolds or Fred Kelly		
RAC Management	Rick Buy or David Gorte	<i>Doug B. Gorte</i>	2 Dec 1999
Enron Capital Management	Andy Fastow or Jeff McMahon	<i>Jeff McMahon</i>	12/2/99 *
Office of the Chairman	Joe Sutton	<i>Joe Sutton</i>	12/6/99
Office of the Chairman	Jeffrey Skilling		

\* EGF NOTE - DEAL TEAM SHOULD BE AWARE OF NEW REAL ESTATE ACCOUNTING RULES RE: TURBINE PURCHASES AND THE DIFFICULTY IN GETTING OFF BALANCE SHEET TREATMENT AFTER THEY GO ON BALANCE SHEET.

EC004388475



RAC Deal Approval Sheet

APPROVALS	Name	Signature	Date
Region Management	Jim Bannantine or Diomedes Christodoulou		12/2/99
Region Legal	Randy Young		12/2/99
EE&CC Management	Larry Reynolds or Fred Kelly		2 Dec 99
RAC Management	Rick Buy or David Gorte		
Enron Capital Management	Andy Fastow or Jeff McMahon		
Office of the Chairman	Joe Sutton		
Office of the Chairman	Jeffrey Skilling		

EC004388476

Global Finance Summary (addendum to DASH)

1. Transaction Summary

	Amount (\$000)
Total Deal/Project Capital Commitment	\$150,000
Add: Enron guarantee	-
Less: Financings	-
Less: Syndications	-
Net Enron Investment	<u>\$150,000</u>

2. Investment terms and pricing:  Market  Above Market  Below Market

Describe (if necessary):  
*current mkt for equipment*

3. Financing terms and pricing:  Market  Above Market  Below Market

Describe (if necessary):  
*NO IDENTIFIED REVENUE SOURCE*

4. Legal or practical liquidity restrictions:  Unrestricted  Legally Restricted  Practically Restricted

Describe (if necessary):  
*mkt for turbines is currently highly illiquid*

5. Any recourse to Enron (other than investment):  Recourse  No Recourse

Describe (if any): *ALL Equity*

6a. Business unit intent to syndicate:  None  Partial  All

Describe (if necessary):  
*Project FINANCING when projects fully developed*

6b. Intended Enron hold period:

*14R - 18 mos*

6c. Likely Syndication Market:  Industry/Strategic Partner  Direct Private Equity  
 Capital Markets  JEDI 1  
 JEDI 2  Enserco  
 LJM 1 or 2  Condor  
 Other: \_\_\_\_\_  Margaux

6d. Is this a JEDI 2 "Qualified Investment"?  Yes  No

Global Finance Representative:

*Robert Gay*  
Signature

Rob Gay

Name (Printed)

*12-2-99*

Date

**Global Finance Summary (addendum to DASH)**

1: Transaction Summary

Total Deal/Project Capital Commitment  
Add: Enron guarantee  
Less: Financings  
Less: Syndications  
Net Enron Investment

Amount (\$000)
\$150,000
150,000
150,000
<u>\$150,000</u> <u>GUARANTEE</u>

2. Investment terms and pricing:

Market  Above Market  Below Market

Describe (if necessary):

*current market pricing*

3. Financing terms and pricing:

Market  Above Market  Below Market

Describe (if necessary):

*6-9 months maturity  
\$50,000 upfront  
Enron Spread + 7bps*

4. Legal or practical liquidity restrictions:

Unrestricted  Legally Restricted  Practically Restricted

Describe (if necessary):

*Limited to ENRON JV's  
and in case of Westinghouse,  
Enron JV's in BRAZIL*

5. Any recourse to Enron (other than investment):

Recourse  No Recourse

Describe (if any):

*WEST LB structure  
includes put to ENRON at  
6-9 months*

6a. Business unit intent to syndicate:

None  Partial  All

Describe (if necessary):

6b. Intended Enron hold period: *6-9 months*

6c. Likely Syndication Market:

*\* Prospectively expect to use  
WEST LB put structure to  
keep off B/S*

Industry/Strategic Partner  Direct Private Equity  
 Capital Markets  JEDI 1  
 JEDI 2  Enserco  
 LJM 1 or 2  Condor  
 Other: WEST LB  Margaux

6d. Is this a JEDI 2 "Qualified Investment"?

Yes  No

Global Finance Representative:

*Robert Gay* Rob Gay  
Signature Name (Printed)

*12-3-99*  
Date

### Exhibit A - Cancellation Schedule

#### WESTINGHOUSE

Terms of Cancellation	%	Amount
12/30/99	3.97%	3,000,000
01/30/00	3.97%	3,000,000
02/28/00	10%	7,550,000
03/30/00	15%	11,325,000
04/30/00	20%	15,100,000
05/30/00	25%	18,875,000
06/30/00	30%	22,650,000
07/30/00	30%	22,650,000
08/30/00	30%	22,650,000
09/30/00	30%	22,650,000
10/30/00	30%	22,650,000
11/30/00	30%	22,650,000
12/30/00	30%	22,650,000
01/30/01	30%	22,650,000
02/28/01	30%	22,650,000
03/30/01	30%	22,650,000
04/30/01	30%	22,650,000
05/30/01	30%	22,650,000
06/30/01	30%	22,650,000
07/30/01	100%	75,500,000
08/30/01	100%	75,500,000

#### MITSUBISHI

Terms of Cancellation	%	Amount
Cancellation schedule with Mitsubishi is currently being negotiated		

EC004388479

## Exhibit B - PAYMENT SCHEDULE

### WESTINGHOUSE

Terms of Payment		Payment	%		Cumulative
12/30/99	Reservation	3,000,000	3.97%		3,000,000
01/30/00	1				3,000,000
02/28/00	2	7,550,000	10%		10,550,000
03/30/00	3	775,000	1.03%		11,325,000
04/30/00	4	3,775,000	5%	Manufact. Release	15,100,000
05/30/00	5	3,775,000	5%		18,875,000
06/30/00	6	3,775,000	5%		22,650,000
07/30/00	7	3,775,000	5%		26,425,000
08/30/00	8	3,775,000	5%		30,200,000
09/30/00	9	3,775,000	5%		33,975,000
10/30/00	10	3,775,000	5%		37,750,000
11/30/00	11	3,775,000	5%		41,525,000
12/30/00	12	3,775,000	5%		45,300,000
01/30/01	13	3,775,000	5%		49,075,000
02/28/01	14	3,775,000	5%		52,850,000
03/30/01	15	3,775,000	5%		56,625,000
04/30/01	16	3,775,000	5%		60,400,000
05/30/01	17	3,775,000	5%		64,175,000
06/30/01	18	3,775,000	5%		67,950,000
07/30/01	19	3,775,000	5%		71,725,000
08/30/01	20	3,775,000	5%		75,500,000

### MITSUBISHI

Terms of Payment		Payment	%		Cumulative
12/30/99	Order/Fee	7,450,000	10%		7,450,000
01/30/00	1				7,450,000
02/28/00	2	-			7,450,000
03/30/00	3	-			7,450,000
04/30/00	4	11,175,000	15%		18,625,000
05/30/00	5	-			18,625,000
06/30/00	6	-			18,625,000
07/30/00	7	-			18,625,000
08/30/00	8	11,175,000	15%		29,800,000
09/30/00	9	-			29,800,000
10/30/00	10	-			29,800,000
11/30/00	11	-			29,800,000
12/30/00	12	14,900,000	20%		44,700,000
01/30/01	13	-			44,700,000
02/28/01	14	-			44,700,000
03/30/01	15	-			44,700,000
04/30/01	16	-			44,700,000
05/30/01	17	14,900,000	20%		59,600,000
06/30/01	18	-			59,600,000
07/30/01	19	-			59,600,000
08/30/01	20	-			59,600,000
09/30/01	21	-			59,600,000
10/30/01	22	14,900,000	20%		74,500,000

EC004388480

# ENRON RISK ASSESSMENT AND CONTROL DEAL APPROVAL SHEET

**DEAL NAME: EECC GE Turbines**

Counterparty: General Electric  
Business Unit: Enron Engineering & Construction Co.  
Business Unit Originator: Larry Izzo  
 Public  Private  
 Merchant  Strategic  
 Conforming  Nonconforming

Date DASH Completed: 12/03/99  
RAC Analyst: E. Pedersen  
Investment Type: Equity  
Capital Funding Source(s): Balance Sheet  
Expected Closing Date: Various  
Expected Funding Date: Various  
Board Approval:  Pending  Received  Denied  N/A

RAC Recommendation:  Proceed with Transaction  Returns below Capital Price  Do not Proceed

**APPROVAL AMOUNT REQUESTED**

Enron Engineering and Construction Company, Inc. ("EECC") requests approval to purchase three (3) Power Island Turbine Packages ("PI"), two (2) 7FA turbines and one (1) Steam turbine from General Electric Company, Inc. ("GE").

Turbine Purchase \$338.5\*

\*EECC will have the option to cancel the turbine contracts with GE according to the cancellation schedule set out in Exhibit A.

**EXPOSURE SUMMARY**

Power Island 9FA Turbines	\$248.5
7FA's & Steam Turbine**	<u>\$ 90.0</u>
Total Turbine Exposure	\$338.5

EC004388481

\*\* EECC received prior approval to make payments to GE through December 1999 totaling \$7.7 million

**DEAL DESCRIPTION**

EECC proposes to purchase three Power Island 9FA Turbine Packages ("PI"), two 7FA and one Steam turbines to fulfill its expected demand for turbines to be utilized in EECC or EECC affiliated projects in Europe and North America between 2001 and 2002. If approved, Enron will begin making installment payments in February 2000 on the PI and continue making payments on the steam + 7FA turbines. Delivery for all turbines is scheduled for fourth quarter 2001. Please refer to Exhibit B for detailed payment schedules.

The strategic benefit of this transaction is to position EECC to have the necessary turbine availability for projects that EECC is in the process of negotiating. EECC believes that failure to commit to the purchase until 2000 will jeopardize meeting the schedule requirements of the Arcos project, a Spanish power project, and the Oxy Chemical Project in Taft, Louisiana. Additionally, acquiring these turbines will provide other high probability opportunities to win future projects in the European, Indian or Middle Eastern markets. Currently, Enron is in the initial stage of bidding on the Shuweihat #1 Power and DeSalination in Abu Dhabi. This is a proposed 1500MW plant requiring six 9F turbines in June 2002. Another bid project which may use two 9F turbines in June 2002 is the proposed Cairo North plant in Egypt. Limited turbine availability during 2000 and 2001 in the global turbine market is restricting access to near term turbine delivery dates. Other parties approaching GE today, in particular, for "9F" class and "7F" turbines can expect to wait until the second and fourth quarter of 2002, respectively, for delivery of equipment.

EECC is pursuing the alternatives of funding through the balance sheet or via an off-balance sheet funding vehicle, consistent with North America's approach to its proposed turbine acquisition through an arrangement with Westdeutsche Landesbank ("West LB"), to maximize accounting flexibility and minimize the funding cost while keeping the turbines secured through a parent guarantee provided by Enron for the purchase price.

The PI turbines are currently allocated for the Arcos project in Cadiz, Spain, in which EECC has been evaluated as the lowest life cycle cost vendor. To comply with accounting rules regarding gain recognition on the sale of its ownership interest, the EPC contract competition will remain open between EECC and at least one alternate bidder until EE has sold down its ownership interest. EE will likely sell down 50-100% its interest in the project in first quarter of 2000.

The PI purchase price will include: three (3) packages consisting of one (1) 9F Single-shaft Gas Turbine, one (1) Steam Turbine, one (1) Hydrogen Cooled generator, and one (1) Heat Recovery Steam Generator. In addition, one Distribution Control System will be included. These turbines are rated for 50 HZ applications (Europe, India, Middle East) and are expected to be allocated to a project in Arcos De La Frontera, Cadiz, Spain, which Enron Europe ("EE") is developing for merchant sales.

The 7FA and Steam turbine purchase price is currently allocated to Enron North America's ("ENA") 800MW Oxy Chem project in Taft, Louisiana. This particular "F" model is in high demand presently, due to its low Nitrogen Oxide ("NOx")

**RAC Deal Approval Sheet**

**Deal Name: EECC GE Turbines**

emission capabilities. It is a multi-use G/T that can be used in peaking or combined cycle mode and can be retrofitted for various special purpose applications and is comparable with various steam turbine sizes.

Management for Enron North America's ("ENA") turbine inventory book agrees with EECC's view on the turbine market and agrees that these turbines would represent valuable assets for Enron.

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**TRANSACTION SOURCES AND USES OF FUNDS**

	<u>Sources</u>		<u>Uses</u>
Enron Equity	\$338.5	Capital Expenditure	\$338.5
Total	\$338.5		\$338.5

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**RETURN SUMMARY**

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**CASH FLOW SUMMARY – N/A**

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**TRANSACTION UPSIDES/OPTIONALITY – N/A**

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**EXIT STRATEGY (Merchant investments only)**

In the event the proposed projects do not transpire, EECC intends to use the turbines for other anticipated but presently unidentified projects in Europe, India or the Middle East.

EC004388482

RISK MATRIX (Maximum 5)

DESCRIPTION	MITIGATION/COMMENTS
<p><b>Long position in 50 HZ Turbine Market (Europe, India, Middle East)</b>                      Risk that EE does not complete development of the Arcos project or choose EECC as the EPC contractor.</p>	<p>EECC and EE believe procuring the right to the turbine would provide strategic trading and merchant opportunities. They are confident that the turbines could be used to win future projects in the European, Indian or Middle Eastern markets. Currently, Enron is bidding on the Shuweihat #1 Power and DeSalination in Abu Dhabi. This is a proposed 1500MW plant requiring six 9F turbines in June 2002. Another bid project which may use two 9F turbines in June 2002 is the proposed Cairo North plant in Egypt.</p> <p>It is expected that the terms and conditions for these acquisitions of turbines will be consistent with other recent acquisitions from GE. EECC will have the right to cancel the turbine contract based on a cancellation cost payment schedule. Cancellation costs escalate monthly during the 27-month construction schedule. Termination charges payable to GE equal 10% (\$24.8MM) of the total contract value after 3 months.</p>
<p><b>Long position in 60 HZ Turbine Market (North/South America)</b>                      Risk that Enron does not finalize an agreement on the Oxy Chem project.</p>	<p>Enron's construction businesses are confident that the turbine can be deployed on a future construction project as these turbines are a common size used on many North American and South American power projects. These turbines could possibly be utilized by NEPCO, an affiliate of EECC. NEPCO has received a Letter of Intent ("LOI") to proceed with construction of a power project for National Energy Systems Company ("NESC") in Fredricksburg, Washington subject to NEPCO's substantiation of its capability to provide two "F" class turbines for this project.</p> <p>It is expected that the terms and conditions for these acquisitions of turbines will be consistent with other recent acquisitions from GE. EECC will have the right to cancel the turbine contract based on a cancellation cost payment schedule. Cancellation costs escalate monthly during the 25-month construction schedule. Termination charges payable to GE equal 4% (\$3.6 mill.) of the total contract value after 3 months.</p>
<p><b>Assignment</b>                      Risk that EECC will not be able to use the turbines if the current projects do not close, or to assign the warranty on the GE turbines</p>	<p>It is expected that the terms and conditions for these acquisitions of turbines, including transfer and assignment rights, will be consistent with other recent acquisitions from GE. EECC will negotiate with GE to use the turbines on other Enron projects and to resell the turbines to another user in the event that Enron is unable to utilize the turbines in a project. EECC expects to have the right to assign the warranties to any projects that Enron owns or builds.</p>

KEY SUCCESS FACTORS

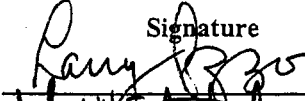
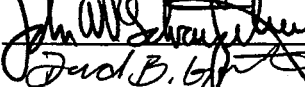
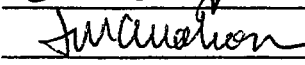
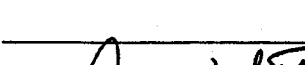
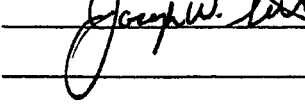
	NA	Poor	Excellent
Core Business			X
Strategic Fit			X
Upside Potential		X	
Management	N/A		
Risk Mitigation		X	



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**OTHER RAC COMMENTS:**

EC004388484

APPROVALS	Name	Signature	Date
Regional Mgmt.	Larry Izzo		3 Dec 99
Legal	John Schwartzburg		3 Dec 99
RAC Management	Rick Buy / David Gorte		3 Dec 1999
Enron Capital Management	Andy Fastow / Jeff McMahan		6 Dec 99
ENE Management	Jeffrey Skilling		
ENE Management	Joe Sutton		6 Dec 99

EC004388485

**Global Finance Summary (addendum to DASH)**

1. Transaction Summary

	Amount (\$000)
Total Deal/Project Capital Commitment	\$338,500
Less: Financings	-0-
Less: Syndications	-0-
Net Enron Investment	\$338,500

2. Investment terms and pricing:  Market  Above Market  Below Market

Describe (if necessary):

3. Financing terms and pricing:  Market  Above Market  Below Market

Describe (if necessary):

*N/A - May be financed with off-balance sheet structure similar to that used by ENA.*

4. Legal or practical liquidity restrictions:  Unrestricted  Legally Restricted  Practically Restricted

Describe (if necessary):

*EECC cannot directly assign its position in the turbines because GE would void the warranty; however, it could enter into a JV and contribute the turbines to another project.*

5. Any recourse to Enron (other than investment):  Recourse  No Recourse

Describe (if any):

6a. Business unit intent to syndicate:  None  Partial  All

Describe (if necessary):

6b. Intended Enron hold period: *12/2002*

6c. Likely Syndication Market:  Industry/Strategic Partner  Direct Private Equity  
 Capital Markets  JEDI 1  
 JEDI 2  Enserco  
 LJM 1 or 2  Condor  
 Other: \_\_\_\_\_  Margaux

6d. Is this a JEDI 2 "Qualified Investment"?  Yes  No

Global Finance Representative:

*[Signature]*  
Signature

*D. Henriquez*  
Name (Printed)

*12/03/99*  
Date

### Exhibit A - Cancellation Schedules

Power Island Turbine Packages			
Month	Total		(\$000's)
	7.5%	\$	17,680
	7.5%	\$	17,680
Feb-00	7.5%	\$	17,680
Apr-00	10.0%	\$	23,680
Apr-00	10.0%	\$	23,680
May-00	11.3%	\$	26,758
Jun-00	13.0%	\$	30,783
Jul-00	14.6%	\$	34,572
Aug-00	17.3%	\$	40,966
Sep-00	22.2%	\$	52,568
Oct-00	28.1%	\$	66,539
Nov-00	33.9%	\$	80,274
Dec-00	38.9%	\$	92,113
Jan-01	44.2%	\$	104,663
Feb-01	49.6%	\$	117,450
Mar-01	54.9%	\$	130,000
Apr-01	59.0%	\$	139,709
May-01	62.0%	\$	146,813
Jun-01	65.2%	\$	154,390
Jul-01	67.0%	\$	158,653
Aug-01	68.7%	\$	162,678
Sep-01	70.1%	\$	165,993
Oct-01	71.3%	\$	168,835
Nov-01	80.9%	\$	191,567
Dec-01	90.4%	\$	214,063
Jan-02	99.6%	\$	235,848
Feb-02	100.0%	\$	236,795

The Buyer May Terminate the Contract at any Time Upon Written Notification and Payment of Termination Charges in Accordance with the Schedule Set Forth Above.  
 Title to any Terminated Gas Turbine Equipment Remains with the Seller.  
 The Termination Charge for any Equipment for Which Title Has Transferred is 100%.  
 Technical Direction and Training are not included in the above schedule

7FA's & Steam Turbine			
Month	Total		(\$000's)
Aug-99	0.0%	\$	-
Sep-99	0.0%	\$	3,600
Oct-99	3.9%	\$	3,600
Nov-99	3.9%	\$	7,200
Dec-99	7.8%	\$	7,200
Jan-00	7.8%	\$	8,370
Feb-00	9.1%	\$	9,360
Mar-00	10.2%	\$	10,620
Apr-00	11.7%	\$	11,880
May-00	13.1%	\$	13,500
Jun-00	15.0%	\$	18,000
Jul-00	20.0%	\$	22,320
Aug-00	24.8%	\$	26,820
Sep-00	29.8%	\$	31,680
Oct-00	35.4%	\$	33,660
Nov-00	37.8%	\$	35,100
Dec-00	39.6%	\$	37,080
Jan-01	42.1%	\$	37,980
Feb-01	43.2%	\$	38,340
Mar-01	43.7%	\$	39,060
Apr-01	44.6%	\$	39,780
May-01	45.5%	\$	40,140
Jun-01	45.9%	\$	41,220
Jul-01	47.3%	\$	65,340
Aug-01	73.3%	\$	89,640
Sep-01	99.5%	\$	90,000
Oct-01	100.0%	\$	90,000
Nov-01	100.0%	\$	90,000

The buyer may terminate purchase as to Items 1&2 of this POA at any time upon written notice and payment of termination charges in accordance with the schedule set forth above.  
 Title to any terminated combustion turbine equipment remains with the Seller  
 The termination charge for any equipment for which title has transferred is 100%

EC004388487

### Exhibit B - Payment Schedules

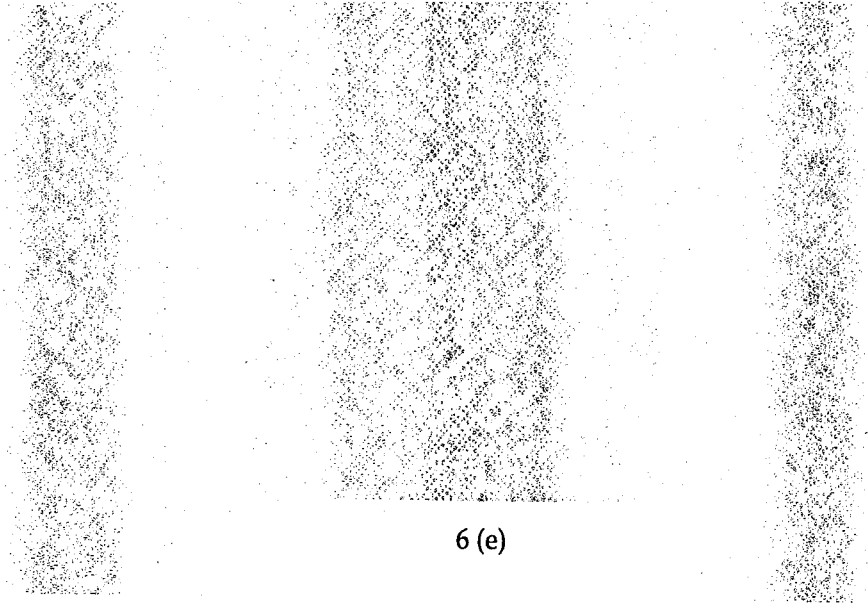
Power Island Turbine Packages		
Month	Total	(\$000's)
Feb-00	7.5%	\$ 17,680
Apr-00	10.4%	\$ 24,725
May-00	12.4%	\$ 29,362
Jun-00	14.8%	\$ 35,045
Jul-00	17.2%	\$ 40,727
Aug-00	20.7%	\$ 48,923
Sep-00	25.8%	\$ 61,094
Oct-00	31.5%	\$ 74,663
Nov-00	36.7%	\$ 86,897
Dec-00	41.8%	\$ 98,884
Jan-01	46.8%	\$ 110,871
Feb-01	51.6%	\$ 122,160
Mar-01	56.4%	\$ 133,449
Apr-01	60.0%	\$ 142,136
May-01	63.2%	\$ 149,578
Jun-01	65.9%	\$ 156,105
Jul-01	68.7%	\$ 162,632
Aug-01	71.4%	\$ 168,958
Sep-01	74.0%	\$ 175,254
Oct-01	76.6%	\$ 181,359
Nov-01	79.1%	\$ 187,344
Dec-01	85.4%	\$ 202,119
Jan-02	92.2%	\$ 218,412
Feb-02	98.4%	\$ 232,965
Mar-02	99.6%	\$ 235,921
Apr-02	100.0%	\$ 236,795
<hr/>		
Subtotal		\$ 236,795
TDI & Training		\$ 11,705
Total Contract		<u>\$ 248,500</u>

Payments are due on the dates in the above schedule  
 Invoices will be issued at least 30 days prior to the due date  
 TDI & Training payments terms are per the GE proposal  
 This schedule replaces terms of payment in the GE proposal

7FA's & Steam Turbine			
Month	Total		(\$000's)
Oct-99	4.5%	\$	4,104
Nov-99	4.5%	\$	4,104
Dec-99	8.4%	\$	7,704
Jan-00	8.4%	\$	7,704
Feb-00	9.2%	\$	8,424
Mar-00	10.2%	\$	9,396
Apr-00	11.0%	\$	10,116
May-00	11.8%	\$	10,836
Jun-00	12.9%	\$	11,808
Jul-00	16.8%	\$	15,408
Aug-00	20.6%	\$	19,008
Sep-00	24.8%	\$	22,860
Oct-00	31.5%	\$	28,660
Nov-00	36.5%	\$	33,160
Dec-00	41.5%	\$	37,660
Jan-01	46.5%	\$	42,160
Feb-01	51.0%	\$	46,264
Mar-01	56.1%	\$	50,854
Apr-01	61.4%	\$	55,624
May-01	66.7%	\$	60,394
Jun-01	72.1%	\$	65,164
Jul-01	81.3%	\$	73,534
Aug-01	90.5%	\$	81,904
Sep-01	98.9%	\$	89,104
Oct-01	100.0%	\$	90,004
<hr/>			
Total Contract		\$	<u>90,004</u>

Initial payment is due with signed Principle of Agreement  
 Progress Payments are due on the 25th of the indicated month  
 Payments tied to shipment of equipment are due Net 30 after certification that  
 equipment has shipped

EC004388488



6 (e)

EC004388489

**AGENDA ITEM 6(e)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, EEX Corporation ("EEX"), directly or through its affiliates, intends acquire all of the partnership interests in Tesoro E&P Company, L.P. (the "Acquisition") and change its name to EEX E&P Company, L.P. ("Partnership");

WHEREAS, Enron North America Corp., or its designee ("ENA"), desires to (i) acquire a 50% interest in the Partnership in exchange for a capital contribution of \$3 million and (ii) purchase from the Partnership volumes of gas pursuant to a prepaid forward gas sales contract with a purchase price of between \$100 million and \$120 million, with the amount to be determined by the Office of the Chairman in its discretion and pursuant to a structure to accommodate the financing of the Acquisition;

NOW, THEREFORE, IT IS RESOLVED, that the proposed acquisition by ENA of a 50% interest in the Partnership and the execution of the proposed prepaid forward gas sales contract and such other documents as may be required to accommodate the financing of the Acquisition are hereby approved;

RESOLVED FURTHER, that, in connection with the foregoing, the Company hereby approves and consents to all actions duly authorized by ENA to effectuate the foregoing transactions, which actions may include, without limitation, the execution and delivery of a limited partnership agreement and a prepaid forward gas sales agreement, as well as any and all other documents, instruments or written obligations of ENA ancillary to such transactions; and

RESOLVED FURTHER, that each of the officers of the Company are hereby authorized and empowered, with the power and authority of the full Board of Directors to the fullest extent permitted by law, to authorize and approve all agreements, instruments, and documents and to do or cause to be done all such acts or things, in the name and on behalf of the Company, as any of said officers, in his or her discretion, may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions.

**AGENDA ITEM 6(e)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, EEX Corporation ("EEX"), directly or through its affiliates, intends acquire all of the partnership interests in Tesoro E&P Company, L.P. (the "Acquisition") and change its name to EEX E&P Company, L.P. ("Partnership");

WHEREAS, Enron North America Corp., or its designee ("ENA"), desires to (i) acquire a 50% interest in the Partnership in exchange for a capital contribution of \$3 million and (ii) purchase from the Partnership volumes of gas pursuant to a prepaid forward gas sales contract with a purchase price of between \$100 million and \$120 million, with the amount to be determined by the Office of the Chairman in its discretion and pursuant to a structure to accommodate the financing of the Acquisition;

NOW, THEREFORE, IT IS RESOLVED, that the proposed acquisition by ENA of a 50% interest in the Partnership and the execution of the proposed prepaid forward gas sales contract and such other documents as may be required to accommodate the financing of the Acquisition are hereby approved;

RESOLVED FURTHER, that, in connection with the foregoing, the Company hereby approves and consents to all actions duly authorized by ENA to effectuate the foregoing transactions, which actions may include, without limitation, the execution and delivery of a limited partnership agreement and a prepaid forward gas sales agreement, as well as any and all other documents, instruments or written obligations of ENA ancillary to such transactions; and

RESOLVED FURTHER, that each of the officers of the Company are hereby authorized and empowered, with the power and authority of the full Board of Directors to the fullest extent permitted by law, to authorize and approve all agreements, instruments, and documents and to do or cause to be done all such acts or things, in the name and on behalf of the Company, as any of said officers, in his or her discretion, may deem necessary, advisable or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions.

EC004388491



RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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EC004388492

EEX Corp

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**\$120 Million Pre-Paid Natural Gas  
Contract with EEX**

**Board Approval Presentation**

*Enron North America  
December 14, 1999*

EC004388493



## Overview

- EEX is a Houston-based independent oil and gas E&P company focused on large reserve potential projects in the Deepwater and Continental Shelf of the Gulf of Mexico.
- EEX has agreed to acquire Tesoro E&P for \$216 million covering 180 Bcfe of proved reserves, 50 Bcfe of probable reserves, and 157,000 undeveloped acres.
- ENA is proposing to acquire up to 60 Bcfe over a five year period for up to \$117 million through a prepaid agreement with a special purpose entity of EEX Corp. The prepay will be secured by all of the reserves and assets acquired from Tesoro E&P Company. This secured prepaid acquisition of natural gas reserves is similar to a volumetric production payment, but is being structured as a prepay to accommodate EEX's desires.
- ENA will also provide a \$3 million equity investment to the SPV to allow EEX the ability to avoid having the prepay reflected as debt under its corporate revolving credit facility.
- The transaction is attractive for the following reasons:
  - ENA will buy the prepay and fully syndicate the exposure while retaining an expected minimum of \$2.1 million in earnings.
  - Additional income potential of \$750,000 to \$1.25 million may be achieved if a production delivery insurance policy is utilized to credit enhance the production risk.
  - HPL has identified additional potential income opportunities of \$3.5 million with the assets.
  - Full syndication of ENA's position is expected by no later than 1Q2000

EC004388494



## Proposed Transaction Structure

### Prepay

- Up to a \$117 million prepay has been structured to provide a minimum of 1.7x asset coverage and 1.25x cash flow coverage on up to 60 Bcfe of proved reserves.\*
- Embedded interest rate of 9.5%.
- Lien and security interest on all assets.
- Five year term, with monthly deliveries and payments.
- Prepay volumes are hedged at an average \$2.64 per MMcf.
- Floating interest rate exposure has been swapped to a fixed rate.

\*This approval seeks authority to delegate approval to the Office of the Chairman to increase the amount to no more than \$117 million. Approval is subject to any reduction in coverage ratios being offset by improved structure and/or pricing.

### Equity

- \$3 million investment in special purpose entity that will own all of the reserves acquired from Tesoro. This investment and a 12.5% yield will be returned to ENA on a monthly basis over the life of the prepay.

EC004388495



# ENRON RISK ASSESSMENT AND CONTROL DEAL APPROVAL SHEET

<b>DEAL NAME: EEX</b> Counterparty: A Special Purpose LLC of EEX Corp Business Unit: ENA Producer Finance Business Unit Originator: Jim McBride <input type="checkbox"/> Public <input checked="" type="checkbox"/> Private <input checked="" type="checkbox"/> Merchant <input type="checkbox"/> Strategic <input checked="" type="checkbox"/> Conforming <input type="checkbox"/> Nonconforming	Date DASH Completed: December 6, 1999 RAC Analyst: Laura Wentz/Kate Lucas Investment Type: Prepay/Equity Capital Funding Source(s): Balance Sheet Expected Closing Date: December 15, 1999 Expected Funding Date: December 15, 1999 Board Approval: <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Received <input type="checkbox"/> Denied <input type="checkbox"/> N/A
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RAC Recommendation:  Proceed with Transaction    Returns below Capital Price    Do not Proceed

### APPROVAL AMOUNT REQUESTED

Capital Commitment	\$120,000
Bid Bond Amount	N/A

### EXPOSURE SUMMARY

This transaction:	\$120,000
Total	\$120,000

### DEAL DESCRIPTION

EEX Corp. ("EEX"), through a special purpose LLC, is acquiring the entities owning all of the partnership interest of Tesoro E&P Company, L.P. ("Tesoro") for \$216 million. Total funding for the acquisition will be from (i) equity capital contributions of \$3.0 million each from EEX and ENA (ii) \$109.3 million of convertible subordinated debt from EEX, and (iii) a \$103.7 million prepaid natural gas sale to ENA covering 52,843,672 MMBtus of natural gas.

EEX Special Purpose LLC (the "LLC") will be created to acquire the partnership interests of Tesoro, which will change its name to EEX E&P Company, L.P. ("E&P"). ENA will invest \$3 million in the LLC for a 50.0% equity interest. ENA's equity investment in the LLC will allow EEX to avoid classifying the pre-paid natural gas sale as debt under its corporate revolving credit facility. The equity investment and a 12.5% return will be repaid to ENA in monthly installments over the term of the prepay through an increase in the wellhead price guaranteed by E&P for all prepaid volumes.

The \$103.7 million prepay has an imbedded interest rate of 9.5% and has been structured to provide asset coverage of 1.7x and cash flow coverage of 1.25x. The prepay is secured by all of E&P's gas reserves (178,151,157 MMBtus). The term of this agreement is five years. The structure of this transaction is similar to a volumetric production payment, but ENA will not receive a real property ORRI in the properties of E&P. ENA Global Finance anticipates syndicating the full amount of the prepay at approximately LIBOR+175 basis points ("bp") no later than the end of the first quarter of 2000. Potential lead banks have been provided details regarding the transaction and have given indicative quotes to purchase 50% of the prepay prior to year end at prices consistent with ENA Global Finance's expectations.

We have negotiated a transaction size of up to \$120 million with EEX, subject to reduction if the value and volumes reflected in a mid-year 1999 Netherland and Sewell reserve report and accepted by RAC Resource Evaluation have not been replaced and maintained in the year-end 1999 reserve report. Based upon our preliminary analysis of this updated reserve engineering, the smaller \$106.7 million transaction size on which RAC's analysis has been performed maintains the agreed-upon coverage ratio. Approval to delegate authority to the Office of the Chairman for approval of an increase in the total amount of financing to up to \$120 million is also sought in this DASH. If the agreed-upon coverage ratio were not maintained in a larger transaction, the structure and pricing of the financing would be appropriately modified to reflect the incremental risk. One possibility is to provide this financing in a two-tranche structure, with the second tranche being syndicated to a different investor or group of investors separate from the bank tranche.

### TRANSACTION SOURCES AND USES OF FUNDS

	<u>Sources</u>		<u>Uses</u>
Enron (ENA) Equity	\$106,700	Pre-paid purchase of natural gas	\$103,700
		Equity in special purpose company	\$3,000
Total	\$106,700		\$106,700

EC004388496

**RETURN SUMMARY**

**Prepay component**

Return Components:	PV @	Cumulative
	Capital Price	IRR
Cash Outflows	(\$103,649)	-
Fees	\$1,981	-
Intermed. Cash Flows	\$104,079	10.47%
Terminal Value	\$0	10.47%
<b>Total NPV</b>	<b>\$2,411</b>	<b>10.47%</b>

**Capital Price Components**

Risk free rate (%):	5.83%
Equity/Credit premium (%):	0%
Country Premium (%):	0%
Transaction-Specific (%):	3.30%*

**RAC CAPITAL PRICE: 9.13%**

**Equity component**

Return Components:	PV @	Cumulative
	Capital Price	IRR
Cash Outflows	(\$2,999)	-
Fees	\$0	-
Intermed. Cash Flows	\$3,182	12.47%
Terminal Value	\$0	12.47%
<b>Total NPV</b>	<b>\$183</b>	<b>12.47%</b>

**Capital Price Components**

Risk free rate (%):	5.83%
Equity/Credit premium (%):	0%
Country Premium (%):	0%
Transaction-Specific (%):	3.30%*

**RAC CAPITAL PRICE: 9.13%**

\*The transaction-specific component is comprised of: (1) assumed LIBOR spread of 175 bp, (2) amortized cost of up-front fee of 53 bp, (3) a 25 bp syndication risk factor, and (4) the difference between LIBOR swap rate of 6.60 and the US Treasury Bill rate of return.

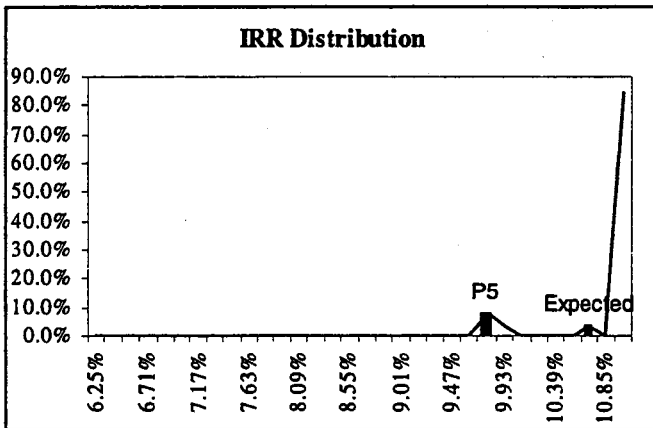
E-Rating

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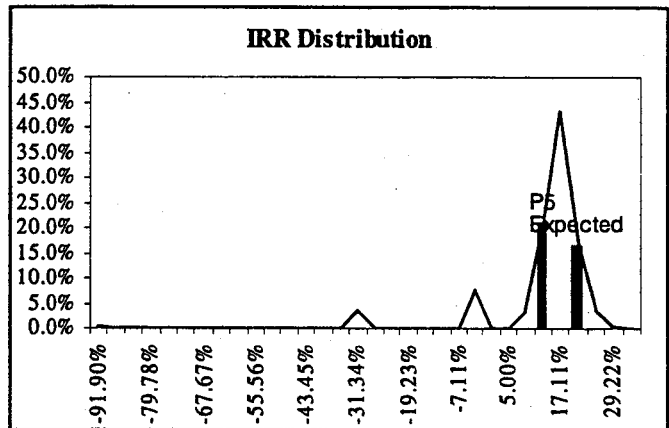
Relative upside ratio

0.139 (prepay); 0.291 (equity)

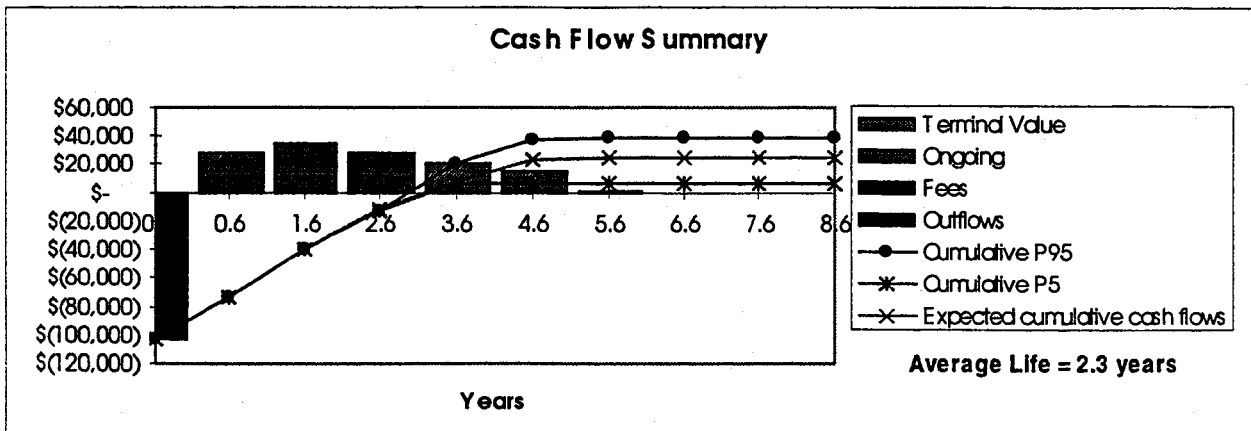
**Prepay component**



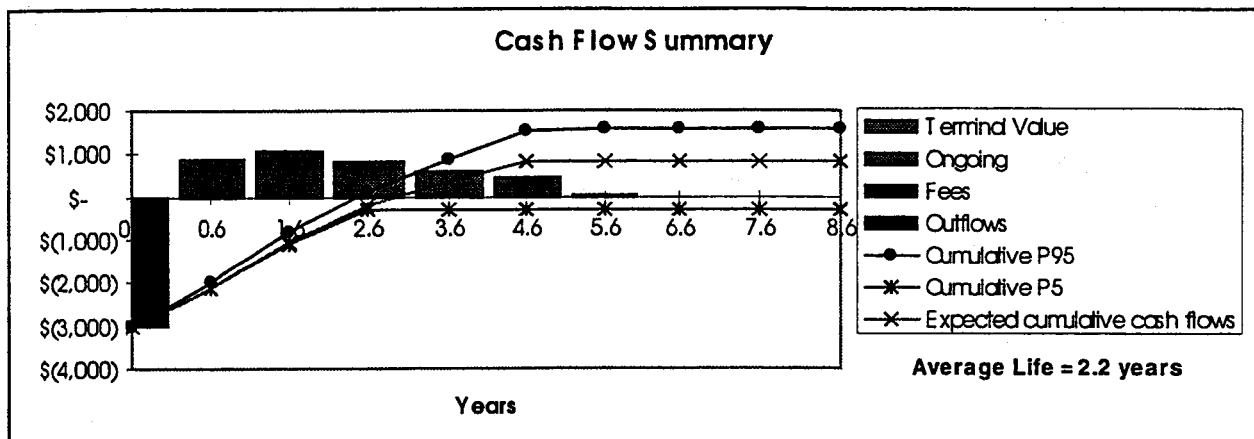
**Equity component**



**Prepay component**



Equity component



CASH FLOW SUMMARY

Weighted average life: 2.2 years (prepay); 2.3 years (equity)

TRANSACTION UPSIDES/OPTIONALITY

During the time that the volumes of gas are being delivered under the prepay, ENA will have the right to bid on all volumes of gas in excess of the scheduled volumes that are produced from the properties. HPL estimates it can generate approximately \$3.5 million of income related to the transaction.

Additional income of approximately \$750,000 to \$1.25 million may be generated by the purchase of a production delivery insurance policy to wrap the production risk associated with volumes under the prepay. This production delivery insurance policy, if purchased, would be affected in connection with a refinancing of the prepay in 2000 or beyond.

EXIT STRATEGY

ENA plans to sell its prepay position as soon as possible, with its expectation that this will occur no later than the end of the first quarter of 2000.

RISK MATRIX

DESCRIPTION	MITIGATION/COMMENTS
Syndication Risk	ENA is fully underwriting the prepay transaction with the intent to syndicate 100% as soon as possible. ENA Global Finance anticipates syndicating the full amount of the prepay at approximately LIBOR+175 basis points, if not by year end 1999, then within the first quarter of 2000. Potential lead banks familiar with the transaction have already given nonbinding indicative quotes to buy 50% of the prepay prior to year end, at prices consistent with ENA Global Finance's expectations. Normal risks associated with respect to movements in the banks' required spreads exist through completion of the syndication.

**RAC Deal Approval Sheet**

**Deal Name: EEX Corporation**

Interest Rate Risk	The terms of the syndication will be based on a spread over LIBOR, while the return to ENA is a fixed percentage. The interest rate risk associated with the transaction has been hedged, so as to mitigate interest rate risks prior to closing and funding and to effectively eliminate it past funding.
Reserve Risk	Final ENA confirmation of third-party engineering reports will be received prior to closing. If the final reserve report indicates a lower reserve total than the current report, the amount of the prepay will be reduced accordingly. The transaction has been conservatively structured to provide 1.7x asset coverage and 1.25x cash flow coverage.
Oil and Gas Price Risk	100% of the pre-paid natural gas volumes have been hedged by EEX Corp. The swap agreements will be assigned to ENA as part of the prepay transaction. These hedges were entered into with the Chase Manhattan Bank (Aa2/AA- credit rating) as the counterparty.

**KEY SUCCESS FACTORS**

	NA	Poor	Excellent
Core Business			X
Strategic Fit		X	
Upside Potential		X	
Management			X
Risk Mitigation			X

EC004388499



OTHER RAC COMMENTS:

APPROVALS

	<u>Name</u>	<u>Signature</u>	<u>Date</u>
RAC Management	Rick Buy/David Gorte	<i>David B. Gorte</i>	6 December 1999
RAC Technical	Monte Gleason	<i>Monte Gleason</i>	12/6/99
ENA Commercial Transactions Group	Ray Bowen	<i>Raymond M. Bowen</i>	12/6/99
ECC Legal	Mark Haedicke <i>gh</i>	<i>Mark Haedicke</i>	12/6/99
Business Unit Originator	Jim McBride	<i>J. R. McBride</i>	12/6/99
Enron Capital Management *	Andy Fastow/Jeff McMahon	<i>Jeff McMahon</i>	12/6/99
ENA Management	Cliff Baxter/Kevin Hannon	<i>Cliff Baxter</i>	12/6/99
ENE Management	Jeffrey Skilling / Joe Sutton	<i>R. By for Joe Sutton</i> per conversation 12/6/99	12/6/99

\* This ASSET RESULTS IN NEGATIVE FUNDS FLOW TO ENE. Accordingly, BUSINESS UNIT AGREES TO SYNDICATE by 12/31/99 TO AVOID DILUTION TO FUNDS FLOW RATIOS.

EC004388500

**Global Finance Summary (addendum to DASH)**

**1. Transaction Summary**

	<u>Amount (\$000)</u>
Total Deal/Project Capital Commitment	120,000
Less: Financings	
Less: Syndications	(120,000)
Net Enron Investment	<u><u>0</u></u>

2. **Investment terms and pricing:**       Market       Above Market       Below Market  
 Describe (if necessary):

3. **Financing terms and pricing:**       Market       Above Market       Below Market  
 Describe (if necessary):

4. **Legal or practical liquidity restrictions:**       Unrestricted       Legally Restricted       Practically Restricted  
 Describe (if necessary):

5. **Any recourse to Enron (other than investment):**       Recourse       No Recourse  
 Describe (if any):


6a. **Business unit intent to syndicate:**       None       Partial       All  
 Describe (if necessary):

6b. **Intended Enron hold period:**      30-60 DAYS

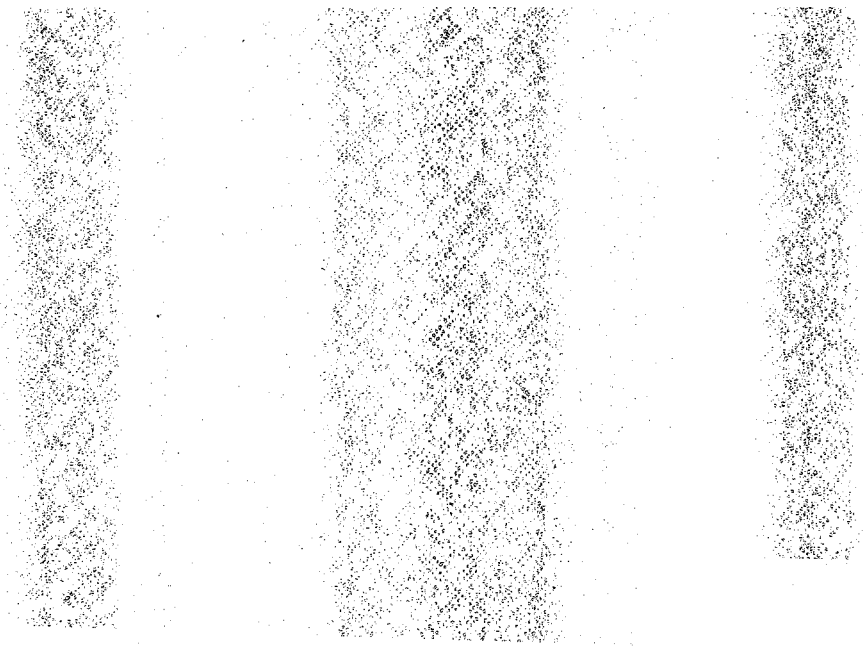
6c. **Likely Syndication Market:**

<input type="checkbox"/> Industry/Strategic Partner	<input type="checkbox"/> Direct Private Equity
<input checked="" type="checkbox"/> Capital Markets	<input type="checkbox"/> JEDI 1
<input type="checkbox"/> JEDI 2	<input type="checkbox"/> Enserco
<input type="checkbox"/> LJM 1 or 2	<input type="checkbox"/> Condor
<input type="checkbox"/> Other: _____	<input type="checkbox"/> Margaux

6d. **Is this a JEDI 2 "Qualified Investment"?**       Yes       No

Global Finance Representative:       JOSEPH DEFFNER      12-6-99  
 Signature      Name (Printed)      Date

EC004388501



6 (f)

EC004388502



# Interoffice Memorandum

To: The Finance Committee of the Board of Directors

From: Jeff Skilling and Rick Buy

Department: Risk Assessment and Controls

Subject: Changes to the Risk Management Policy

Date: December 13, 1999

- I. The following changes to the permanent limits in the Risk Management Policy have been requested: separate European Electricity Commodity Group into three individual Commodity Groups and allocate permanent limits to those commodity groups, as follows:

	<u>Current</u>	<u>Temporary</u>	<u>Proposed</u>
<b><u>European Electricity</u></b>			
Net Open Position Limit	15 MM Mwh	42 MM Mwh	N/A
Rolling 12-Month Open Position Limit	15 MM Mwh	15 MM Mwh	N/A
VAR Limit	\$9 MM	\$12 MM	N/A
<b><u>UK Electricity</u></b>			
Net Open Position Limit	None	None	35 MM Mwh
Rolling 12-Month Open Position Limit	None	None	15 MM Mwh
VAR Limit	None	None	\$10 MM
<b><u>Nordic Electricity</u></b>			
Net Open Position Limit	None	None	10 MM Mwh
Rolling 12-Month Open Position Limit	None	None	10 MM Mwh
VAR Limit	None	None	\$3 MM
<b><u>Continental Electricity</u></b>			
Net Open Position Limit	None	None	10 MM Mwh
Rolling 12-Month Open Position Limit	None	None	10 MM Mwh
VAR Limit	None	None	\$3 MM

- II. The following changes to the temporary limits have been requested:

<b><u>European Natural Gas</u></b>			
Net Open Position Limit	60 Bcf	260 Bcf – until 12/31/99	260 Bcf – until 12/31/00
Rolling 12-Month Open Position Limit	90 Bcf	90 Bcf	120 Bcf – until 12/31/00
VAR Limit	\$7.5 MM	\$7.5 MM	No change

III. **Proposed Eastern Transaction**

In addition to the above trading limit requests to accommodate our normal activity, we are requesting that the Board delegate the authority to the COO and CRO to authorize a temporary (12 month) increase to the UK Electricity limits of an additional 10 MM Mwh to accommodate a potential deal with Eastern expected by year end.

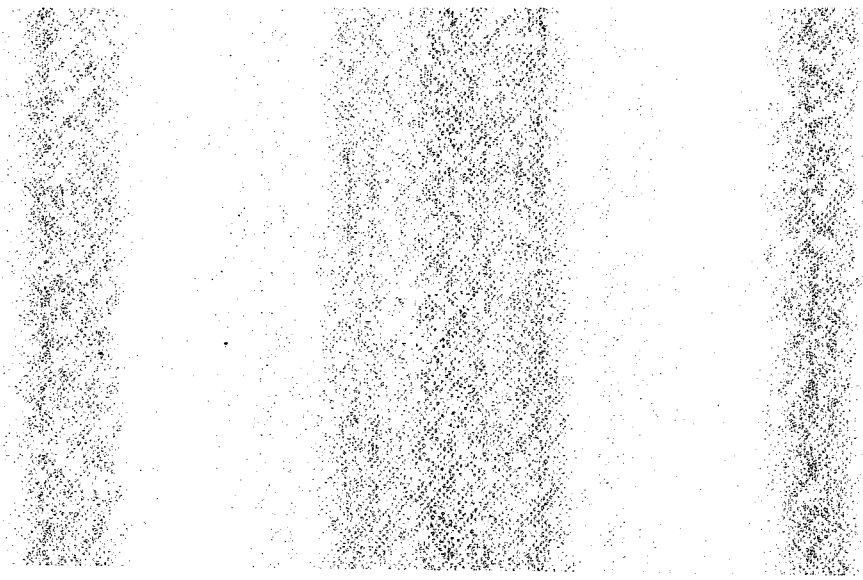
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IV. The following new product has been approved under the Interim Policy provisions within the Risk Management Policy (Appendix

**Lumber**

Net Open Position Limit	22 MM Board Feet
Rolling 12-Month Open Position Limit	22 MM Board Feet
VAR Limit	\$0.25 MM

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6 (g)

EC004388505

AGENDA ITEM 6(g)  
(SUGGESTED FORM OF RESOLUTIONS)

WHEREAS, it is in the Company's best interest to provide financing and liquidity for affiliates of the Company; and

WHEREAS, it is anticipated that the Company and/or its affiliates, may engage in a financing transaction through the sale of up to \$2,200,000,000 of securities to an investor or investor group not affiliated with the Company (the "Investor") and (such action, together with all other actions to be taken in connection therewith, the "Transaction"); and

NOW THEREFORE, IT IS RESOLVED, that the Company hereby authorizes the implementation of all actions appropriate to accomplish the purpose of the Transaction, as deemed necessary and appropriate to the Transaction and approved and executed by officers or representatives of the Company acting on the advice of counsel, which is hereby authorized and which shall be conclusively evidenced by their signatures on such contracts and agreements;

RESOLVED FURTHER, that the Transaction and all arrangements relating to them in a form acceptable to the officers and representatives of the Company acting on the advice of counsel, be, and hereby are, approved;

RESOLVED FURTHER, that the Chairman of the Board, the President, any Senior Vice President, any Vice President, the Treasurer and any Deputy Treasurer of the Company be, and each of them hereby is, authorized and empowered on behalf of the Company to take such actions necessary or appropriate to effectuate the intent of these resolutions;

RESOLVED FURTHER, that all actions heretofore taken by any officer or representative of the Company related to or in connection with the

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Transactions and the matters described in these resolutions, including without limitation the execution and delivery of any related documents or instruments, are hereby adopted, ratified, confirmed, and approved in all respects; and

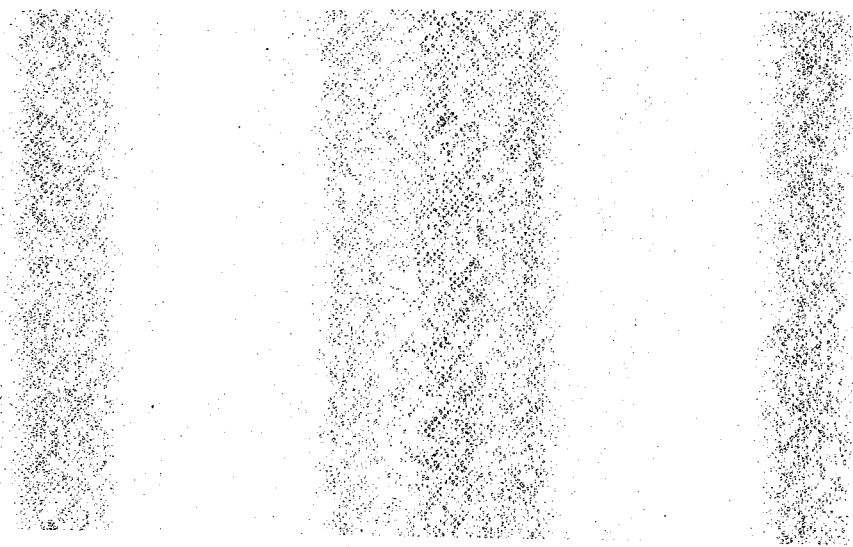
RESOLVED FURTHER, that the officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action to amend, execute, and deliver all such further instruments and documents for and in the name and on behalf of the Company, and to cause the Company to pay all such costs and expenses as are in the judgment of such officer or counsel necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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EC004388508

**AGENDA ITEM 6(h)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, on November 17, 1998, the Board of Directors of the Company approved the acquisition by Enron Internacional Panama S.A. ("EIPSA") of a 51% equity interest in Empresa de Generacion Electrica Bahia Las Minas, S.A. ("Bahia Las Minas") and such acquisition has occurred; and

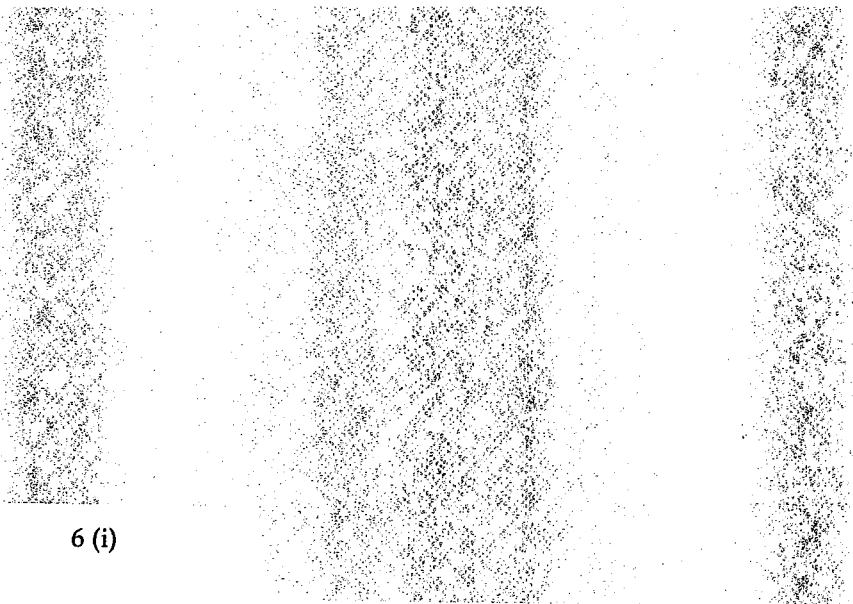
WHEREAS, as a central element of making this acquisition, the Company planned to sell a portion of its interest in Bahia Las Minas; and

NOW, THEREFORE, IT IS RESOLVED, that the Board of Directors of the Company hereby confirms that the delegations of authority to the Office of the Chairman stated in the resolutions of the Board of Directors of the Company dated November 17, 1998, include the authority to authorize and approve the sale of a portion of the Company's ownership interest in Bahia Las Minas.

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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6 (i)

EC004388510

## Enron Transaction Approval Summary

### Merchant Transactions

Board of Directors Meeting:

December 14, 1999

TODAY'S DATE:

December 1, 1999

Tab No.	Region/ Business	Investment Class	Date Approved	Transaction Name	Transaction Size	Approval Authority*	Net Amount
M-1	EE&CC	Conforming	02-Nov-99	Accro Line of Credit	\$ 10,000,000	ENE-OOC	\$ 10,000,000
M-2	EE&CC	Conforming	17-Nov-99	CA-AC-4 Offshore Hookup**	\$ 4,600,000	ENE-OOC	\$ 4,600,000
M-3	EE&CC	Conforming	03-Nov-99	GE 7FA Turbines (2)	\$ 17,704,000	ENE-OOC	\$ 17,704,000
M-4	Europe	Conforming	08-Nov-99	Octagon	\$ 16,200,000	ENE-OOC	\$ 12,150,000
M-5	Europe	Conforming	19-Nov-99	OPET	\$ 17,050,000	ENE-OOC	\$ 17,050,000
M-6	EE&CC	Conforming	17-Nov-99	Pemex EPC 4, Atasta, Cuidad**	\$ 18,500,000	ENE-OOC	\$ 18,500,000
M-7	North America	Conforming	15-Oct-99	Project FM	\$ 46,170,000	ENE-CEO/COO	\$ 46,170,000
M-8	North America	Conforming	29-Sep-99	Quanta, Investment II***	\$ 5,000,000	ENE-OOC	\$ 5,000,000
<b>Total Funded Capital Approved:</b>					<b>\$ 135,224,000</b>		<b>\$ 131,174,000</b>

#### Divestitures

Tab No.	Region/ Business	Investment Class	Date Approved	Transaction Name	Transaction Size	Approval Authority	Net Amount
M-9	North America	Divestiture	18-Nov-99	Hubble Disposition	\$ 7,000,000	ENE-OOC	\$ 3,500,000

#### Guarantees

Tab No.	Region/ Business	Investment Class	Date Approved	Transaction Name	Transaction Size	Approval Authority	Net Amount
M-10	EGF	Guarantee	27-Sep-99	ETOL Equity Placement	\$ 5,100,000	ENE-OOC	\$ 5,100,000

\* Approved under authority granted at the August 1999 Board meeting. Included for information purposes only.

\*\* Deals related to Demar Investment Total Exposure \$23.10MM

\*\*\* Total Exposure \$35.84MM

EC004388511

## Enron Transaction Approval Summary

### Strategic Transactions

Board of Directors Meeting:

December 14, 1999

TODAY'S DATE:

December 1, 1999

Tab No.	Region/ Business	Investment Class	Date Approved	Transaction Name	Transaction Size	Approval Authority*	Net Amount
S-1	North America	Conforming	08-Nov-99	Columbia Energy Services	\$ 35,500,000	ENE-CEO/COO	\$ 35,500,000
S-2	Europe	Conforming	29-Sep-99	Estonia Storage	\$ 9,320,000	ENE-OOC	\$ 9,320,000
S-3	India	Conforming	02-Nov-99	Gas Authority of India Limited ("GAIL") GDRs	\$ 75,000,000	ENE-CEO/COO	\$ 75,000,000
S-4	EES	Conforming	05-Oct-99	General Cable II	\$ 9,928,000	ENE-OOC	\$ 9,928,000
S-5	India	Conforming	29-Nov-99	ICO Acquisition Loan	\$ 75,000,000	ENE-CEO/COO	\$ 75,000,000
S-6	North America	Conforming	24-Nov-99	Maple Leaf	\$ 55,000,000	ENE-CEO/COO	\$ 55,000,000
S-7	Enron Wind Corp.	Nonconforming	14-Oct-99	Owenreagh Wind	\$ 2,116,000	ENE-OOC	\$ 2,116,000
S-8	EES	Conforming	12-Nov-99	Polaroid	\$ 16,408,000	ENE-OOC	\$ 16,408,000
S-9	AP/A/CHI	Conforming	18-Oct-99	Project Eclipse	\$ 56,000,000	ENE-CEO/COO	\$ 56,000,000
S-10	EE&CC	Conforming	11-Nov-99	Siemens/Westinghouse 501DA Turbine	\$ 24,087,000	ENE-OOC	\$ 24,087,000
S-11	EES	Conforming	12-Oct-99	SIMON	\$ 72,847,000	ENE-CEO/COO	\$ 72,847,000
S-12	EES	Conforming	11-Oct-99	TORPY	\$ 5,200,000	ENE-OOC	\$ 5,200,000
<b>Total Funded Capital Approved:</b>					<b>\$ 436,406,000</b>		<b>\$ 436,406,000</b>

\* Approved under authority granted at the August 1999 Board meeting. Included for information purposes only.

EC004388512

Year 2000 Oversight  
Agenda

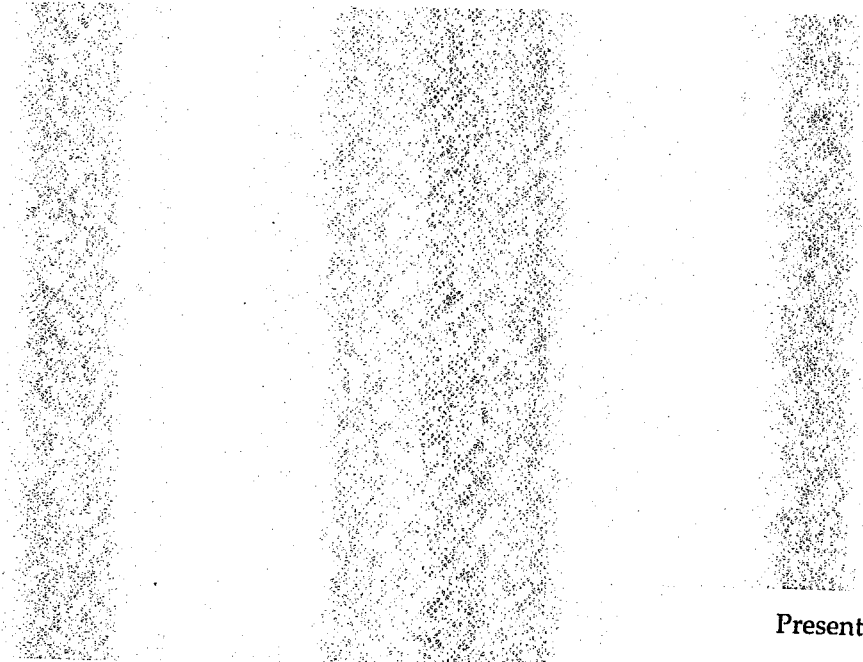
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Dr. Robert K. Jaedicke, Chairman  
Mr. Richard A. Causey  
Mr. James V. Derrick, Jr.

**Agenda**  
**Year 2000 Oversight Committee Meeting**  
**December 13, 1999**  
**10:00 a.m. (C.S.T.)**  
**50M Dining**

- |    |                                       |                     |
|----|---------------------------------------|---------------------|
| 1. | Approve minutes                       | Oversight Committee |
| 2. | Progress update                       | Richard Causey      |
|    | a. Project status                     |                     |
|    | b. Business unit statistics           |                     |
|    | c. Contingency planning update        |                     |
|    | d. Remaining concerns                 |                     |
| 3. | Business unit representative comments | All                 |
| 4. | Legal update                          | Clark Martin        |
| 5. | Questions and answers                 | Dr. Jaedicke        |

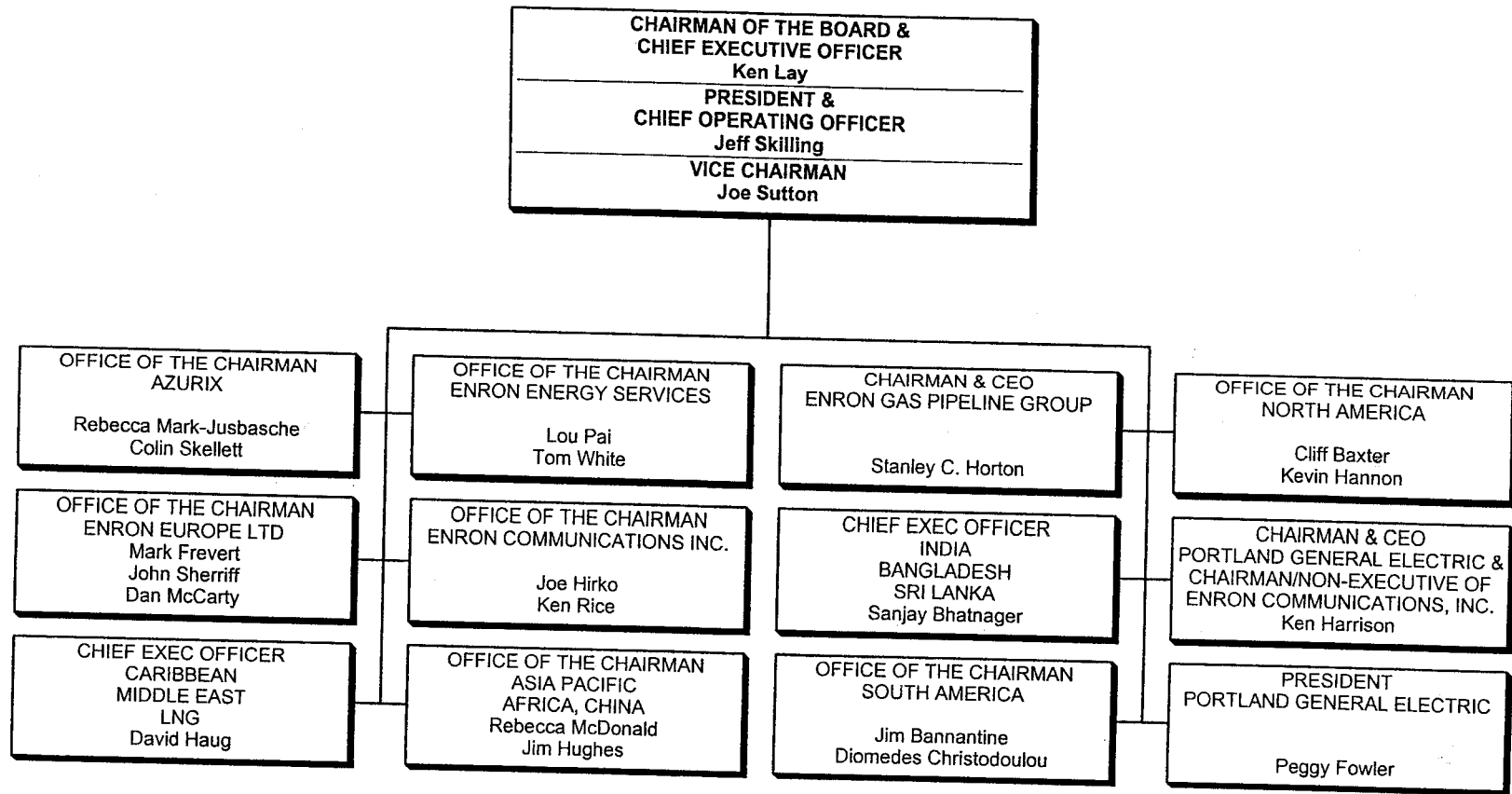
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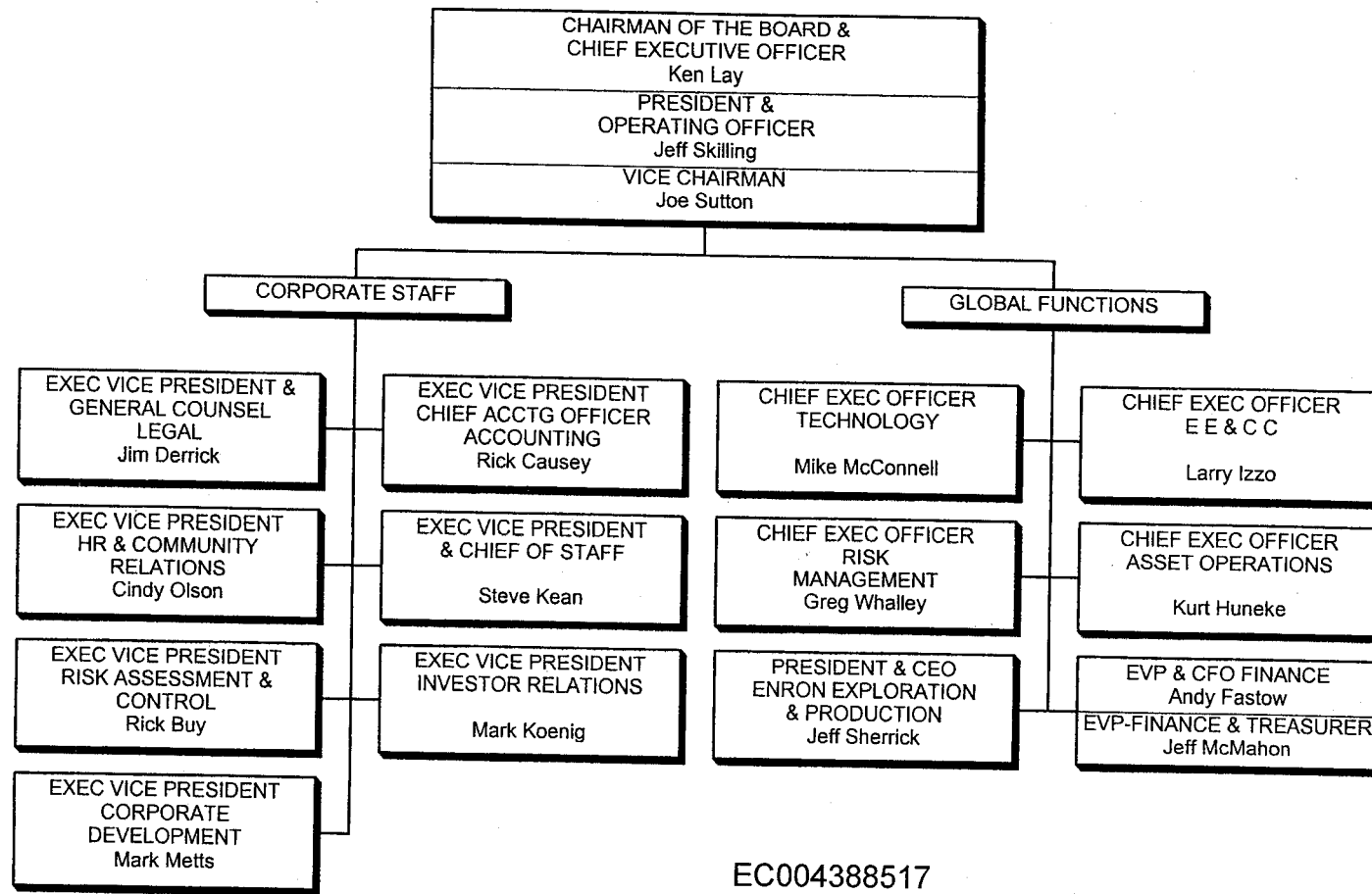
Presenter Bios

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EC004388517

**CURRENT POSITION**  
Executive Vice President  
Chief Accounting Officer Accounting

**Rick Causey**

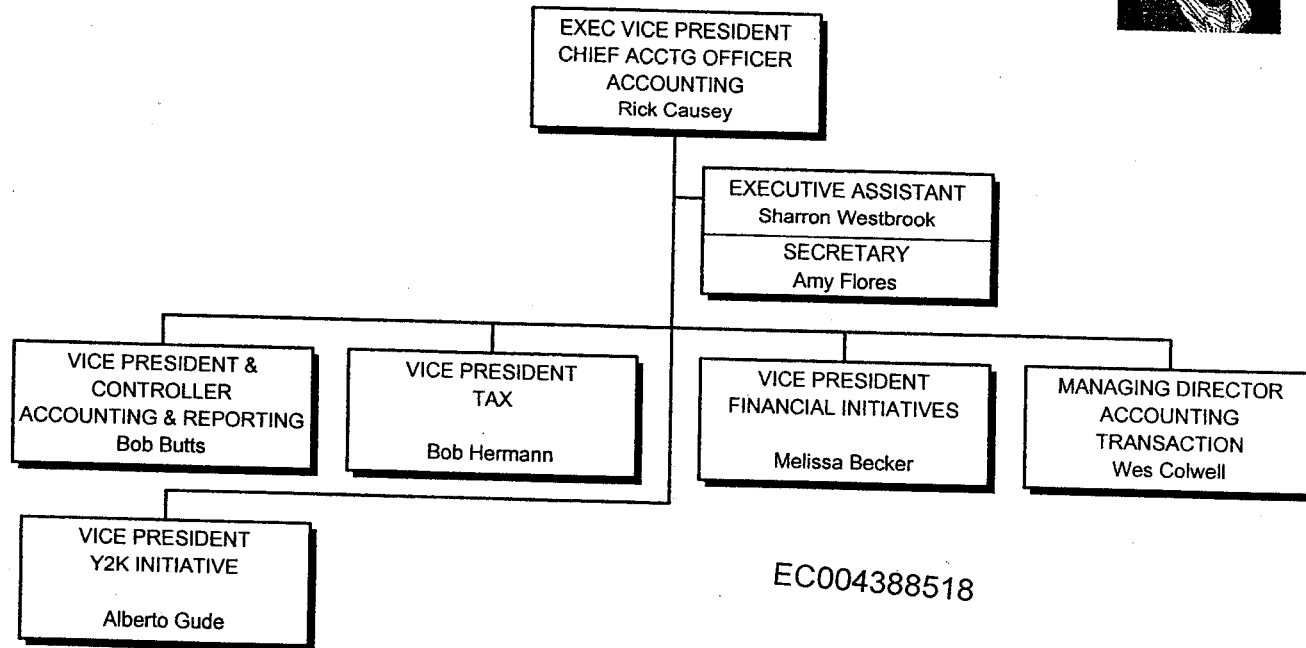


**PRIOR ENRON EXPERIENCE**  
1997 SVP Chief Acctg. & Info Officer  
1996 Managing Dir ECT Retail Risk Mgmt  
1996 VP Comm ECT Retail Risk Mgmt

**PRIOR NON-ENRON EXPERIENCE**  
1982 Audit Mgr Arthur Andersen

**EDUCATIONAL BACKGROUND**  
1982 BBA Accounting - University of Texas

**CERTIFICATES**  
1983 Certified Public Accountant - Texas



EC004388518

Mark Koenig



**CURRENT POSITION**

Executive Vice President Investor Relations

**PRIOR ENRON EXPERIENCE**

1998 SVP Investor Relations  
1992 VP Investor Relations  
1991 Assistant Treasurer

**PRIOR NON-ENRON EXPERIENCE**

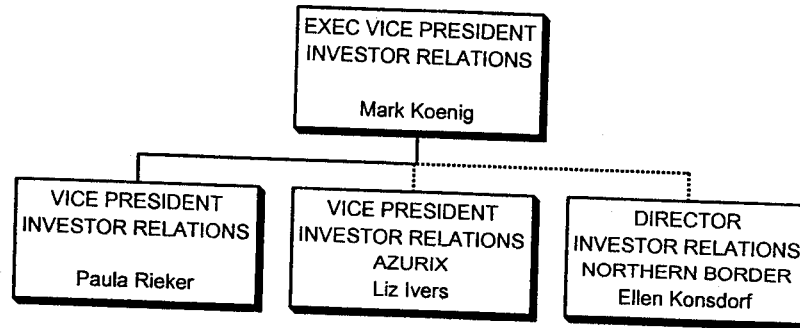
1978 Assistant Treasurer Peter Kiewit  
Sons, Inc.

**EDUCATIONAL BACKGROUND**

1980 MBA Finance - Univ of Nebraska  
1977 Accounting - Univ of Nebraska

**CERTIFICATES**

1989 CFA



EC004388519

**CURRENT POSITION**

Chairman & Chief Executive Officer  
 Enron Energy Services

**PRIOR ENRON EXPERIENCE**

1999 CEO EES  
 1998 Chairman & CEO EES  
 1995 President & COO EES

**PRIOR NON-ENRON EXPERIENCE**

Economist Corp Planning - Conoco

**EDUCATIONAL BACKGROUND**

1973 MA Economics - Univ of Maryland

**Lou Pai**



**Tom White**



**CURRENT POSITION**

Vice Chairman Enron Energy Services

**PRIOR ENRON EXPERIENCE**

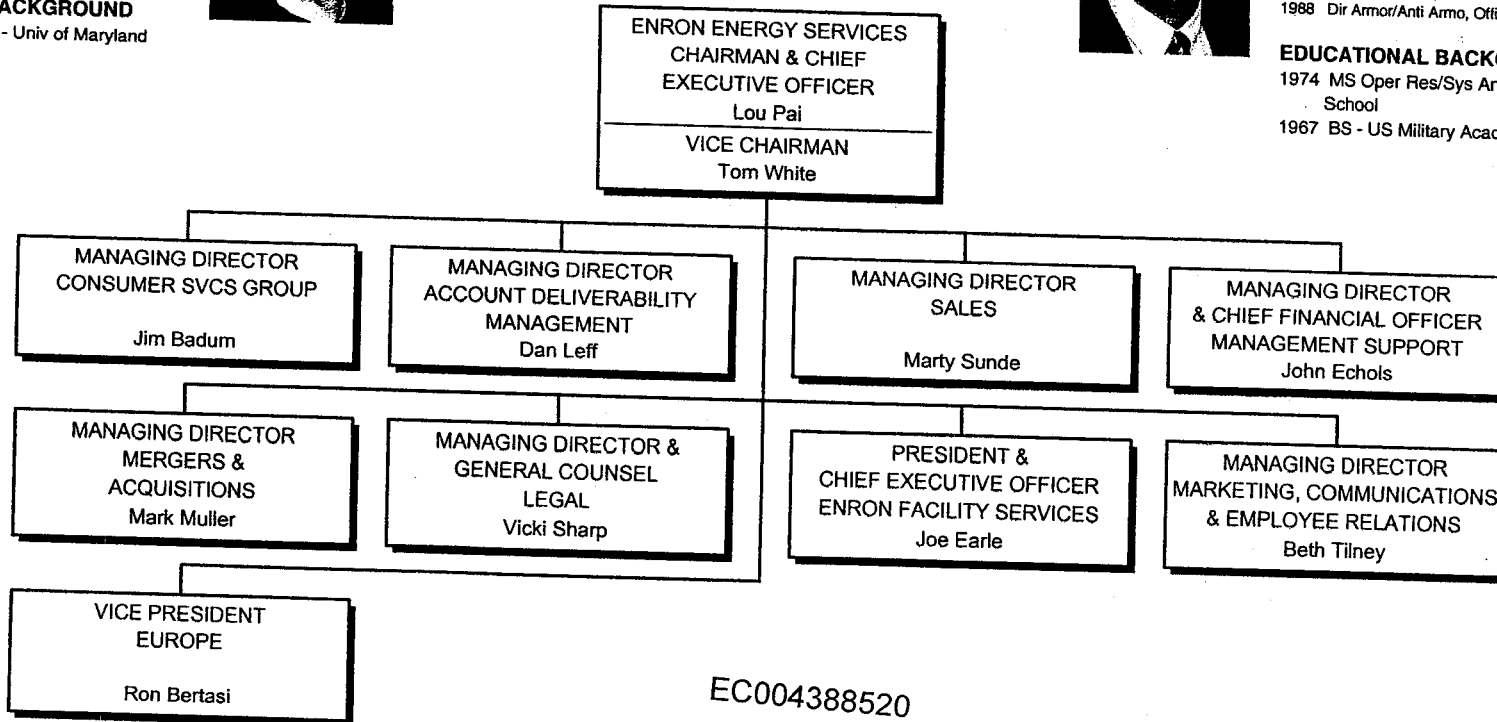
1997 Chairman & CEO EVC  
 1994 Co-Chairman EOC  
 1993 President & CEO EPC

**PRIOR NON-ENRON EXPERIENCE**

1989 Exec Asst to Chrmn, Joint Chiefs of Staff US Army  
 1989 Deputy Dir of Oper, Joint Chiefs of Staff US Army  
 1988 Dir Armor/Anti Armo, Office Chief of Staff US Army

**EDUCATIONAL BACKGROUND**

1974 MS Oper Res/Sys Anal - US Naval Post Grad School  
 1967 BS - US Military Academy



EC004388520

**CURRENT POSITION**

Chairman & Chief Executive Officer  
 Enron Gas Pipeline Group

**PRIOR ENRON EXPERIENCE**

1996 Chairman & CEO GPG/Enron  
 Operations  
 1996 Pres & COO Enron Operations  
 - DP

**PRIOR NON-ENRON  
 EXPERIENCE**

N/A

**EDUCATIONAL BACKGROUND**

1977 MS Mgmt - Rollins College  
 1973 BS Fin & Accting - Univ  
 of Central Florida

**Stan Horton**



**Rock Meyer**



**CURRENT POSITION**  
 President Citrus/Florida Gas

**PRIOR ENRON EXPERIENCE**

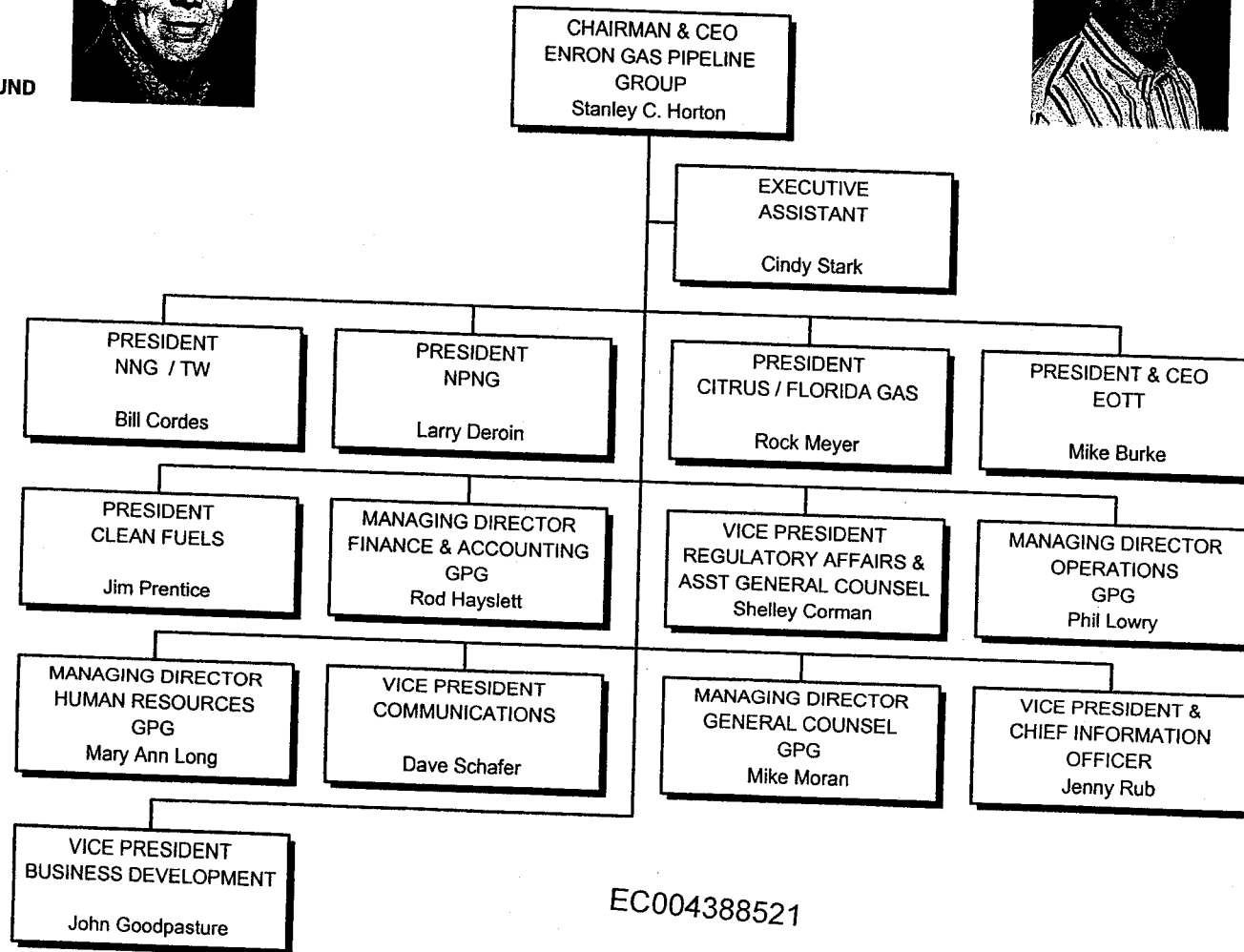
1996 Pres. - Citrus Corp/Florida Gas  
 1994 VP Regulatory Affairs & Gen.  
 Council - Transwestern Pipeline  
 1984 Corp. Legal - NNG

**PRIOR NON-ENRON  
 EXPERIENCE**

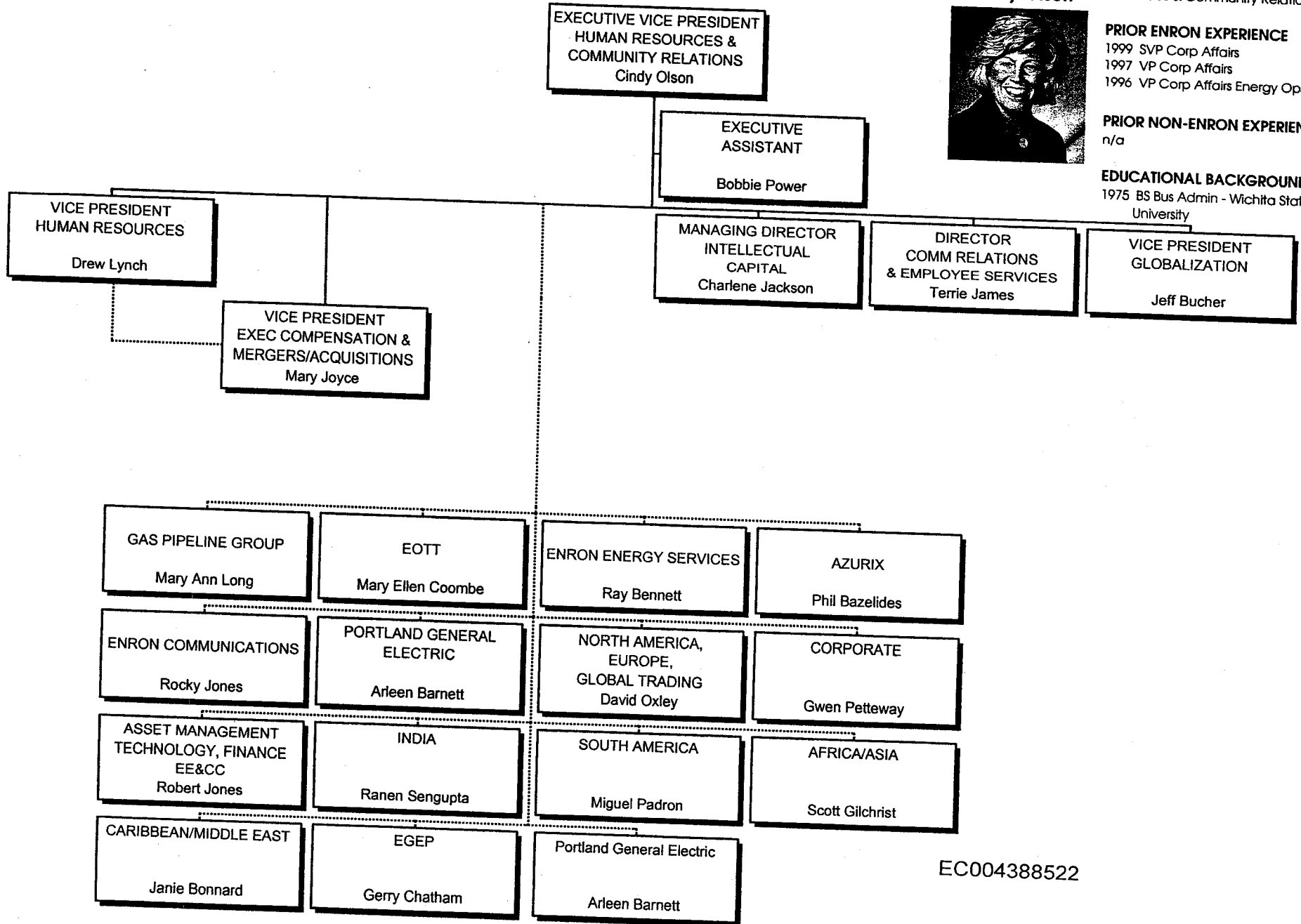
1976 Deputy County Atty.

**EDUCATIONAL BACKGROUND**

1976 J. D. - Creighton Univ.  
 1973 BA Political Science - Univ  
 Nebraska



EC004388521



Cindy Olson



**CURRENT POSITION**  
Executive Vice President Human Resources & Community Relations

**PRIOR ENRON EXPERIENCE**  
1999 SVP Corp Affairs  
1997 VP Corp Affairs  
1996 VP Corp Affairs Energy Ops

**PRIOR NON-ENRON EXPERIENCE**  
n/a

**EDUCATIONAL BACKGROUND**  
1975 BS Bus Admin - Wichita State University

EC004388522

**CURRENT POSITION**  
Chief Executive Officer Technology

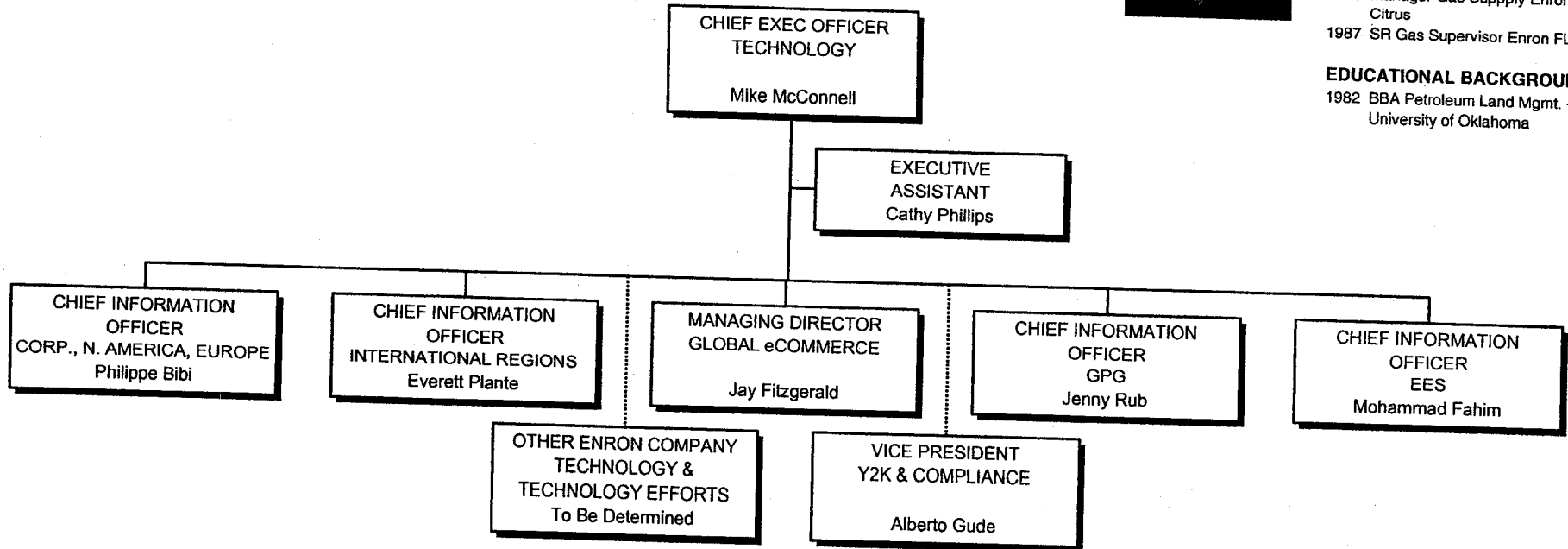
**Mike McConnell**



**PRIOR ENRON EXPERIENCE**  
1998 Managing Dir Domestic Gas Assets  
1997 VP Commercial Domestic Gas Assets  
1995 VP Commercial IES London

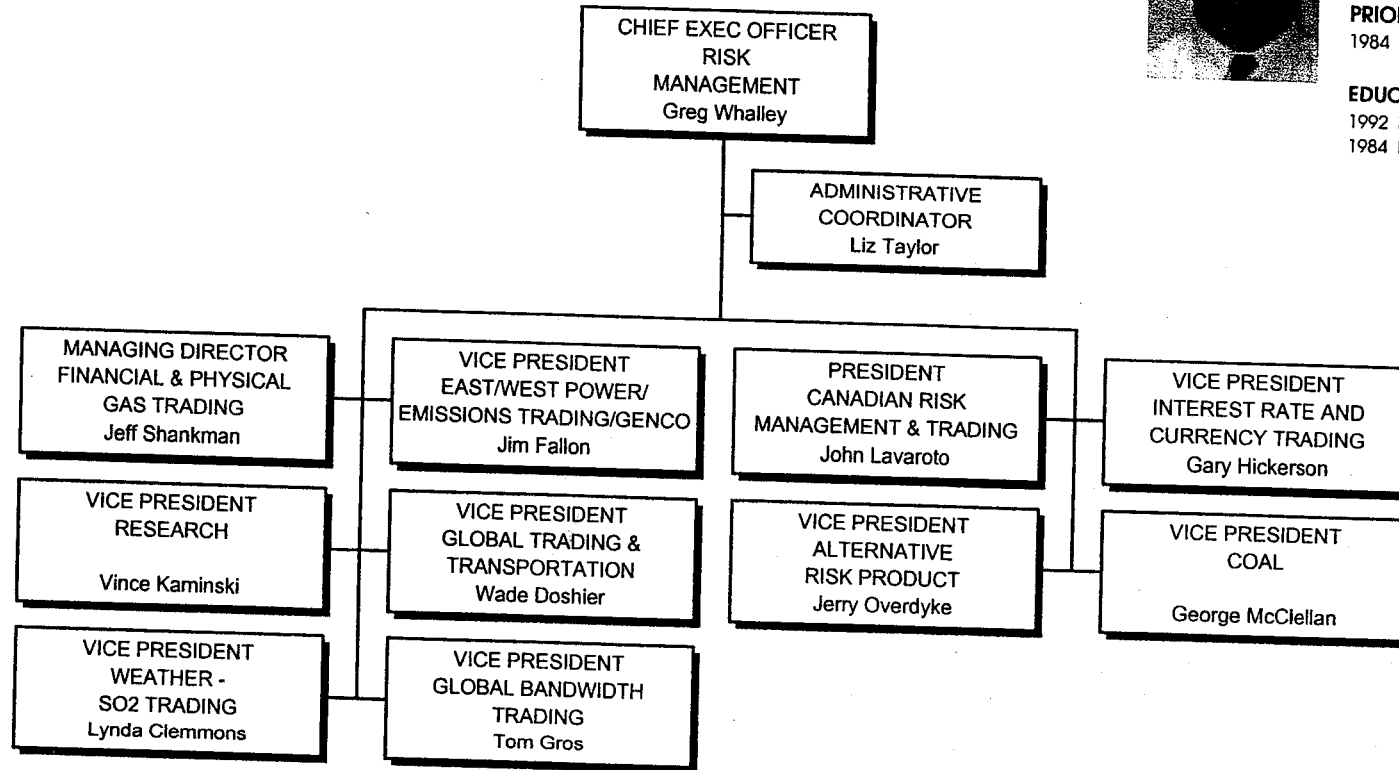
**PRIOR NON-ENRON EXPERIENCE**  
1991 VP Excel Inc  
1990 Manager Gas Supply Enron Citrus  
1987 SR Gas Supervisor Enron FL

**EDUCATIONAL BACKGROUND**  
1982 BBA Petroleum Land Mgmt. - University of Oklahoma



EC004388523





Greg Whalley



**CURRENT POSITION**  
Chief Executive Officer Risk Management

**PRIOR ENRON EXPERIENCE**  
1998 Managing Dir Executive Trading  
1998 Managing Dir IES Crude Trading

**PRIOR NON-ENRON EXPERIENCE**  
1984 Armor Officer US Army

**EDUCATIONAL BACKGROUND**  
1992 MBA - Stanford University  
1984 BS - US Military Academy

EC004388524

**CURRENT POSITION**  
Chief Executive Officer Risk  
Management

**PRIOR ENRON EXPERIENCE**

1998 Managing Dir Executive  
Trading  
1998 Managing Dir IES Crude  
Trading

**PRIOR NON-ENRON  
EXPERIENCE**

1984 Armor Officer US Army

**EDUCATIONAL BACKGROUND**

1992 MBA - Stanford University  
1984 BS - US Military Academy

**Greg Whalley**



**Louise Kitchen**



**CURRENT POSITION**  
Vice President European Gas

**PRIOR ENRON EXPERIENCE**

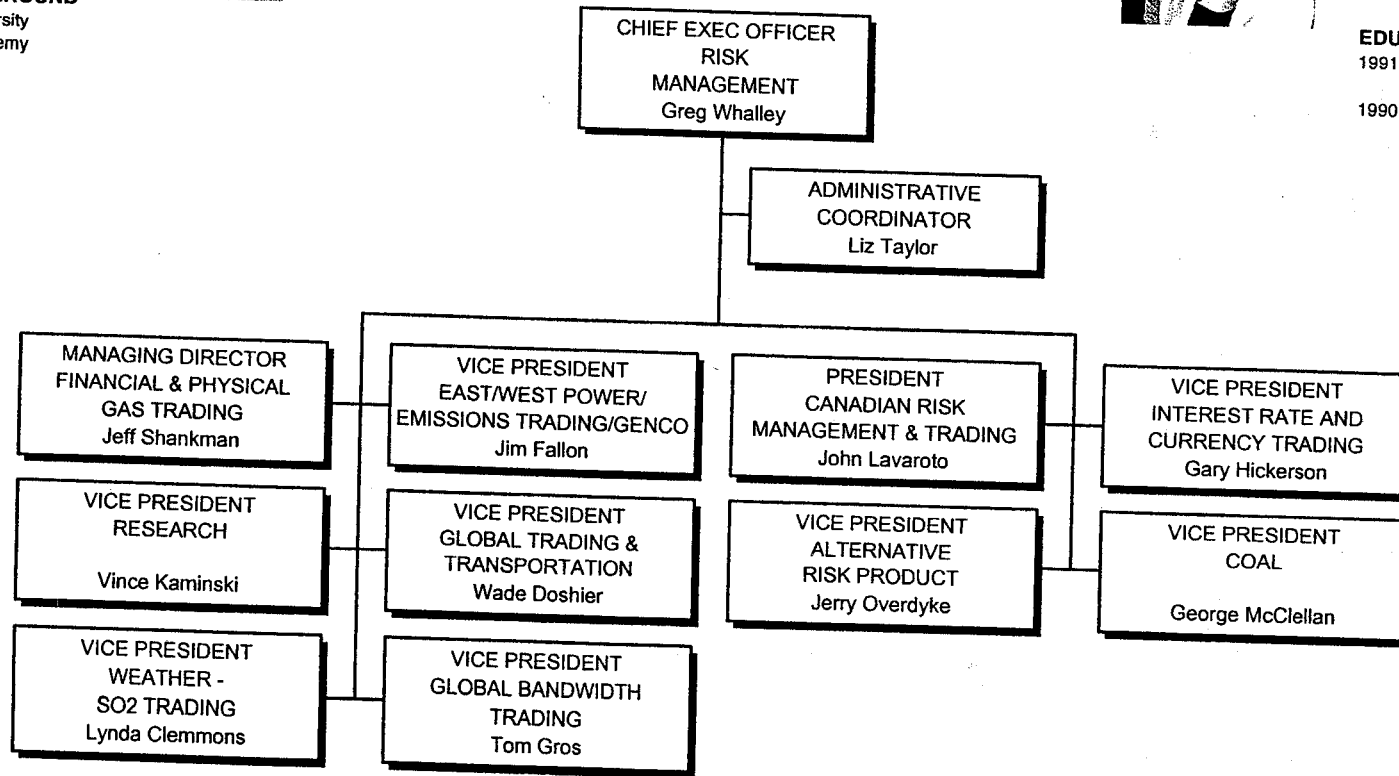
1998 VP London Gas Trading UK  
1997 VP London Gas Trading  
1997 Director London Gas & Power  
East Europe

**PRIOR NON-ENRON  
EXPERIENCE**

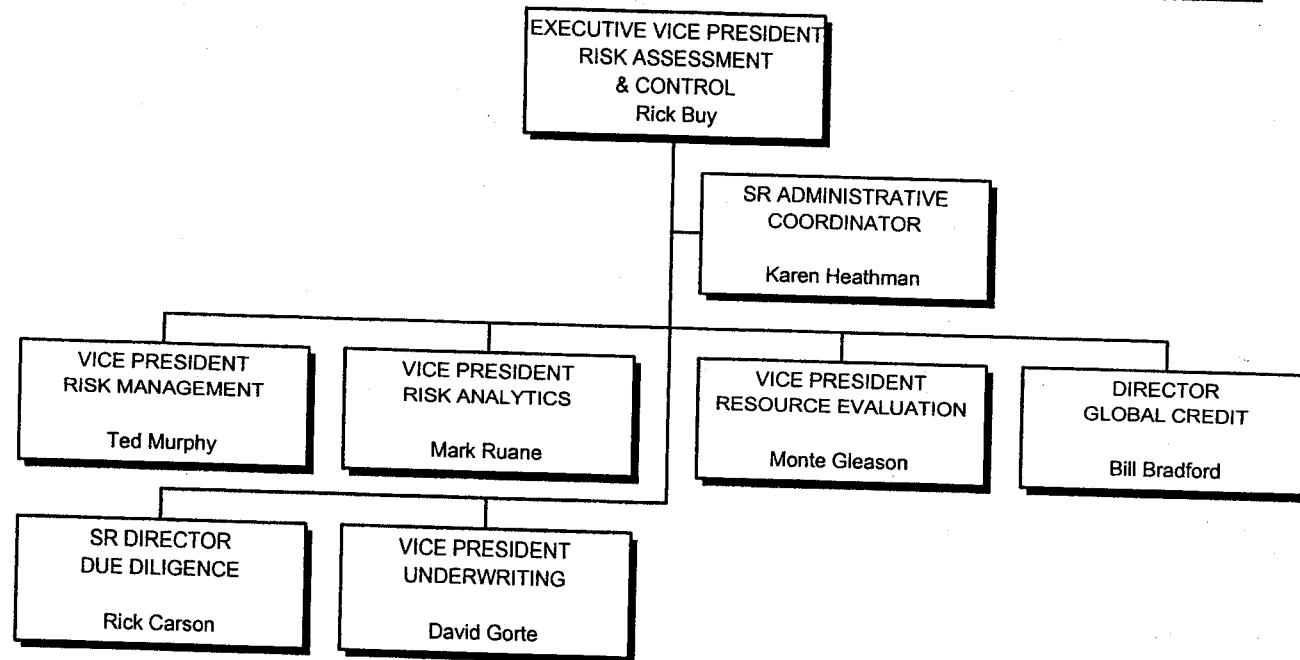
1993 Gas Trader Powergen Pic.  
1991 Energy Analyst Powergen Pic.

**EDUCATIONAL BACKGROUND**

1991 BA Languages, Economics &  
Politics - Kingston Polytechnic  
1990 Economics - Univ. de Rennes



EC004388525



**Rick Buy**



**CURRENT POSITION**  
Executive Vice President Risk  
Assessment & Control

**PRIOR ENRON EXPERIENCE**  
1999 SVP Risk Assessment &  
Control  
1998 Managing Dir Risk Assessment  
& Control  
1997 VP ECT Risk Control

**PRIOR NON-ENRON  
EXPERIENCE**  
1992 VP Banker Trust  
1991 VP Chase Manhattan  
1985 VP Banker Trust

**EDUCATIONAL BACKGROUND**  
1983 MS Petroleum Engineer -  
University of Houston  
1976 MS Industrial Admin -  
Rensselaer Polytechnic Inst.  
1974 BS Mechanical Engineer -  
Rensselaer Polytechnic Inst.

**CERTIFICATES**  
NASD Series Professional Engineer

EC004388526

**CURRENT POSITION**

Executive Vice President & Chief Financial Officer Finance

**PRIOR ENRON EXPERIENCE**

1997 SVP Enron Capital Mgmt - Treasury  
1996 Managing Dir ECT Treasury  
1995 VP Enron Energy Services

**PRIOR NON-ENRON EXPERIENCE**

Sr Director Asset Securitization Continental Bank

**EDUCATIONAL BACKGROUND**

MBA Finance - Kellogg Graduate School of Mgmt - Northwestern Univ.  
BA Economics and Chinese - Tufts University

**Andy Fastow**



**Jeff McMahon**



**CURRENT POSITION**

Executive Vice President-Finance & Treasurer

**PRIOR ENRON EXPERIENCE**

1999 SVP Finance & Treasurer Treasury  
1998 Managing Dir Corporate Finance  
1998 Managing Dir London Treasury

**PRIOR NON-ENRON EXPERIENCE**

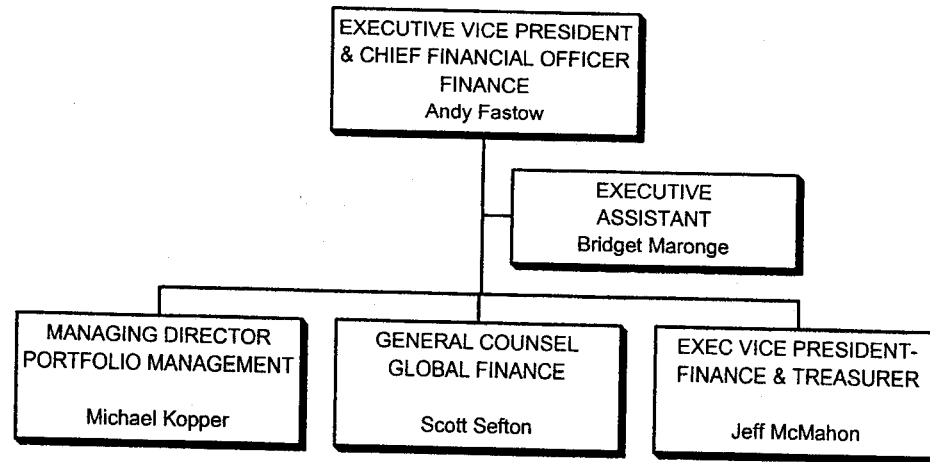
1989 VP and CFO MG Natural Gas Corp  
1982 Audit Manager Arthur Andersen

**EDUCATIONAL BACKGROUND**

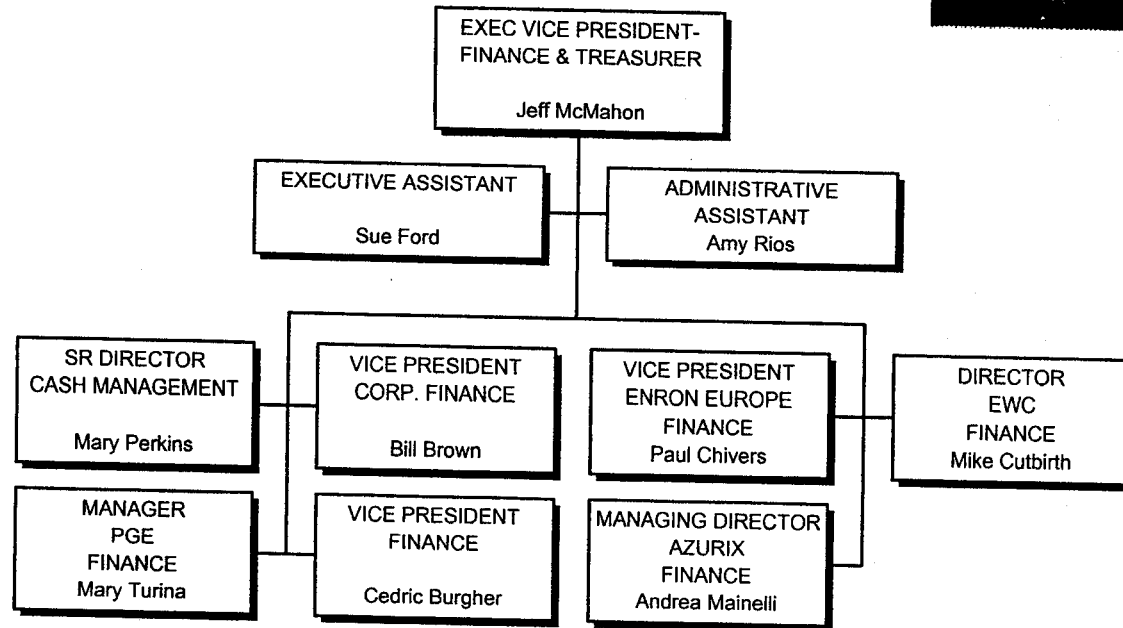
1982 BS Accounting - University of Richmond

**CERTIFICATES**

1984 Certified Public Accountant



EC004388527



Jeff McMahon



**CURRENT POSITION**  
Executive Vice President-Finance & Treasurer

**PRIOR ENRON EXPERIENCE**  
1999 SVP Finance & Treasurer Treasury  
1998 Managing Dir Corporate Finance  
1998 Managing Dir London Treasury

**PRIOR NON-ENRON EXPERIENCE**  
1989 VP and CFO MG Natural Gas Corp  
1982 Audit Manager Arthur Andersen

**EDUCATIONAL BACKGROUND**  
1982 BS Accounting - University of Richmond

**CERTIFICATES**  
1984 Certified Public Accountant

EC004388528



**AGENDA ITEM 12  
(SUGGESTED FORM OF RESOLUTIONS)**

WHEREAS, in conjunction with the presentation of the Enron Corp. 2000-2002 Operating and Strategic Plan to the Board of Directors of the Company (the "Plan"), the Company will need to implement various financings with respect to certain aspects of the Plan;

WHEREAS, the Company contemplates that financings under the Plan will be implemented through the issuance from time to time of, incremental, unsecured senior debt in an aggregate principal amount not to exceed \$588,000,000 (at exchange rates current at the date of issuance, if and to the extent all or any portion of such senior debt is denominated in a currency other than United States Dollars), at interest rates, durations, and such other terms (including whether the debt will be publicly offered in the United States, in Europe or elsewhere or will be placed privately) as are approved by the Chairman of the Board, the Vice Chairman of the Board, the President, the Chief Financial Officer or the Treasurer (collectively, the "Debt Instruments")

NOW, THEREFORE, IT IS RESOLVED that in order to implement financings in accordance with the Plan, that the Company be, and it hereby is, authorized to issue, from time to time, incremental, unsecured senior debt in an aggregate principal amount not to exceed \$588,000,000 (at exchange rates current at the date of issuance, if and to the extent all or any portion of such senior debt is denominated in a currency other than United States Dollars), at interest rates, durations, and such other terms (including whether the debt will be publicly offered in the United States, in Europe or elsewhere or will be placed privately) as are approved by the Chairman of the Board, the Vice Chairman of the Board, the President, the Chief Financial Officer or the Treasurer of the Company (collectively, the "Debt Instruments");

RESOLVED FURTHER, that the issuance of such Debt Instruments whether issued domestically or abroad or privately placed shall be exclusive of amounts previously approved by the Board of Directors of the Company at a meeting held on June 22, 1999;

RESOLVED FURTHER, that the Company is authorized and directed to execute and deliver any agreements evidencing such Debt Instruments and to observe and perform in full all of the obligations, conditions, covenants, and other terms set forth in or contemplated by any

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agreements evidencing the Debt Instruments as the same may be amended from time to time;

RESOLVED FURTHER, that each such officer be, and each such officer hereby is, authorized in the name and on behalf of the Company to take or cause to be taken such action as such officer may deem necessary or desirable in connection with the performance by the Company of its obligations under any agreement, document, or instrument contemplated by these resolutions to which the Company is or will become a party;

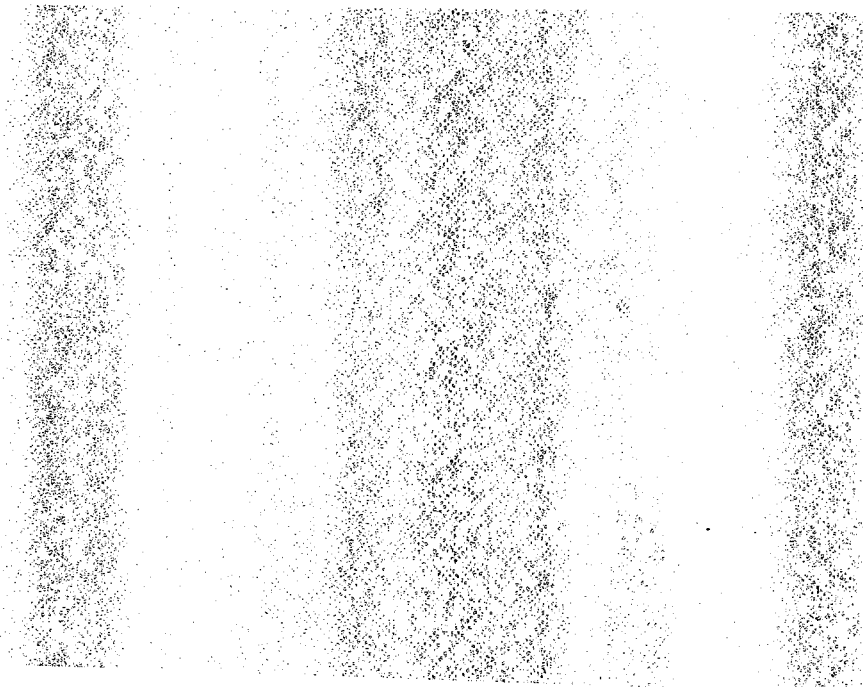
RESOLVED FURTHER, that the Chairman of the Board, the Vice Chairman of the Board, the President of the Company, the Chief Financial Officer or the Treasurer of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company, under its corporate seal or otherwise, to negotiate, execute, deliver, amend, perform, and consummate such other agreements, instruments, or documents as such officer may deem necessary or desirable to carry out the purpose and intent of the resolutions herein, in such forms as shall be approved by the officer executing the same, such approval to be conclusively evidenced by the execution thereof by such officer;

RESOLVED FURTHER, that all actions heretofore taken by any officer of the Company, in the name and on behalf of the Company, related to or in connection with the transactions contemplated by these resolutions, including without limitation the execution and delivery of any instruments or other documents as any officer shall have deemed necessary, proper, or advisable, are hereby adopted, ratified, confirmed, and approved in all respects; and

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.



13 (a)



EC004388532

**AGENDA ITEM 13 (a)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

RESOLVED, that the proposed formation, capitalization and offering of securities of EMW Energy Services Corp. ("ResCo") by Enron Energy Services, LLC ("EES"), an indirect majority-owned subsidiary of Enron Corp. (the "Company"), for the purpose of engaging in, among other things, the retail marketing and retail sale of natural gas and electricity to small commercial and residential customers in the United States (the "Proposed Transaction") be, and hereby is, authorized, approved, ratified and confirmed;

RESOLVED FURTHER, that the Company, EES and their respective affiliates are authorized and empowered to negotiate, execute and deliver such agreements with and to ResCo and with and to DLJ Merchant Banking II, Inc. and/or its affiliated investment funds, GE Capital Equity Investments, Inc. and/or its affiliates, the California Public Employees' Retirement System, the Ontario Teachers' Pension Plan Board ("OTP"), and any other proposed investors in ResCo, as may be necessary or appropriate to consummate the Proposed Transaction;

RESOLVED FURTHER, that the Company, EES and their respective affiliates are, in furtherance of the Proposed Transaction, authorized and empowered to:

- (a) assist ResCo in any applications to the Federal Energy Regulatory Commission, state public utility commissions and to any other governmental or regulatory authorities necessary or appropriate in connection with the Proposed Transaction;
- (b) contribute to ResCo contracts of EES relating to the sale of natural gas and electricity to residential customers in the United States;
- (c) contribute to ResCo certain rights to EES proprietary risk management systems;

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- (d) contribute to ResCo and provide ResCo with certain risk management consulting services, governmental and regulatory support services, corporate support services and other services;
- (e) enter into agreements with ResCo relating to the purchase and sale of natural gas, electricity and other commodities and products;
- (f) execute and deliver to ResCo a non-competition agreement prohibiting the Company or any of its controlled affiliates from contracting with any natural person (or any other person or entity approved by one member of the Company's Office of the Chairman) for the retail sale of natural gas or electricity to such person for his or her personal consumption (*i.e.*, not for resale or further distribution) in the United States for a period of up to five years, with such exceptions or other changes as may be approved by the officer or officers executing such agreement;
- (g) execute and deliver to ResCo a business opportunity agreement that would define the rights and obligations of the Company and ResCo with respect to business opportunities that may arise in areas of competing lines of business; and
- (h) enter into any agreements with respect to the amendment, modification, or restatement of the Amended and Restated Limited Liability Company Agreement of EES, dated December 31, 1997, as amended, among the Company, OTP and Joint Energy Development Investments II Limited Partnership, as a result of, or in furtherance of, the Proposed Transaction;

RESOLVED FURTHER, that in connection with the Proposed Transaction, the Chairman of the Board, any Vice Chairman of the Board, the President or any Vice President (including any Executive Vice President or Senior Vice President), the Treasurer or any Deputy Treasurer of the Company (each an "Authorized Officer") be, and each of them hereby is, authorized to form and capitalize ResCo and any other entities which may be necessary or desired in connection with the Proposed Transaction;

RESOLVED FURTHER, that the Authorized Officers be, and each hereby is, authorized, empowered and directed (and any one of them acting alone) to take such further actions as such officer deems

necessary or desirable to carry into effect the Proposed Transaction, including, without limitation, the preparation and issuance of press releases;

RESOLVED FURTHER, that a Committee of the Board consisting of Kenneth Lay and Jeffrey Skilling (with Kenneth Lay to serve as chairman) be, and hereby is, constituted under Article IV, Section 3 of the Company's Bylaws with full power and authority on behalf of the Board to:

- (a) settle and approve the final terms of the Proposed Transaction;
- (b) settle and approve the terms and authorize execution on behalf of the Company of such additional documents relating to the Proposed Transaction as may be required or necessary in order to enable the Company and its affiliates to fulfill their respective obligations in connection with the Proposed Transaction;
- (c) pay or authorize the payment of all fees, expenses or charges incurred by or on behalf of the Company or its affiliates in connection with the Proposed Transaction or the transactions contemplated thereby, including (but without limitation) the fees and expenses of the Company's and its affiliates' financial and professional advisers; and
- (d) take any and all such further action as they shall deem necessary or desirable in connection with the Proposed Transaction or the transactions contemplated thereby;

RESOLVED FURTHER, that the Authorized Officers of the Company and its counsel be, and each of them hereby is, authorized, empowered and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary or desirable to carry into effect the purposes and intentions of this and each of the foregoing resolutions; and

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RESOLVED FURTHER, that all actions heretofore taken by any officer of the Company related to or in connection with the transactions contemplated by these resolutions be, and hereby are, adopted, ratified, confirmed and approved in all respects.

RESOLVED FURTHER, that the proper officers of the Company and its counsel be, and each of them hereby is, authorized, empowered, and directed (any one of them acting alone) to take any and all such further action, to amend, execute, and deliver all such further instruments and documents, for and in the name and on behalf of the Company, under its corporate seal or otherwise, and to pay all such expenses as in their discretion appear to be necessary, proper, or advisable to carry into effect the purposes and intentions of this and each of the foregoing resolutions.

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TO: Ivy Bradberry – 853-7940 (fax); phone 646-4029

FROM: Kelly Johnson – 853-6485 (phone); 853-2534 (fax)

Standard Style – Palatino Roman, 10-point  
Upper & Lower Case  
Tabs for December 14, 1999  
Board of Directors Meeting

<u>Position</u>	<u>Title</u>
1	Agenda
2	Minutes
3	Executive Committee Minutes
4	Compensation Committee Agenda
5	3(b)
1	3(c)
2	Audit Committee Agenda
3	Joint Audit & Finance Committee Agenda
4	Finance Committee Agenda
5	6(a)
1	6(b)
2	6(c)
3	6(d)
4	6(e)
5	6(f)
1	6(g)
2	6(h)
3	6(i)
4	Year 2000 Oversight Agenda
5	Presenter Bios
1	General Corporate Matters
2	13(a)
3	15(a)
4	15(b)
5	15(c)
1	15(d)
2	15(e)

Charge: Company #0011, RC 100140  
We need 1 sets of tabs - RUSH

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General Corporate  
Matters

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15 (a)

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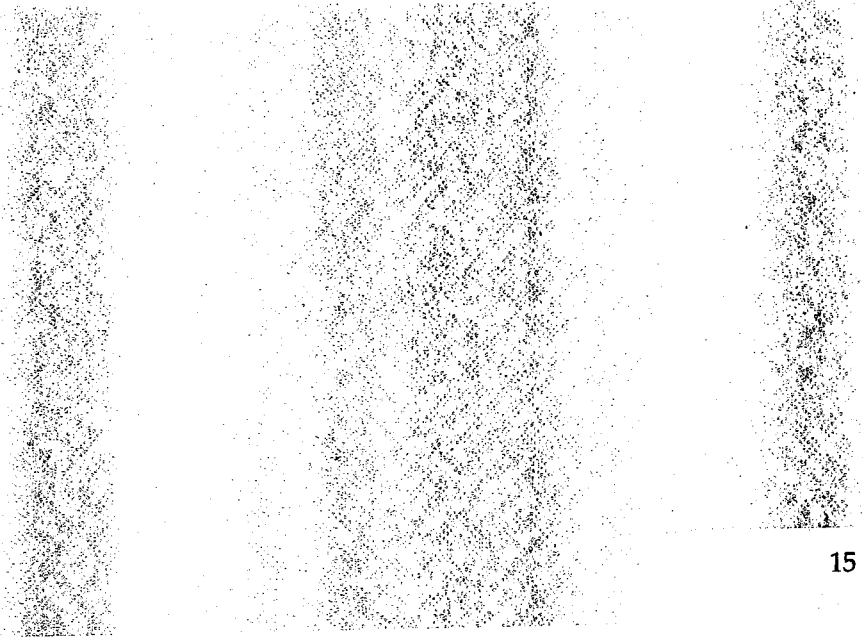
**AGENDA ITEM 15(a)**  
**(SUGGESTED FORM OF RESOLUTIONS)**

RESOLVED, that the meeting date, location, and time of the 2000 Annual Meeting of Shareholders be, and it hereby is, set for May 2, 2000, at the Doubletree Hotel at Allen Center, 400 Dallas Street, Houston, Texas, at 10:00 a.m., C.D.T.; and

RESOLVED FURTHER, that the close of business on March 3, 2000, be, and it hereby is, approved and fixed as the record date for determining shareholders entitled to vote at the 2000 Annual Meeting of Shareholders.

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15 (b)

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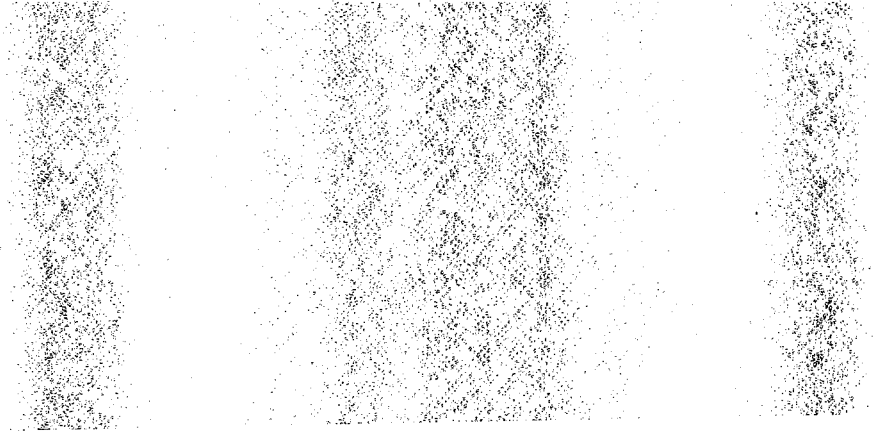
**AGENDA ITEM 15(b)  
2000 SCHEDULE  
BOARD OF DIRECTORS' MEETINGS**

<u>Date</u>	<u>Location</u>
February 7 - 8	Houston
May 1 - 2 (Annual Meeting on May 2)	Houston
August 7 - 8	Houston
October 8 - 9	South America* (with site visits in Brazil and Argentina October 6 - 12)
December 11 - 12	Houston*

\*Spouses included

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15 (c)

EC004388543

**AGENDA ITEM 15(c)**  
**(SUGGESTED FORM OF RESOLUTION)**

RESOLVED, that a dividend of \$71.50 per share on the Mandatorily Convertible Junior Preferred Stock Series B of the Company (for an aggregate dividend payment of \$17,875,000), covering the dividend period from and including September 24, 1999 through the period ending December 31, 1999 be, and it hereby is, declared payable on January 9, 2000 to stockholders of record of said stock at the close of business on December 31, 1999.

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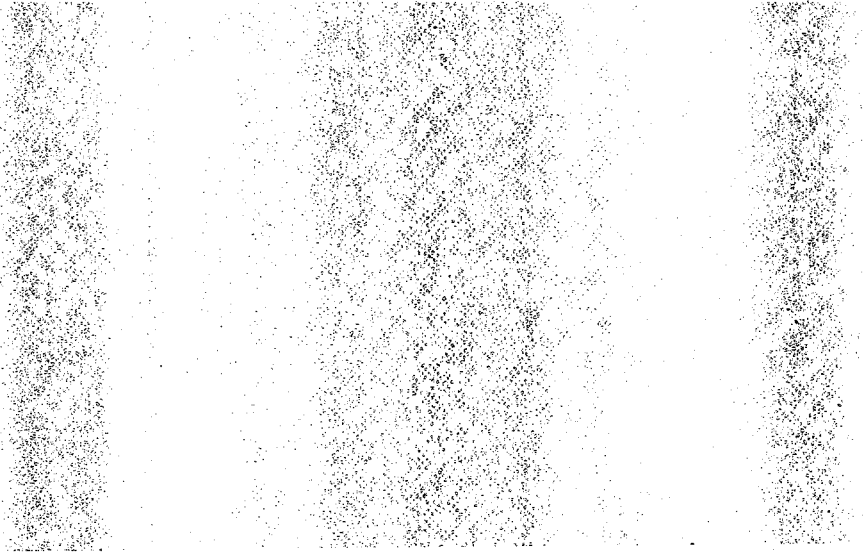
**AGENDA ITEM 15(c)**  
**(SUGGESTED FORM OF RESOLUTION)**

RESOLVED, that a dividend of \$66.444 per share on the Series A Junior Voting Convertible Preferred Stock of the Company (for an aggregate dividend payment of \$16,611,111.11), covering the dividend period from and including October 1, 1999 through the quarter ending December 31, 1999 be, and it hereby is, declared payable on January 12, 2000 to stockholders of record of said stock at the close of business on December 31, 1999.

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15 (d)



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**AGENDA ITEM 15(d)**  
**(SUGGESTED FORM OF RESOLUTION)**

RESOLVED, that the following person be, and hereby is, elected to the position set forth opposite his name, of Enron Capital Management, a division of the Company, to serve for the ensuing year and until his successor is duly elected and qualified, effective date of his election be, and hereby is, July 15, 1999.

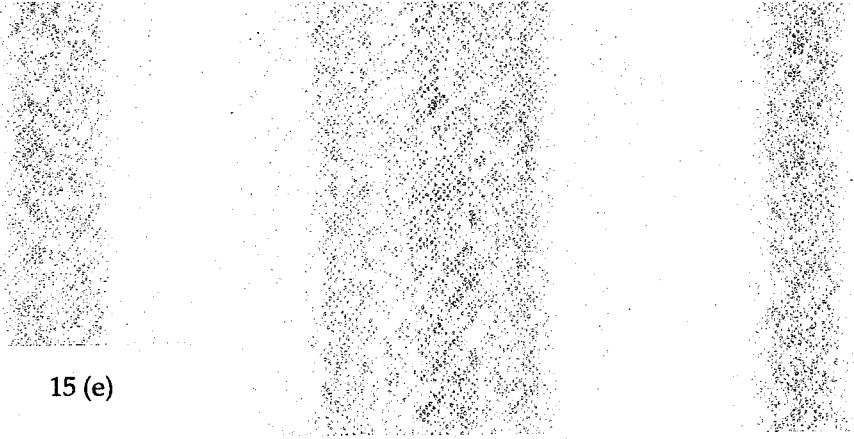
Michael J. Kopper

Managing Director

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15 (e)

EC004388548

**AGENDA ITEM 15(e)**  
**(SUGGESTED FORM OF RESOLUTION)**

WHEREAS, the Company wishes to comply with, and assist its officers and directors in complying with, the requirements of Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations thereunder;

WHEREAS, Section 16(a) of, and Rule 16a-3 under, the Exchange Act require "officers" of the Company to file certain reports with the Securities and Exchange Commission, securities exchanges, and the Company; and

WHEREAS, Rule 16a-1(f) under Section 16 of the Exchange Act and Item 401(b) of Regulation S-K under the Exchange Act and the Securities Act of 1933 provide that a corporation may identify those persons performing policy-making functions for the corporation who constitute "executive officers" and thus are officers for purposes of Section 16 of the Exchange Act;

NOW, THEREFORE, BE IT RESOLVED, that the Company hereby designates the following persons as "executive officers" and as "officers" for purposes of Section 16 of the Exchange Act and as the only officers or employees of the Company or its affiliates who are subject to Section 16 of the Exchange Act with respect to the Securities of the Company, Enron Capital Resources, L.P., and Enron Capital L.L.C.:

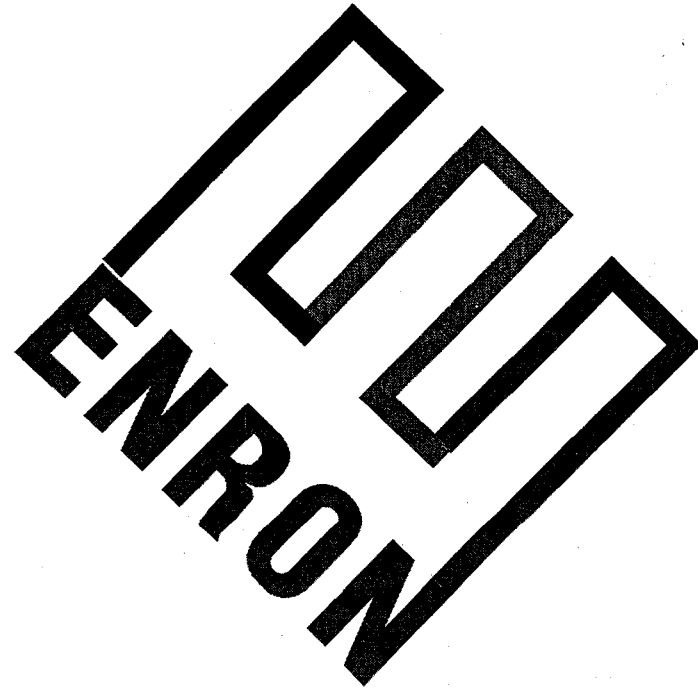
<u>Name</u>	<u>Position</u>
Kenneth L. Lay	Chairman and Chief Executive Officer
Jeffrey K. Skilling	President and Chief Operating Officer
Joseph W. Sutton	Vice Chairman
J. Clifford Baxter	Chief Executive Officer, Enron North America
Mark A. Frevert	Chief Executive Officer, Enron Europe
Joseph M. Hirko	Co-Chief Executive Officer, Enron Communications, Inc.
Stanley C. Horton	Chairman and Chief Executive Office, Enron Gas Pipeline Group
Kenneth D. Rice	Co-Chief Executive Officer, Enron Communications, Inc.

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Lou L. Pai	Chairman, President and Chief Officer, Enron Energy Services, Inc.
Richard B. Buy	Executive Vice President and Chief Risk Officer
Richard A. Causey	Executive Vice President and Chief Accounting Officer
James V. Derrick, Jr.	Executive Vice President and General Counsel
Andrew S. Fastow	Executive Vice President and Chief Financial Officer
Steven J. Kean	Executive Vice President and Chief of Staff
Mark E. Koenig	Executive Vice President, Investor Relations
Michael S. McConnell	Executive Vice President, Technology
Jeffrey McMahan	Executive Vice President, Finance and Treasurer
J. Mark Metts	Executive Vice President, Corporate Development
Cindy K. Olson	Executive Vice President, Human Resources and Community Relations

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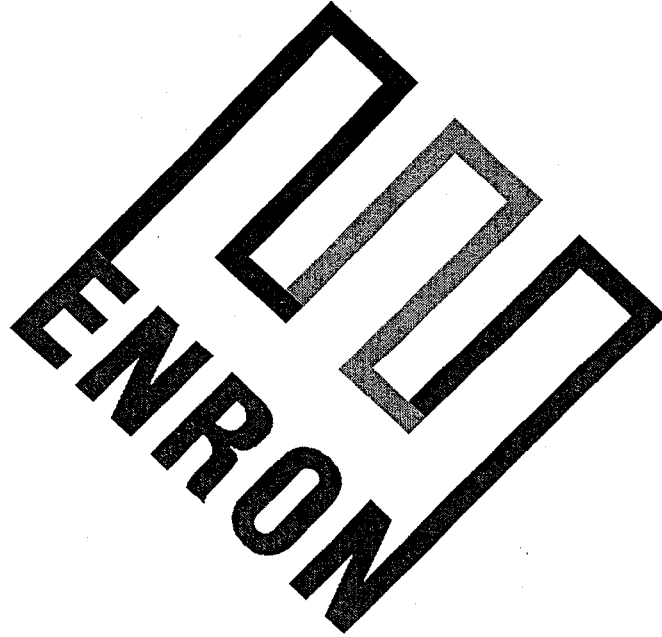
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# **BOARD OF DIRECTORS' MEETING**

**December 14, 1999**

EC004388551



# Enron Year 2000 Status

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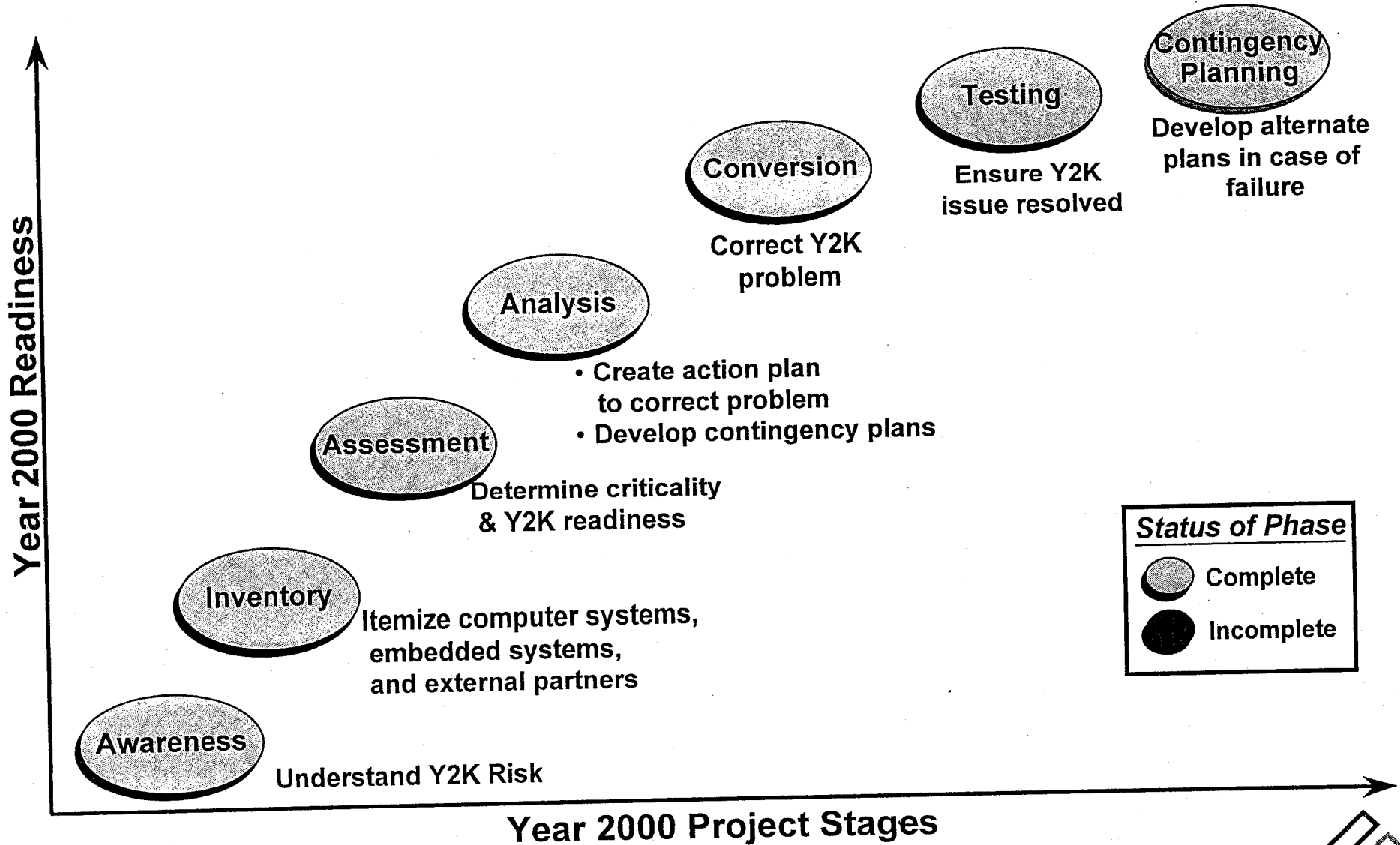
## Year 2000 Update

- ✓ • **Cost remains at \$ 73.8 Million**
- ✓ • **Mission-critical applications, embedded systems, and third party evaluations complete**
- ✓ • **Detailed contingency planning essentially complete**
- ✓ • **Rollover weekend preparations near completion**
- ✓ • **Legal documentation review near completion**
- ✓ • **Rollover communications testing underway**

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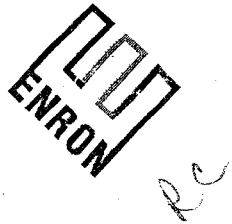
# Enterprise Readiness by Project Phase



**Status of Phase**

- Complete
- Incomplete

EC004388554



# Status of Mission-Critical Items\* by Business Unit

BUSINESS UNIT	SYSTEMS	EMBEDDED SYSTEMS	THIRD PARTIES	% COMPLETION (for all items)
	# M/C Completed / # M/C Identified			
AZURIX	1,688 / 1,698	4,470 / 4,470	100 / 103	99.8%
CORP/ECM	1,455 / 1,458	6 / 6	82 / 85	99.6%
ECI	66 / 66	6 / 6	13 / 13	100%
EES	2,816 / 2,816	1,292 / 1,292	33 / 33	100%
ENRON EUROPE	4,065 / 4,078	92 / 93	44 / 48	99.6%
EOTT	82 / 82	17 / 17	285 / 285	100%
EREC	36 / 36	13 / 13	10 / 10	100%
GPG	2,490 / 2,490	3,580 / 3,580	717 / 717	100%
INTERNATIONAL REGIONS	42 / 42	407 / 407	75 / 75	100%
NORTH AMERICA	2,610 / 2,613	1,292 / 1,292	200 / 200	99.9%
PGE	216 / 216	333 / 333	54 / 54	100%
<b>ENRON TOTAL:</b>	<b>15,566 / 15,595</b>	<b>11,502 / 11,503</b>	<b>1,613 / 1,623</b>	<b>99.9%</b>

\* Inventory figures include 29 application systems and 19 embedded systems shown graphically in prior presentations.

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*Essentially complete*



*RC*



# Preparations for Rollover Weekend

- ✓ • Millennium Management Center (MMC) for roll-over information gathering is ready
- ✓ • Testing of MMC operations in progress
- ✓ • 2,985 personnel involved in weekend activities
- ✓ • Post - rollover test plans near completion
- ✓ • Alternate communications in place with testing underway
- ✓ • Public relations plan & materials ready

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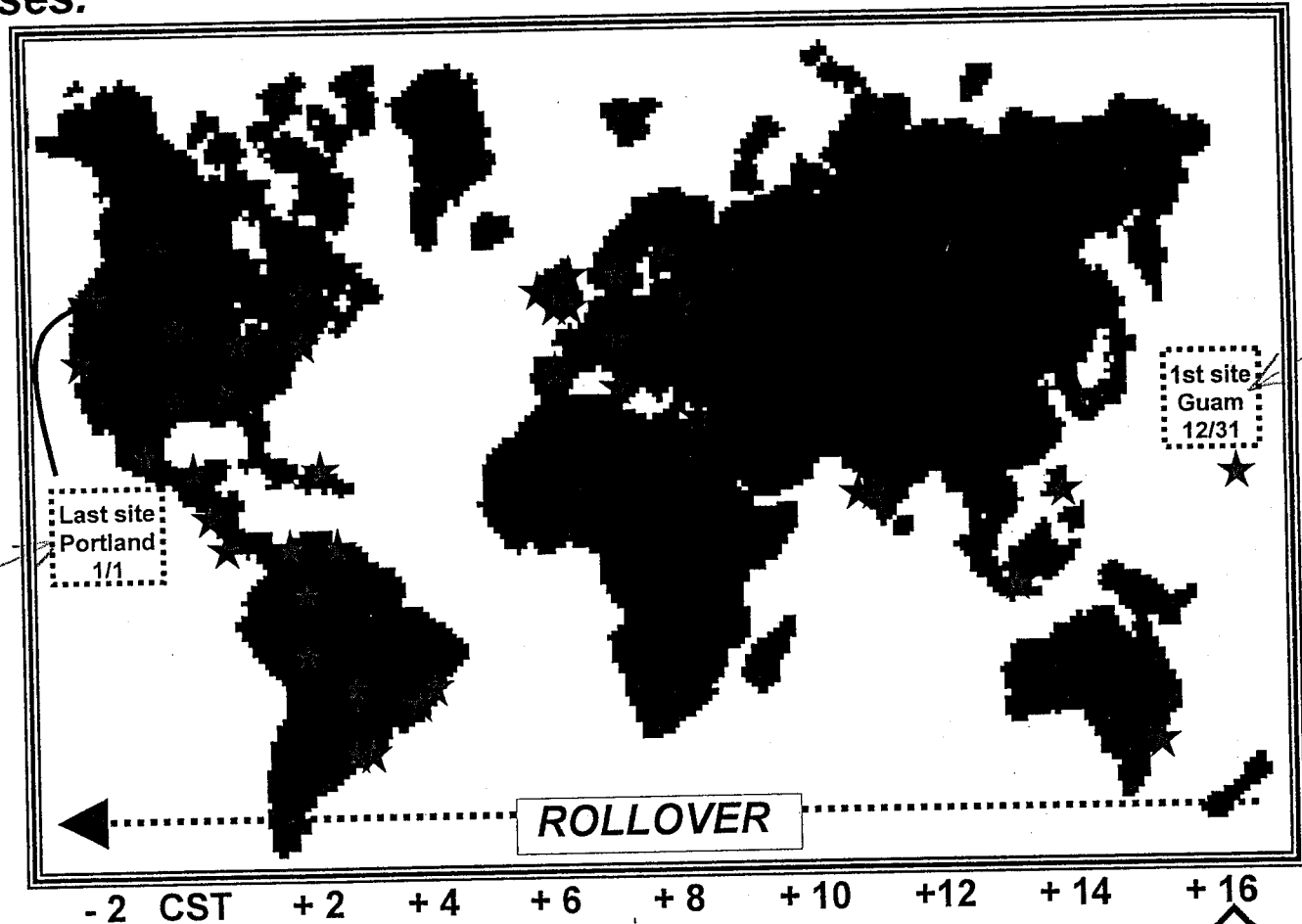


RC

# MMC Rollover Operations

*The primary function of the MMC is to capture and disseminate Y2K status information from Enron sites around the world for executive, legal, and PR decision-making purposes.*

- Over 100 sites will be contacted during rollover weekend.
- Critical sites to be contacted 2 hours after site's rollover.
- Sites to contact us if major Y2K problems arise.
- Less critical sites to be contacted later on Jan. 1st.
- Secondary site status checks to occur on Jan. 4th.



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RC

# Continuity Planning

*Very detailed plans for each business unit*

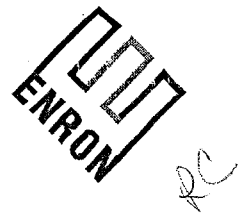
***Each business unit had to assume:***

- Communications may fail
  - IT systems & personnel may be unavailable
  - Automated operations may fail
- 

***In response, each business unit:***

- Sought alternate communications
- Identified key processes
- Identified key reports to produce prior to rollover
- Developed manual workarounds for key processes supported by IT
- Developed manual workarounds for automated operations (where possible)
- Ensured technical personnel are available for operational issues

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# Continuity Planning

(by business unit)

Business Unit	# Personnel involved in rollover	Alternate Communications
Azurix Corp	300	Inmarsat, Cellular, Radios
ECI	67	Inmarsat, Cellular
EES	5	Cellular, Pagers
EES	41	Cellular, Pagers
Enron Europe	85	Inmarsat, Cellular
EOTT	20	American Mobile Satellite, Cellular
EREC	2	Cellular
GPG	1,215	American Mobile Satellite, Cellular
International Regions	600	Inmarsat, Iridium, Cellular
North America	250	Inmarsat, American Mobile Sat., Cellular
PGE	400	American Mobile Satellite, Cellular

**ENRON TOTAL: 2,985**

*breakdown of personnel*

EC004388559



*RC*

## Tasks Remaining

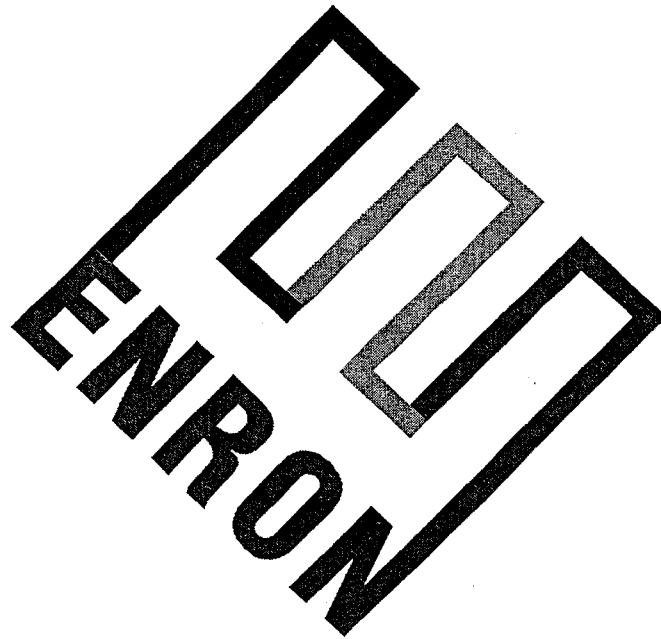
- ✓ • Complete Crisis Center Testing
- ✓ • Finalize Rollover Weekend Logistics
- ✓ • Monitoring into 2000
- ✓ • Planning for February 29, 2000

## Ongoing Concerns

- ✓ External Entities - Particularly Internationally

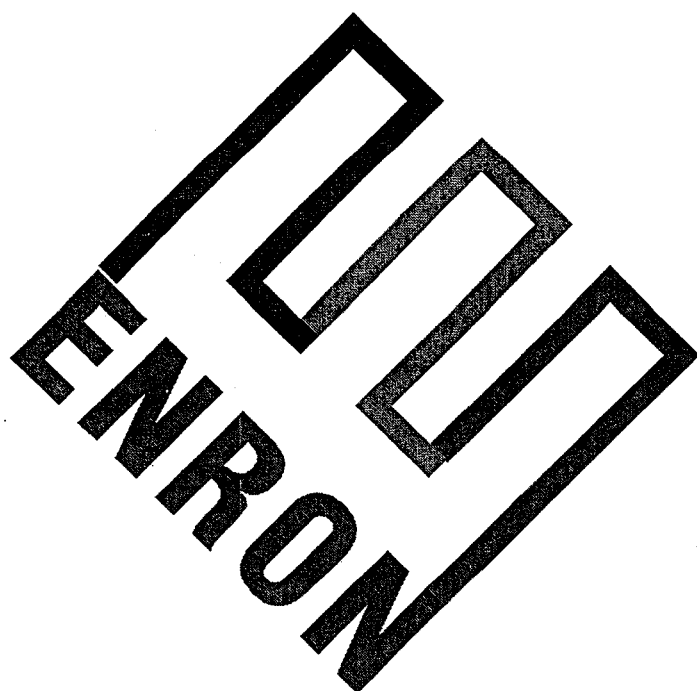
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# Enron Year 2000 Status

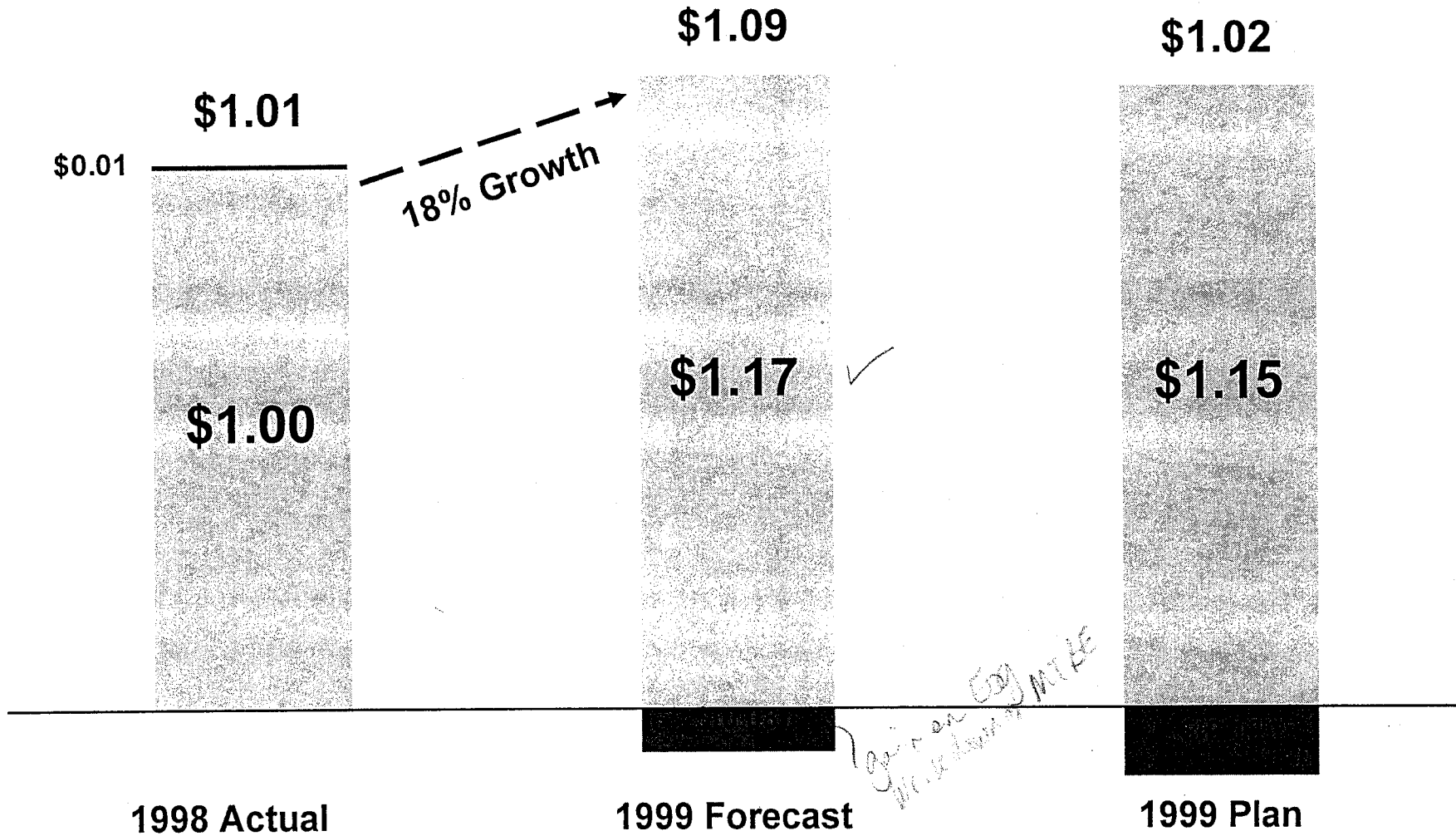
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# Financial and Earnings Report

EC004388562

# Diluted E.P.S. Total Year 1999



Recurring
  Non-recurring

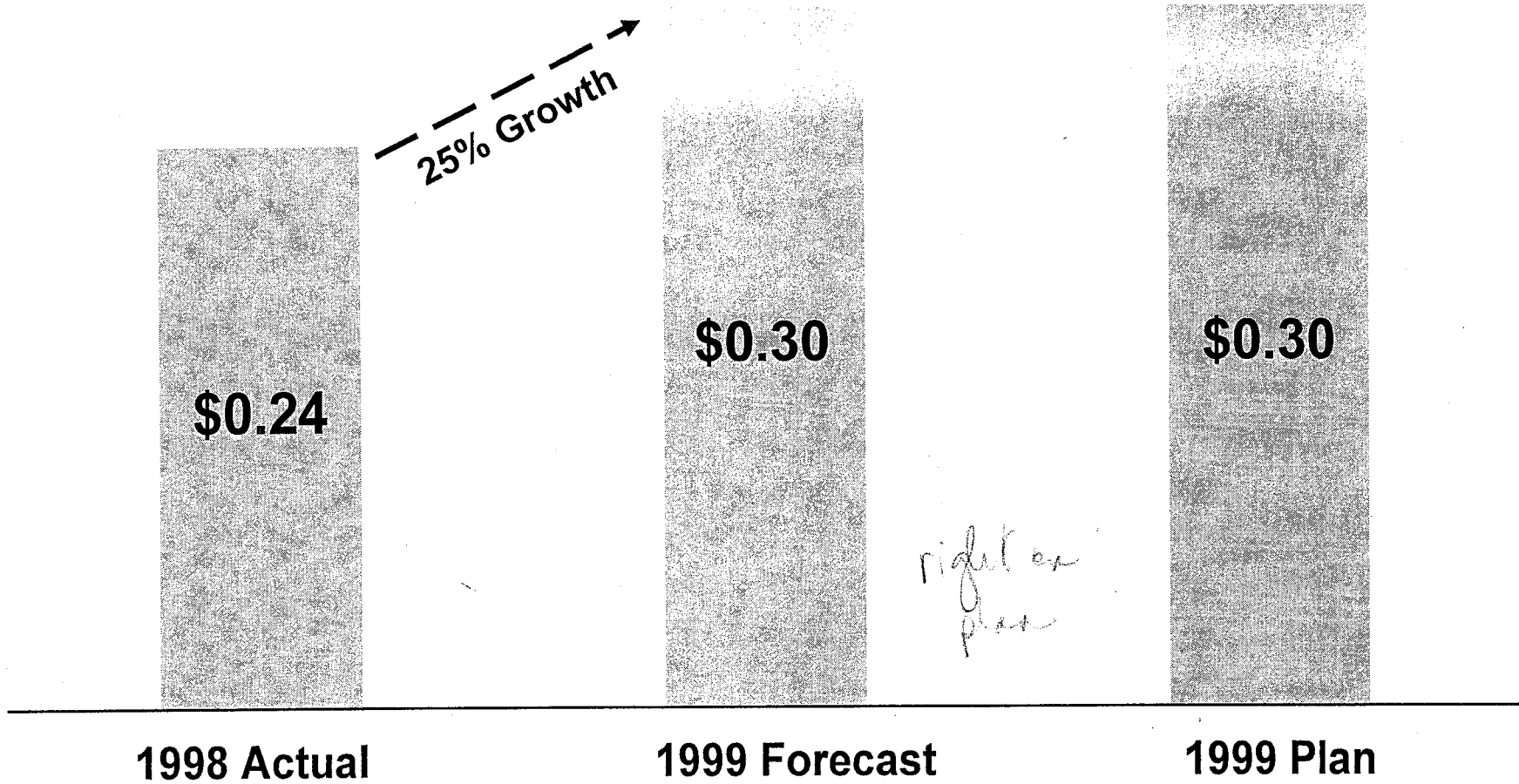
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RC



# Fourth Quarter Diluted E.P.S.



Recurring

EC004388564



PC

# Net Income

(\$MM)

## Fourth Quarter

## Total Year

### Forecast

### Plan

### Forecast

### Plan

Enron Gas Pipeline Group	\$ 43	\$ 67	\$ 238	\$ 238
Portland General	49	54	128	124
North America	57	44	320	286
Europe	23	48	124	124
International Regions	64	75	265	300
Azurix	(20)	15	24	22
Enron Energy Services	7	1	(51)	(59)
Enron Oil and Gas	-	9	25	50
Corporate and Other	<u>32</u>	<u>(82)</u>	<u>(118)</u>	<u>(226)</u>
 <b>Recurring Net Income</b>	 <b><u>\$ 255</u></b>	 <b><u>\$ 231</u></b>	 <b><u>\$ 955</u></b>	 <b><u>\$ 859</u></b>

*reflects change  
on services*

*Strong performance  
by C&O & E  
department*

*Achieved or exceeded plan  
except Int'l*



EC004388565

*PC*

# Earnings by Segment

(\$ MM)

	<u>Fourth Quarter</u>		<u>Total Year</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Wholesale Energy Operations <i>40% growth</i>	\$ 256	\$ 186	\$ 1,313	\$ 953
Transmission & Distribution <i>strong results</i>	204	168	687	637
Enron Energy Services <i>Positive →</i>	10	(27)	(66)	(119)
Enron Communications <i>fiber sales &amp; gain on sales of investment</i>	36	15	31	15
Exploration & Production	-	31	64	128
Corporate and Other	(14)	26	(35)	7
Interest, MI, & Income Tax	<u>(237)</u>	<u>(228)</u>	<u>(1,039)</u>	<u>(923)</u>
<b>Recurring Net Income</b>	<b><u>\$ 255</u></b>	<b><u>\$ 171</u></b>	<b><u>\$ 955</u></b>	<b><u>\$ 698</u></b>

EC004388566



RC

# Balance Sheet Debt

## 1999 Activity

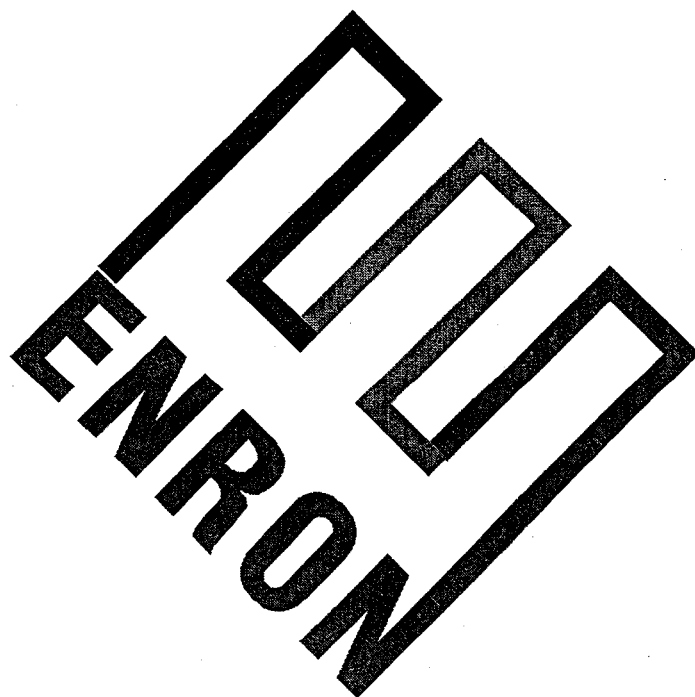
(\$MM)

	<u>Estimate</u>	<u>Plan</u>
Opening Debt Balance	\$ (7,357)	\$ (7,357)
Operating Activities		
Funds Flow from Operations	2,250	2,100
Changes in Working Capital <i>bring effective on BS</i>	(922)	40
Investing Activities		
Expenditures	(4,324)	(3,380)
Sale of Assets	543	319
Financing Activities		
Common Stock Issued	1,125	821
Subsidiary Equity Issued	500	-
Dividends Paid	(454)	(526)
Other Changes	439	(1,223)
Ending Debt Balance	<u><u>\$ (8,200)</u></u>	<u><u>\$ (9,206)</u></u>

EC004388567

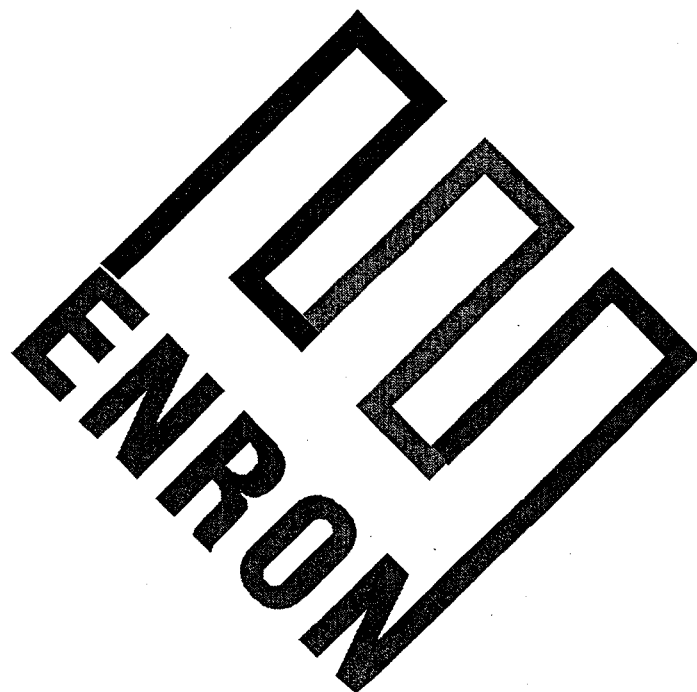


*RC*



# Financial and Earnings Report

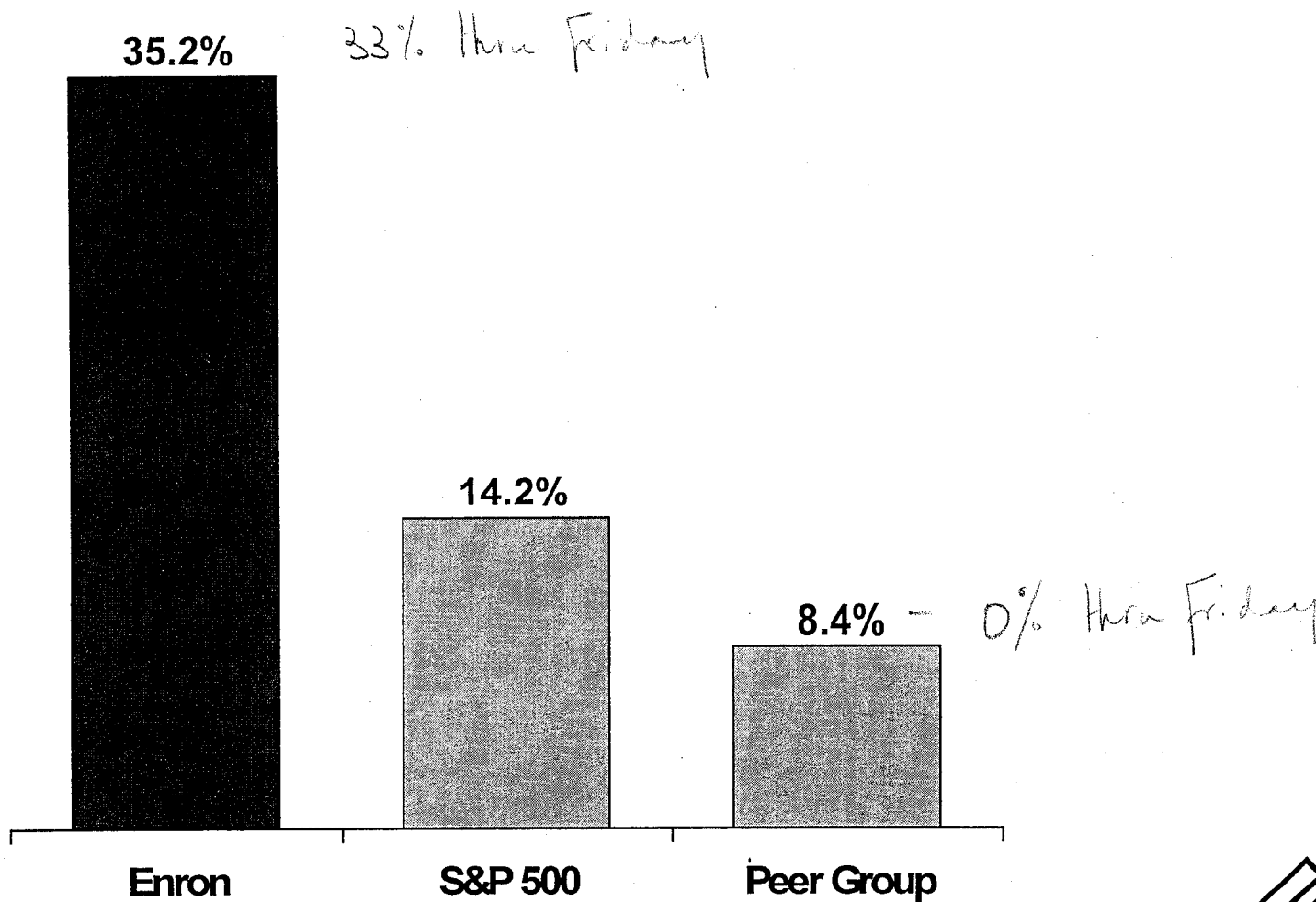
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# Investor Relations Update

EC004388569

# Total Return to Shareholders YTD Through 11/30/99

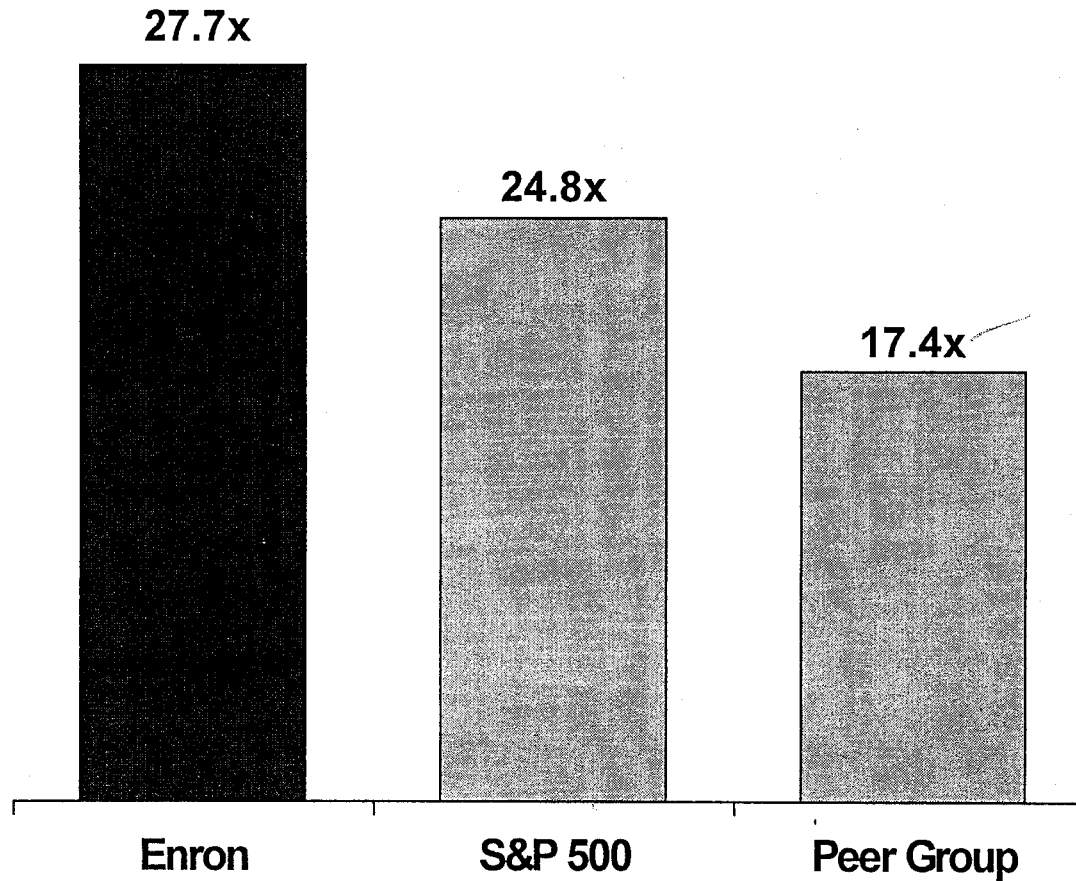


EC004388570



*Koenig*

# Relative Valuation (P/E, on 2000 EPS) As of 11/30/99



*currently 15x &  
heavily influenced  
by Williams*

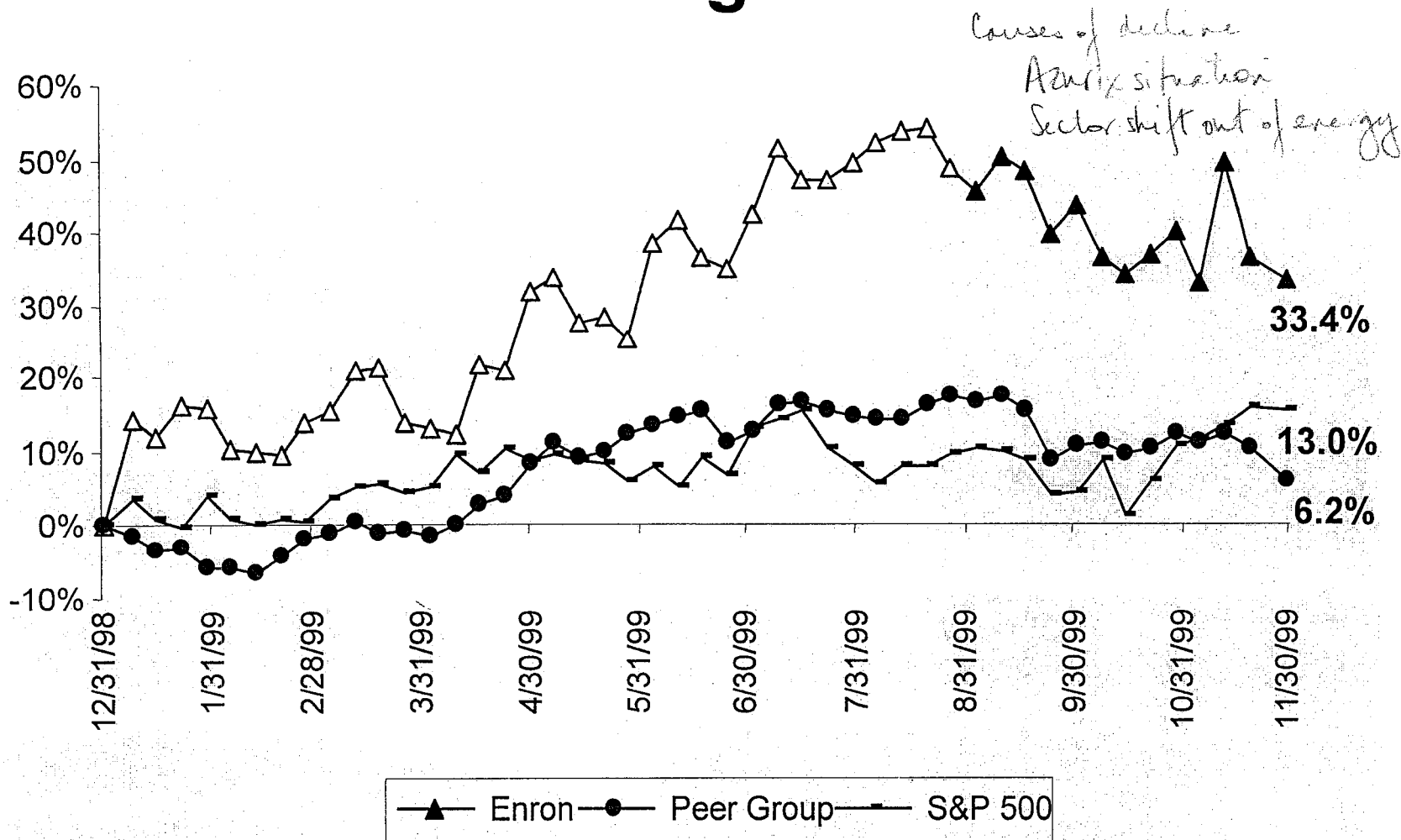
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*2*



# Stock Price Appreciation YTD Through 11/30/99



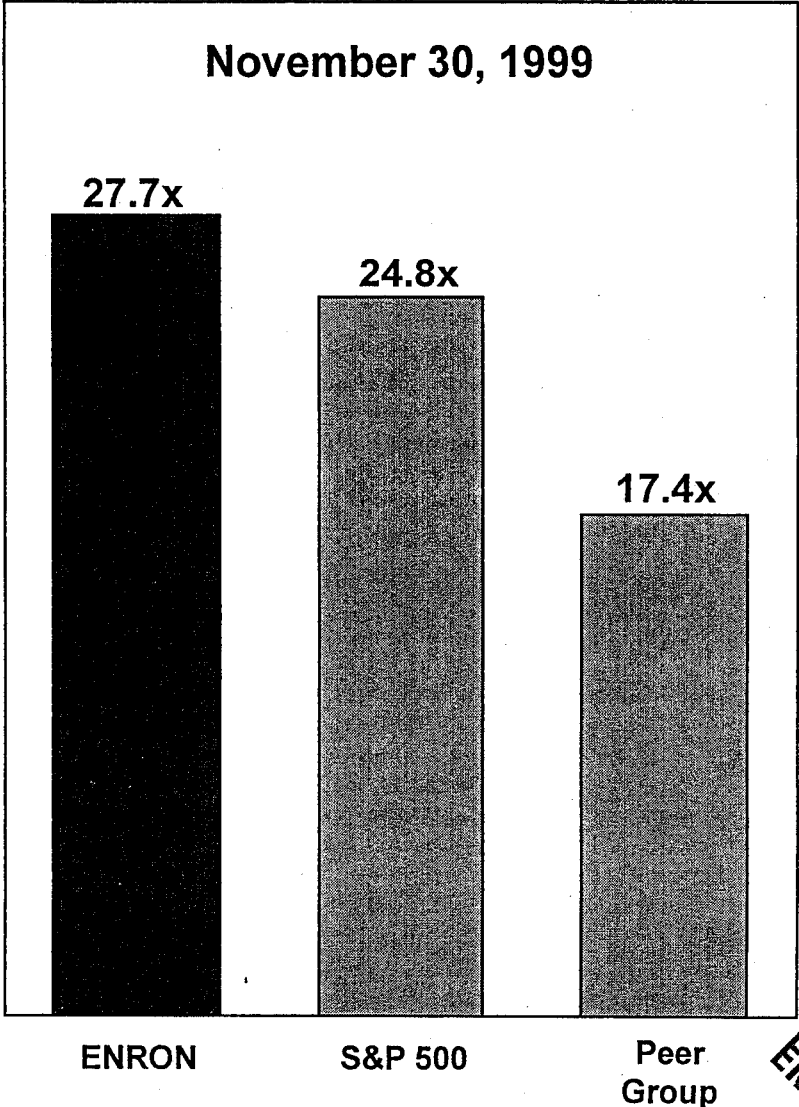
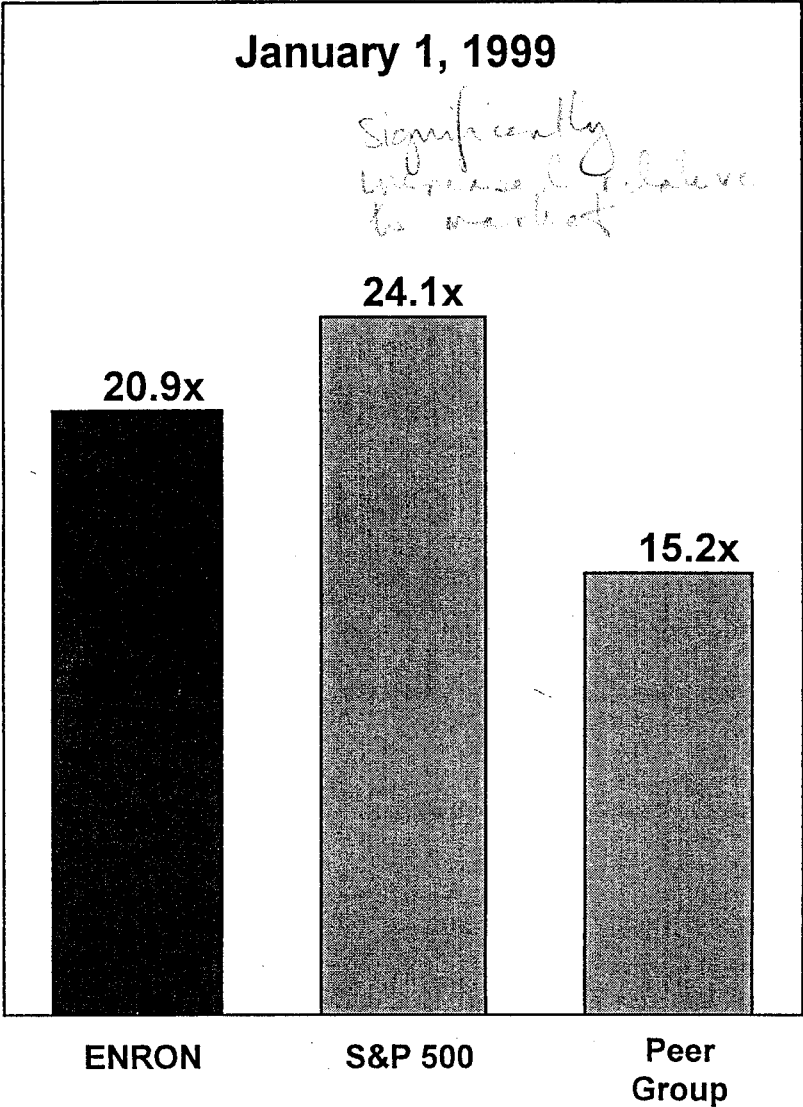
EC004388572



*K*

# Relative Valuation

(P/E, on 2000 EPS)



EC004388573



*K*

# Largest Shareholders\*

	<u>Location</u>	<u>Shares</u>	<u>Change From 9/30/99</u>	
Janus Capital	Denver 18%	57,660,000	11,660,000	Additional Sale
Fidelity Management & Research	Boston	16,651,000	(2,149,000)	5mm
Dean Witter Intercapital Funds	New York	12,912,000	912,000	
Putnam Investment Management	Boston	12,898,000	(1,702,000)	4mm
American Century Investment Management	Kansas City	11,613,000	753,000	
Smith Barney Capital Management	New York	11,600,000	0	
Northern Trust Global Investments	Chicago	8,579,000	299,000	
Dresdner RCM Global Investors	San Francisco	7,302,000	(8,000)	
American Express	Minneapolis	6,530,000	1,170,000	
Equinox Capital Management	New York	5,748,000	108,000	
Goldman Sachs Asset Management	New York	5,647,000	357,000	
Rorer Asset Management	Philadelphia	5,394,000	44,000	
Provident Investment Counsel	Los Angeles	5,145,000	(175,000)	
Merrill Lynch Asset Management	Princeton	5,137,000	737,000	
Government of Singapore	Boston	4,866,000	(434,000)	
Oppenheimer Funds	New York	4,419,000	129,000	

continuing to sell

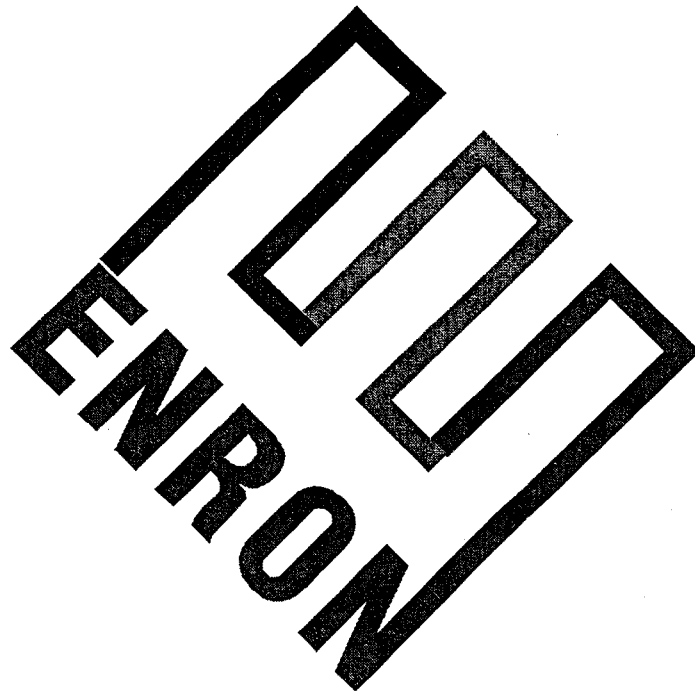
Sell side analysts beginning to focus on ROC

\*Excluding Index Funds



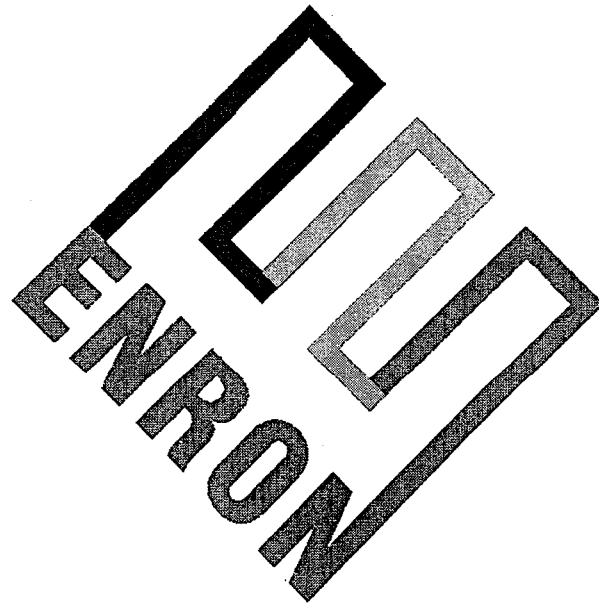
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R



# Investor Relations Update

EC004388575



# Company Overview

EC004388576

① Need to start thinking of how proceeds from J&E are used  
McKinsey charts

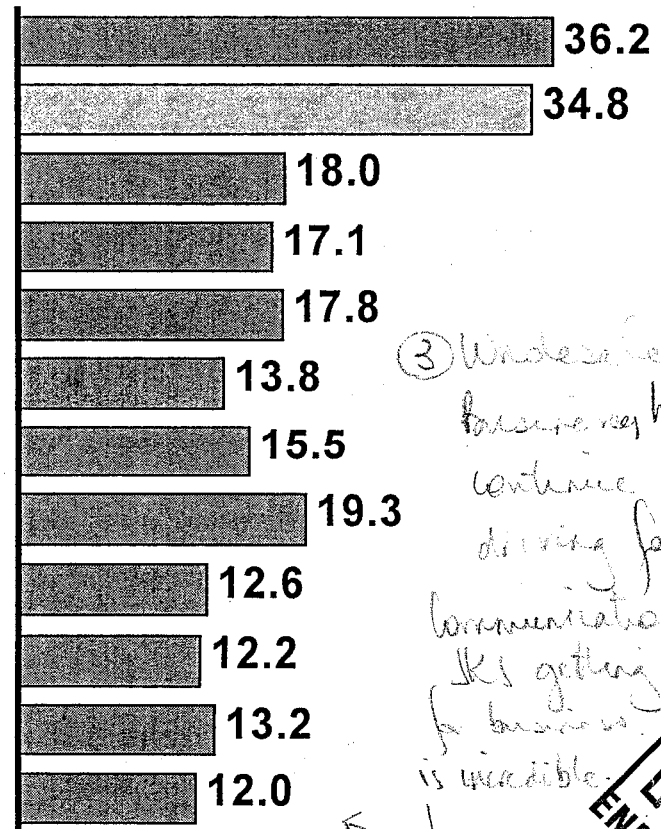
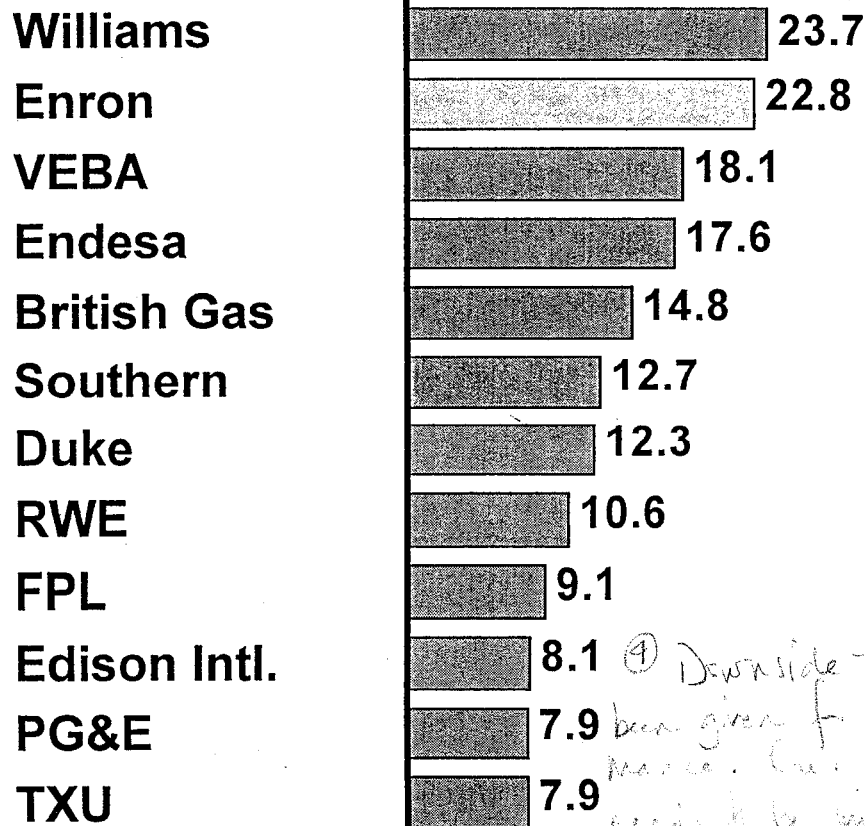
# Enron's Stock Has Outpaced EPNG Industry

Total return to shareholders (TRS)  
(1/90-9/99)

② Proud of performance especially considering performance of energy sector

Percent CAGR

P/E ratio (1999E)



④ Downside - credit has been given for future performance. But P/E ratios need to be improved

③ Wholesale to retail business here & will continue to be driving force  
communications business J&E getting a good one for business. Potential is incredible.



J&S

EC004388577

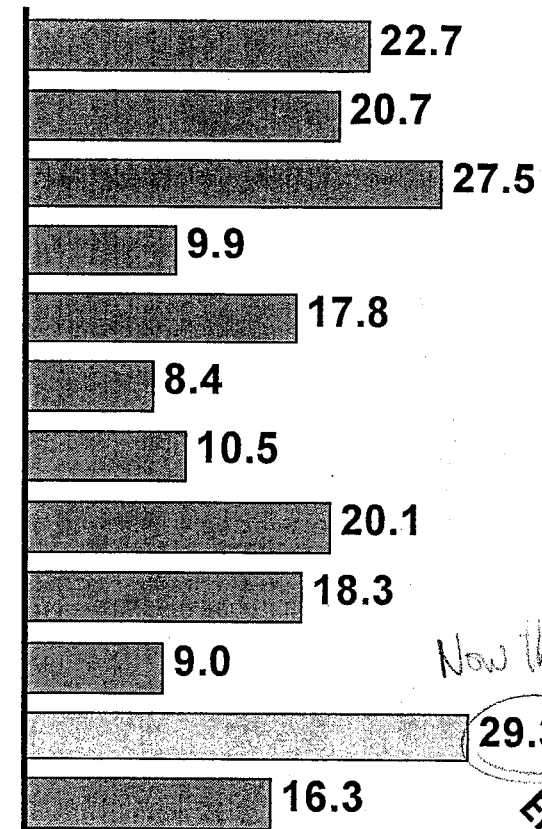
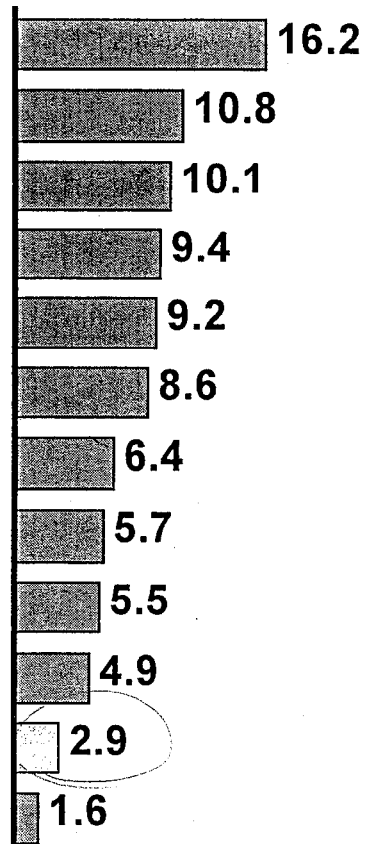
# Market Cap Has Risen To Number One

\$ Billions

Market value of equity  
(1/90)

Market value of equity  
(9/99)

British Gas  
RWE  
VEBA  
PG&E  
Southern  
Edison Intl.  
TXU  
Duke  
Endesa  
FPL  
Enron  
Williams



*Now the largest*



*JKS*

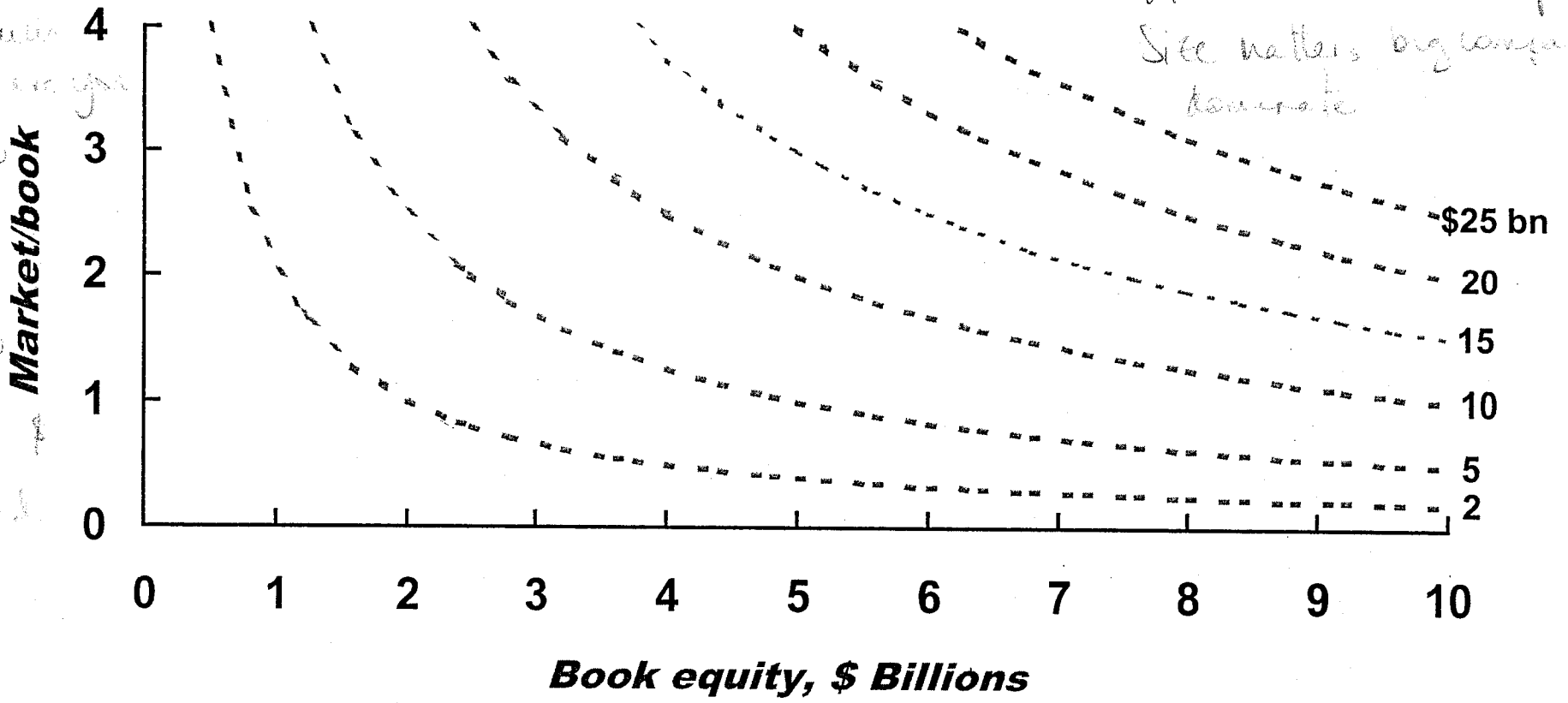
EC004388578

# Strategic Control Map

*Helps describe*

*How much  
wealth you  
make  
per  
share  
making  
value  
of each  
invested*

*Lines are market cap.  
Size matters big companies  
dominate*

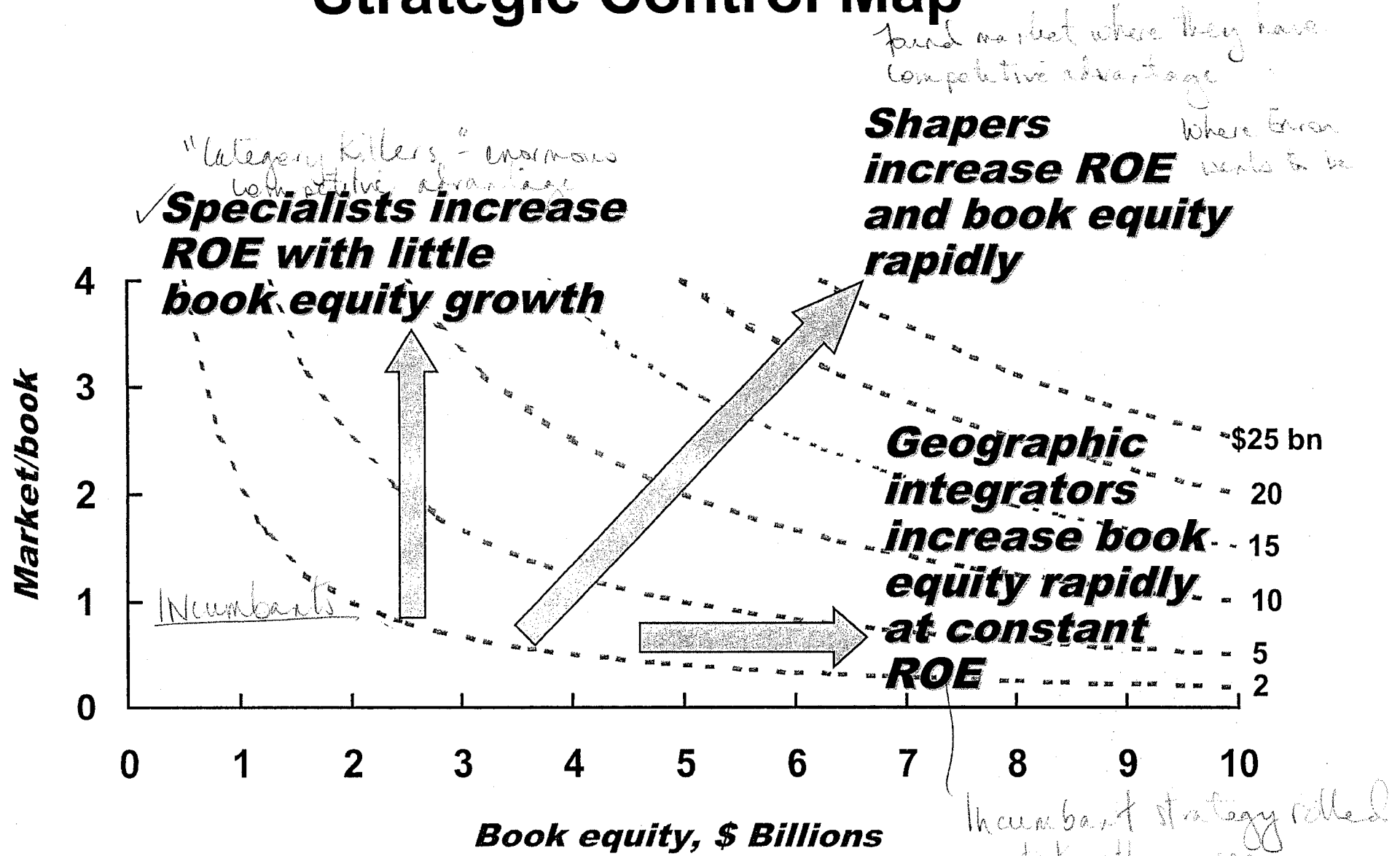


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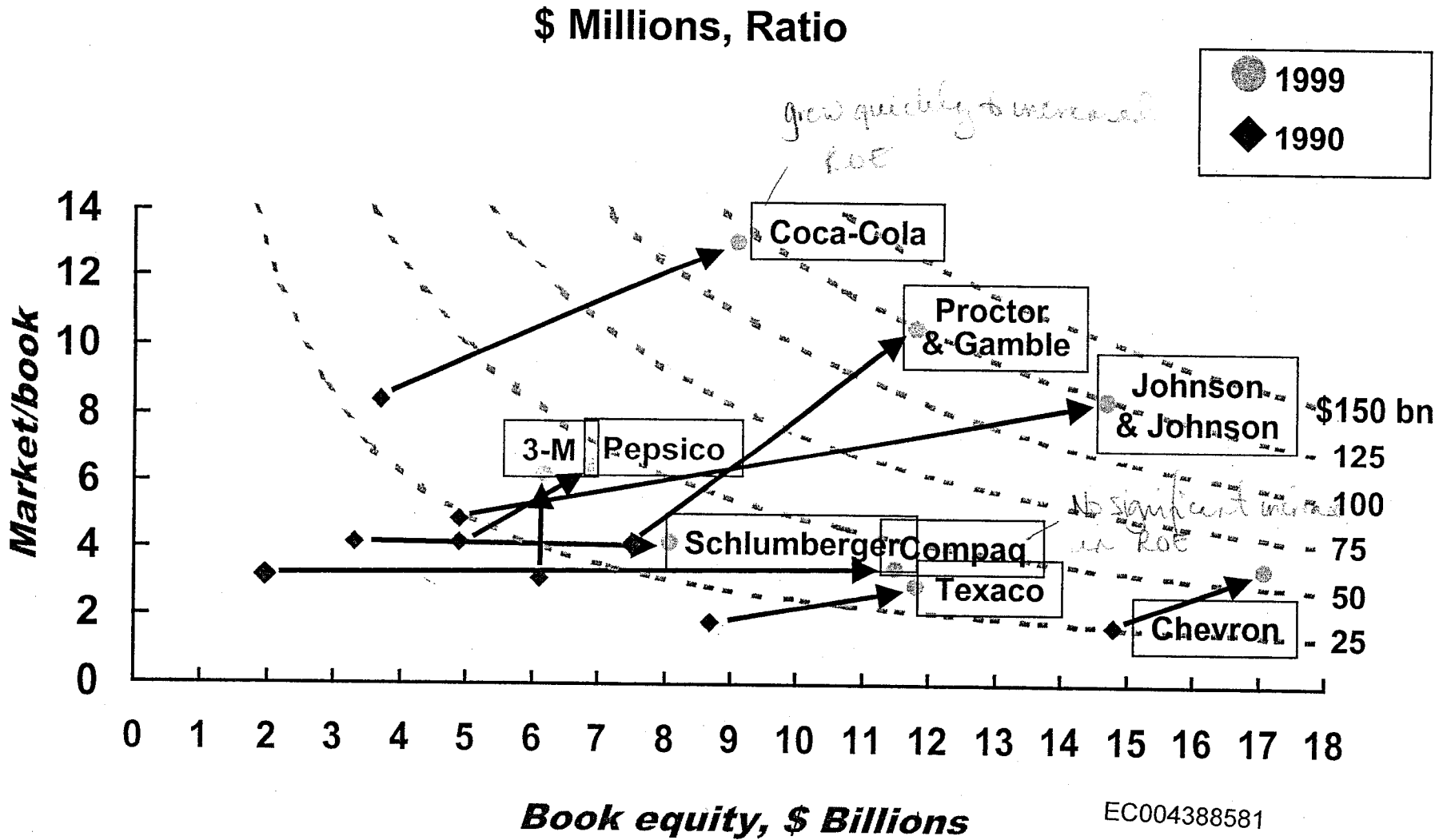
# Strategic Control Map



EC004388580



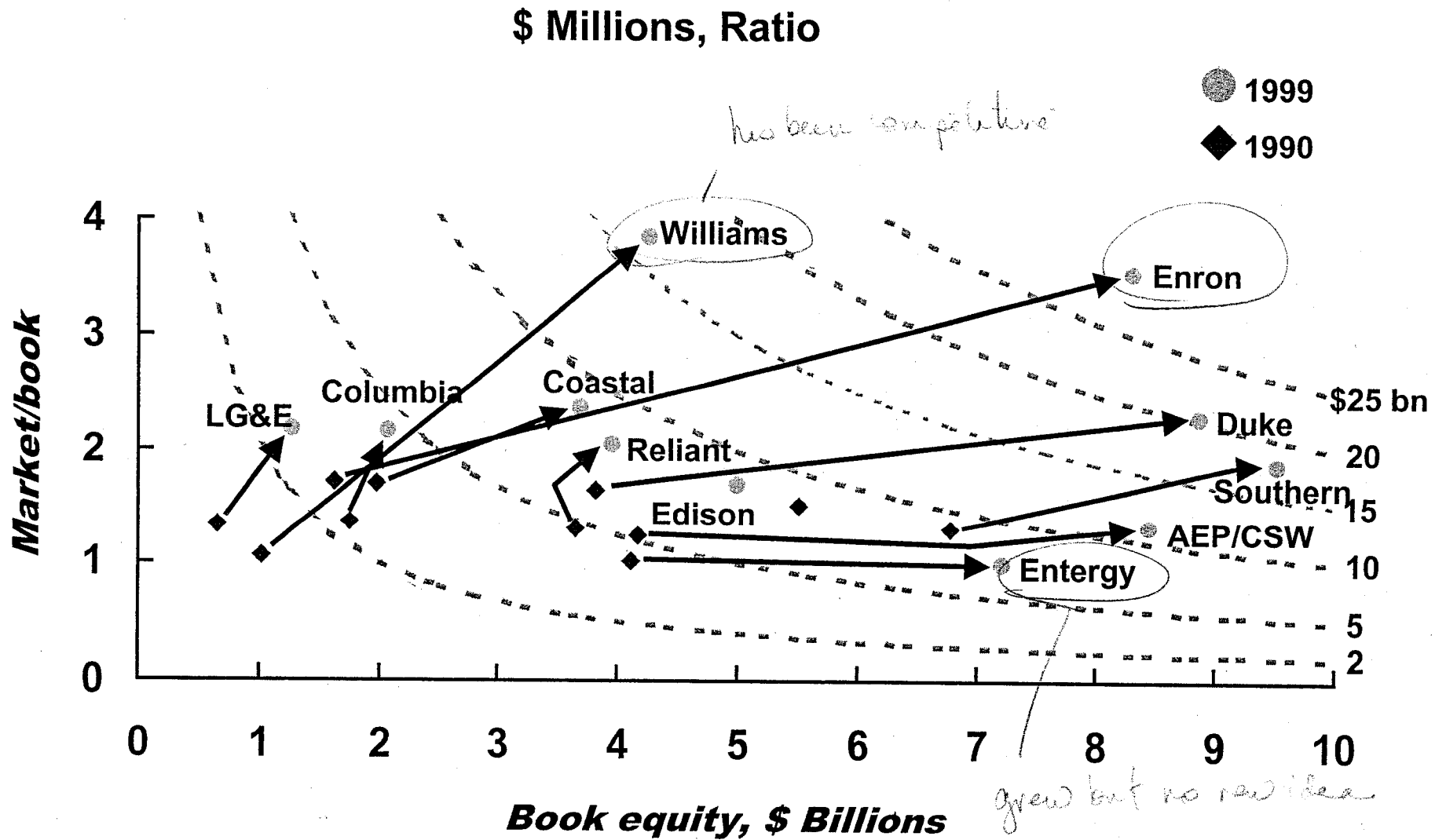
# Strategic Control Map Across Industries



\* Based on book value of equity as of 6/99 for US companies (except Enron 9/99) and 12/98 for non-US companies  
 Source: Compustat; Global Vantage

ENRON  
JKS

# Strategic Control Map for Electric Power and Natural Gas Industry

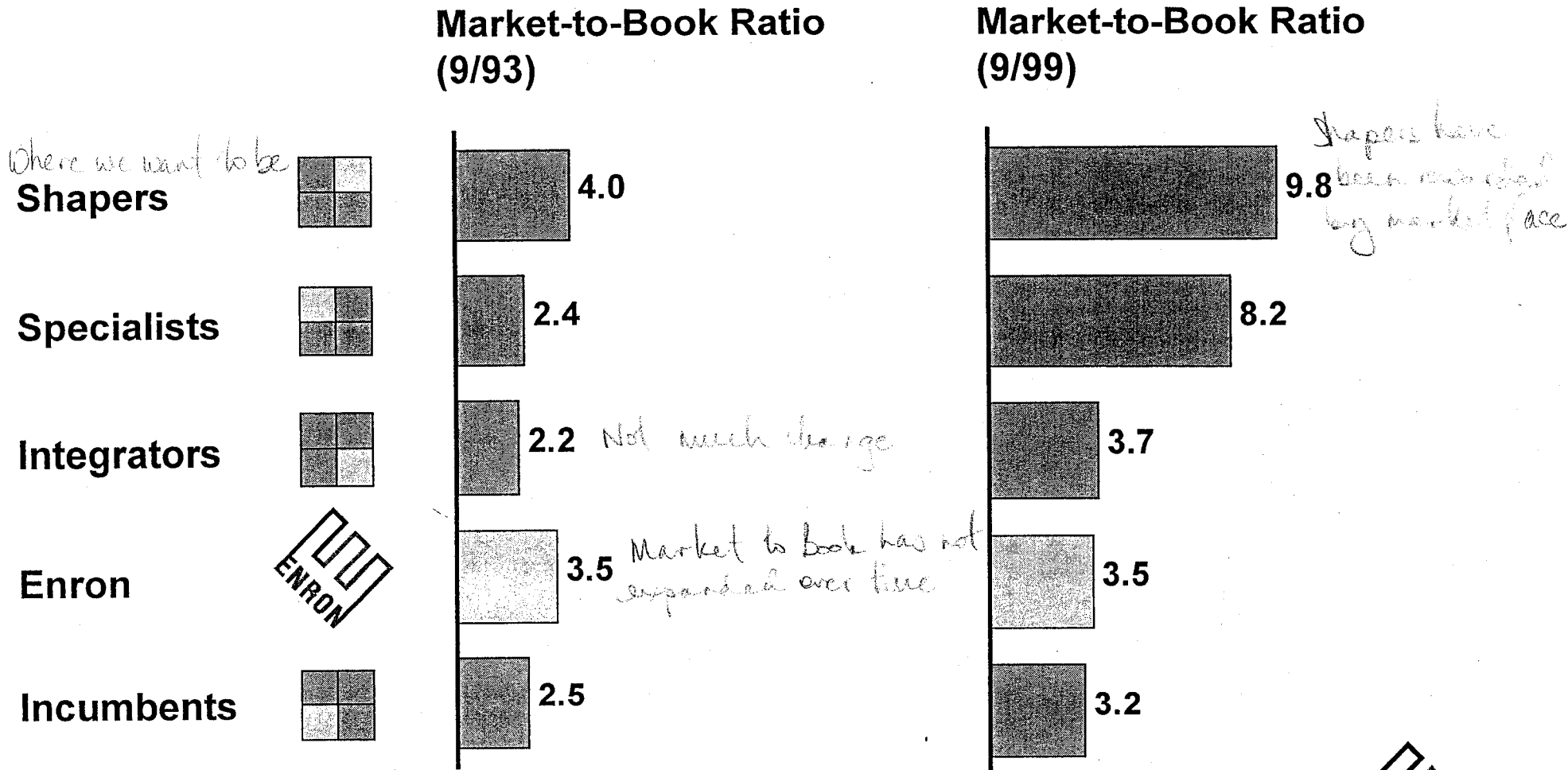


\* Based on book value of equity as of 6/99 for US companies (except Enron 9/99) and 12/98 for non-US companies  
 Source: Compustat; Global Vantage

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# Market-to-Book Performance Lags

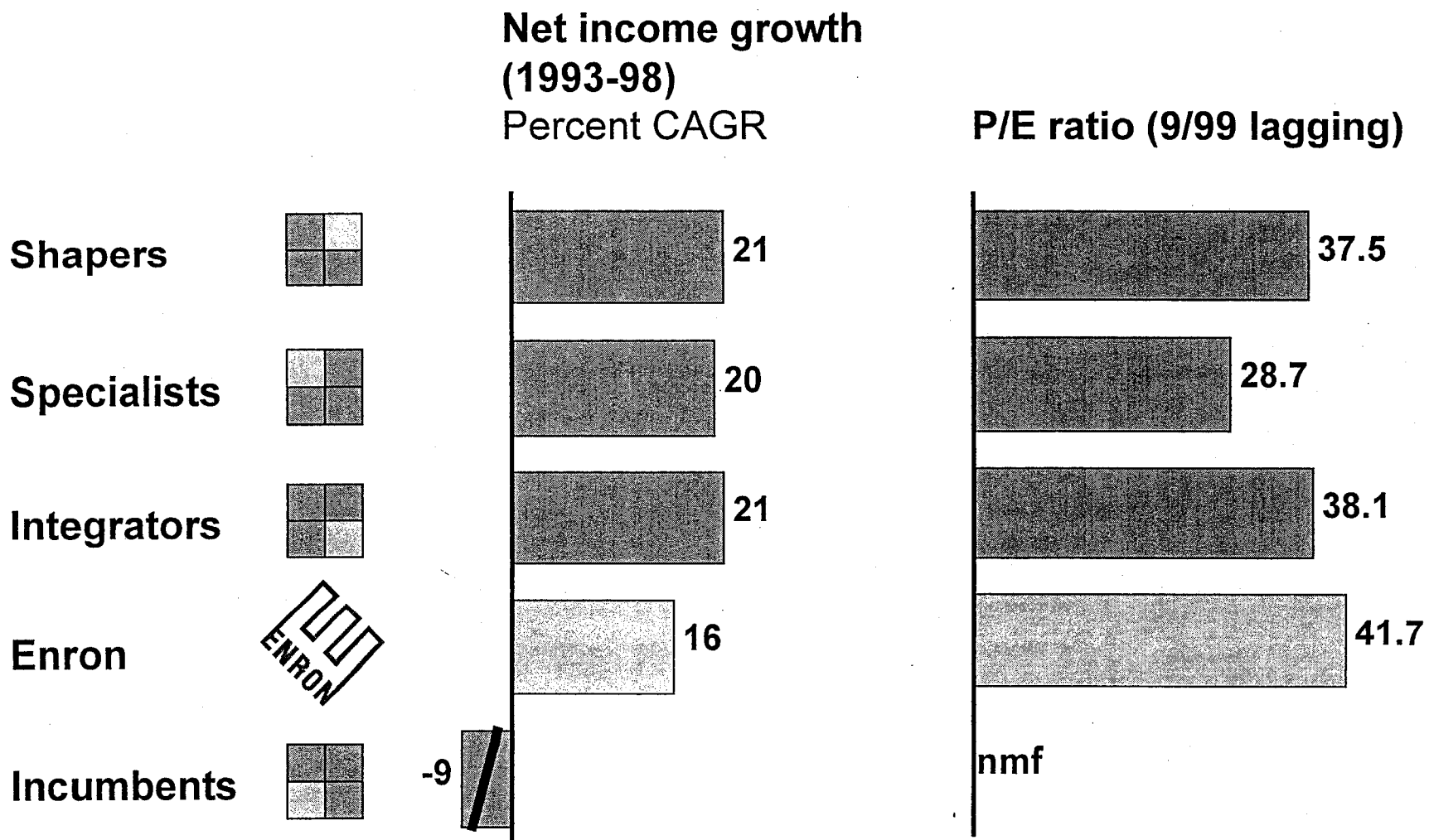


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*JKS*

# Earnings Growth And P/E Have Been Solid . . .

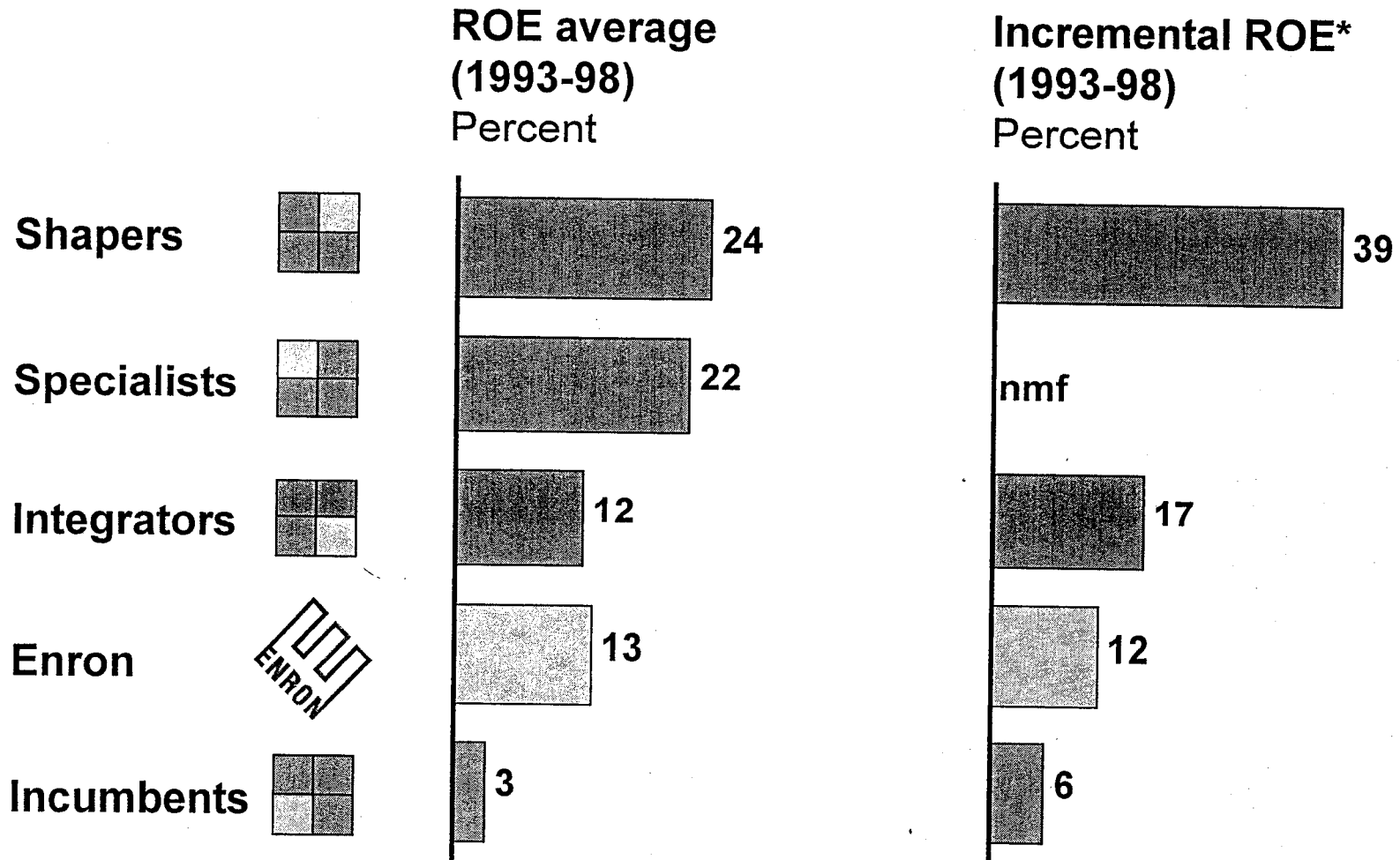


EC004388584



*JKS*

# ... But ROE Has Been Low



\* Incremental net income ÷ incremental book equity

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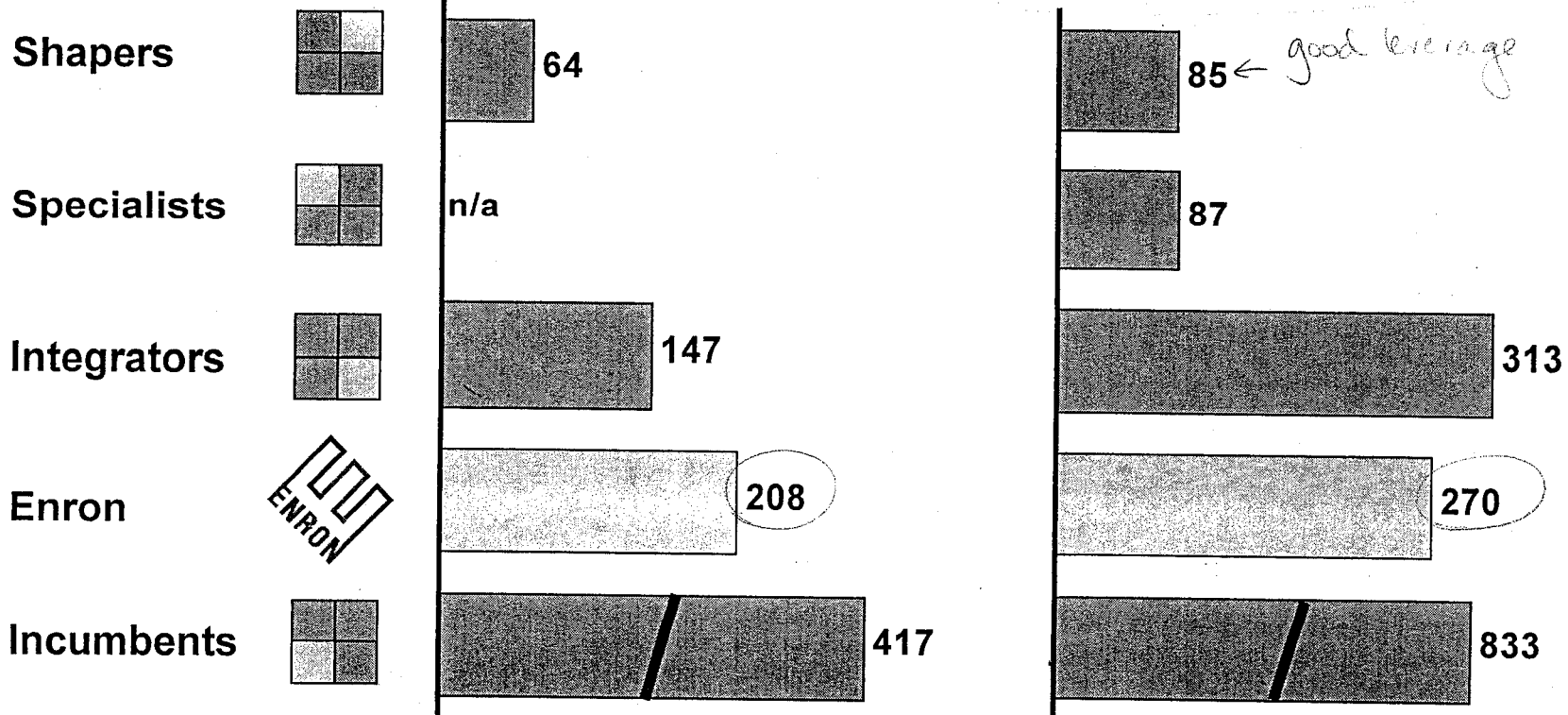
JKS

# Enron's Growth Has Been Highly Capital Intensive

\$ Million incremental equity

Per \$25 million of incremental earnings

Per \$1 billion of incremental market cap

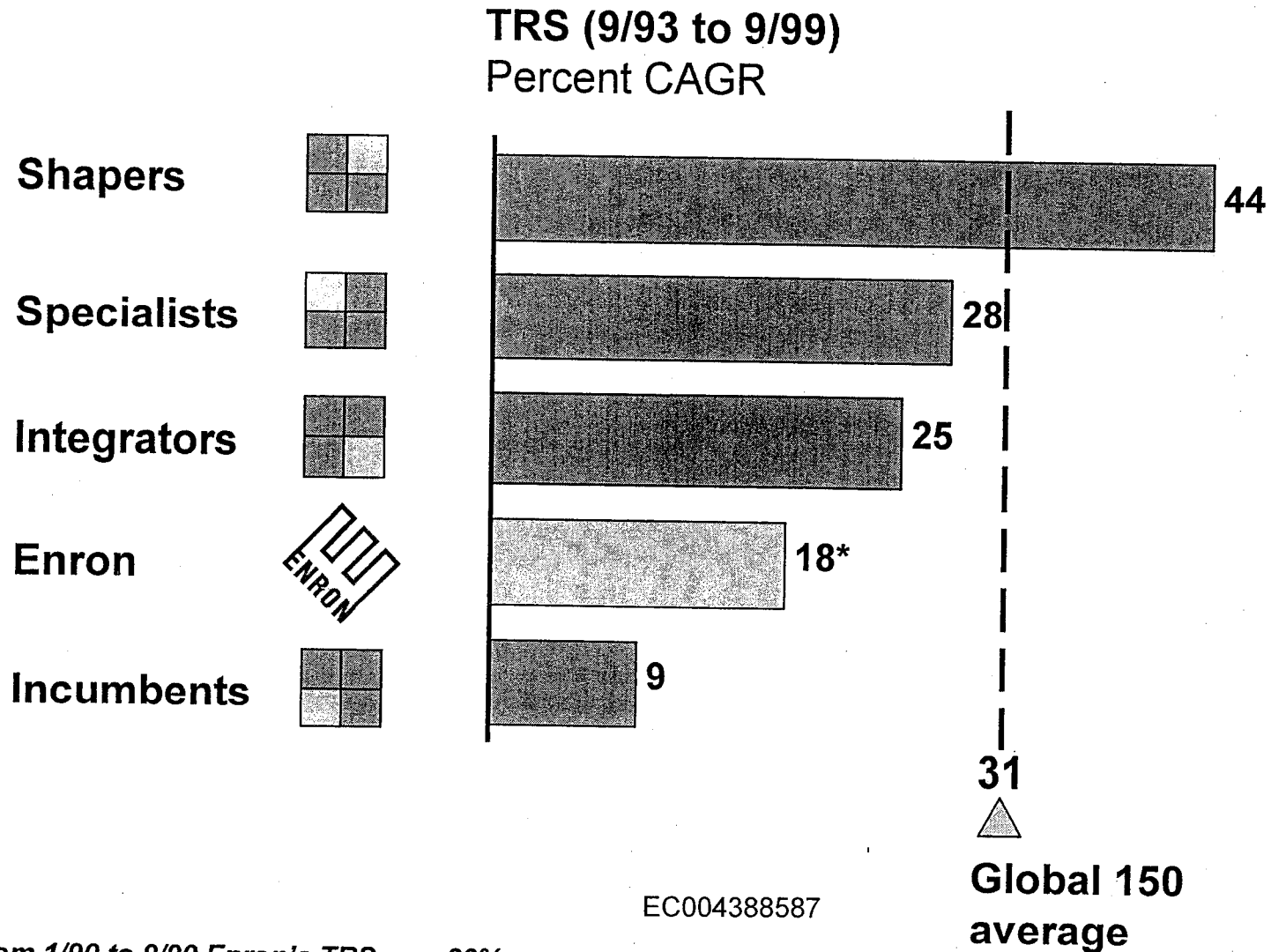


EC004388586



JKS

# As A Result, Total Returns To Shareholders (TRS) Have Lagged



EC004388587

\* From 1/90 to 9/90 Enron's TRS was 23%





# Disaggregating Enron's Portfolio

	Growth rate	Capital Intensity	Enron Business Units
Shapers	High	Low	ECT EES ECI
Integrators	High	High*	EI Azurix
Incumbents	Low	High*	GPG <i>high ROE</i> PGE - <i>Selling</i> EOG - <i>Sold</i> Clean Fuels <i>Written off</i>

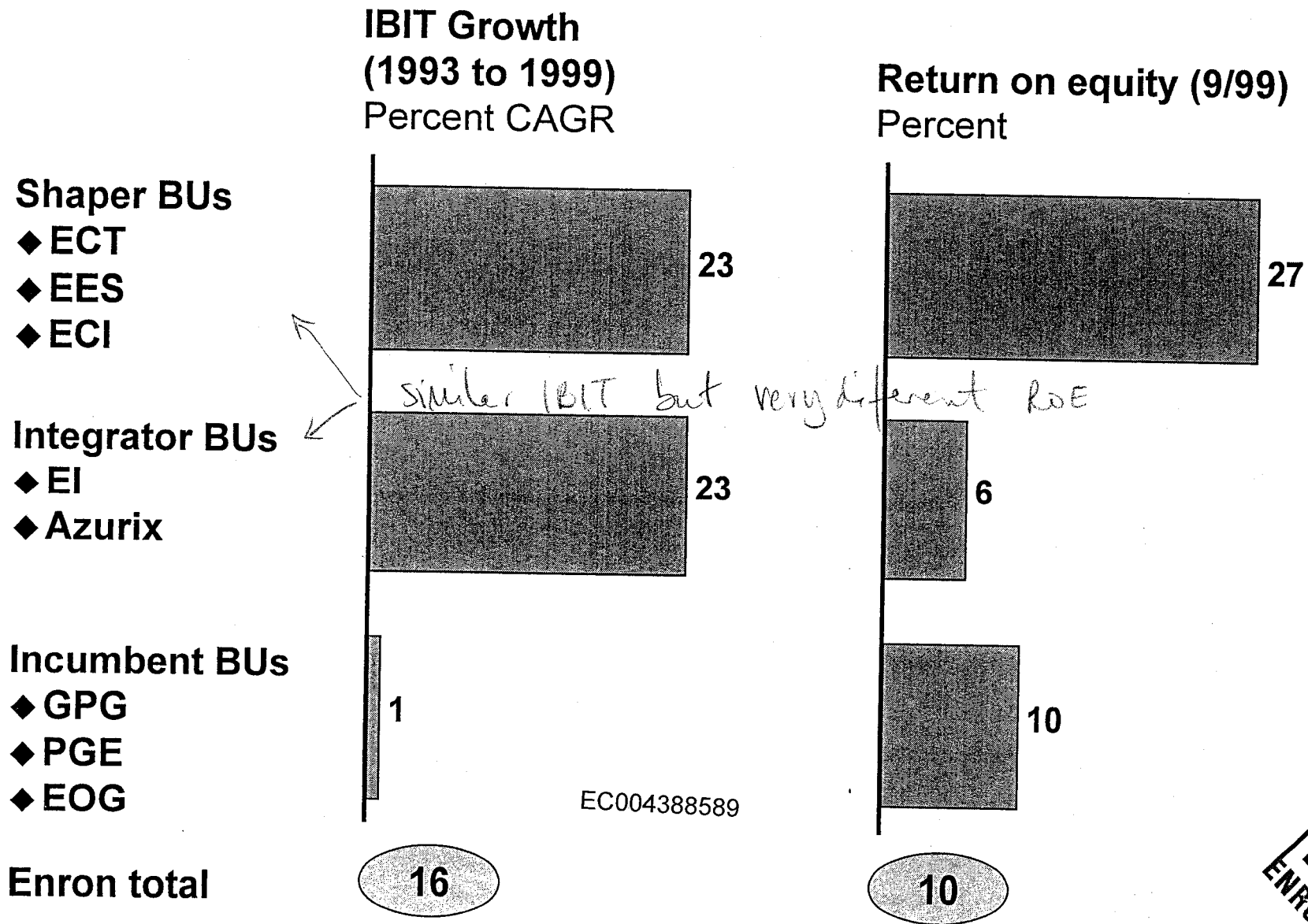
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\* High capital intensity is often required (e.g., regulated return industries; emerging economies which lack infrastructure/liquid markets)

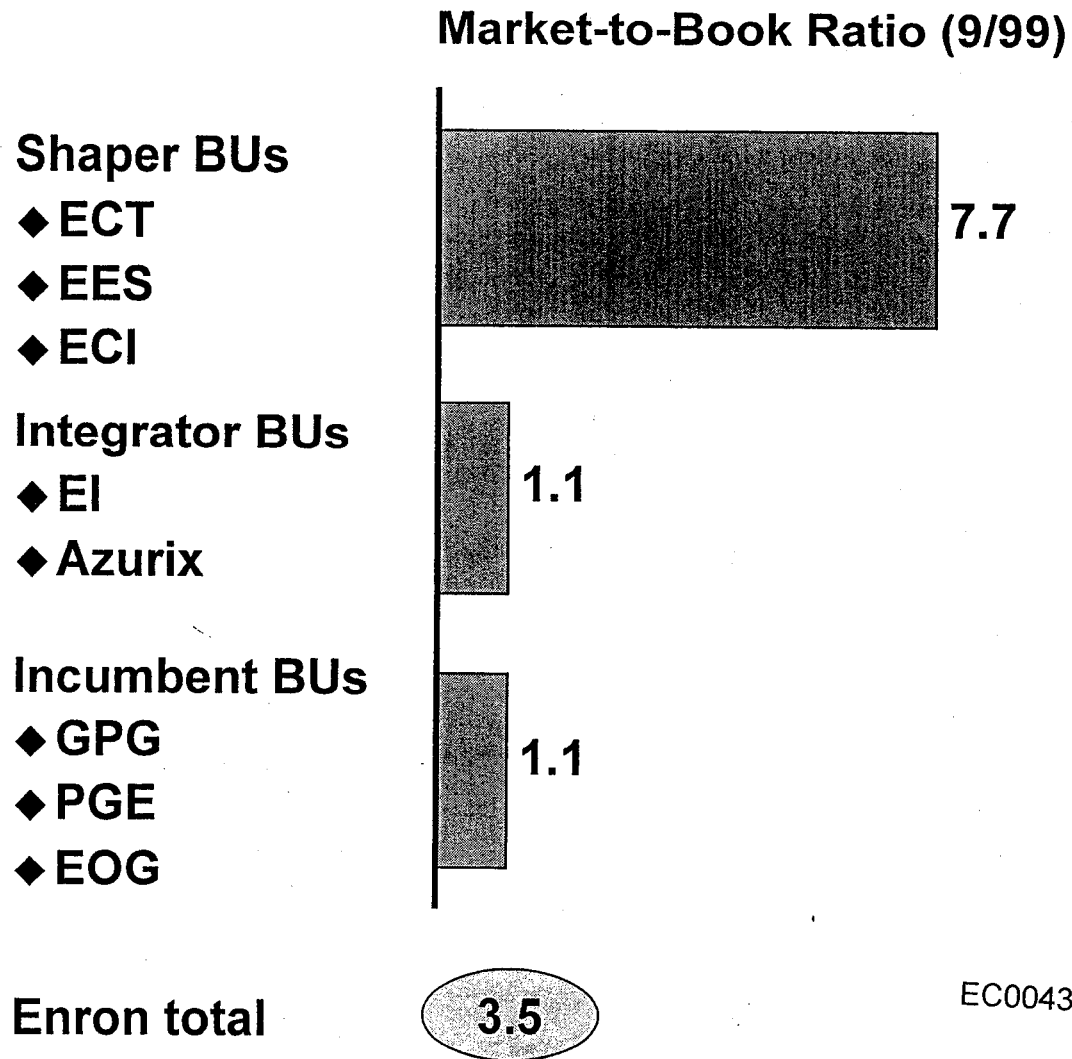


JRS

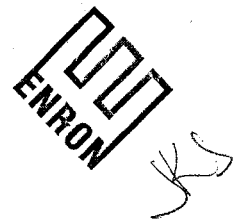
# “SHAPER” BUs Have Achieved Less Capital Intensive Growth...



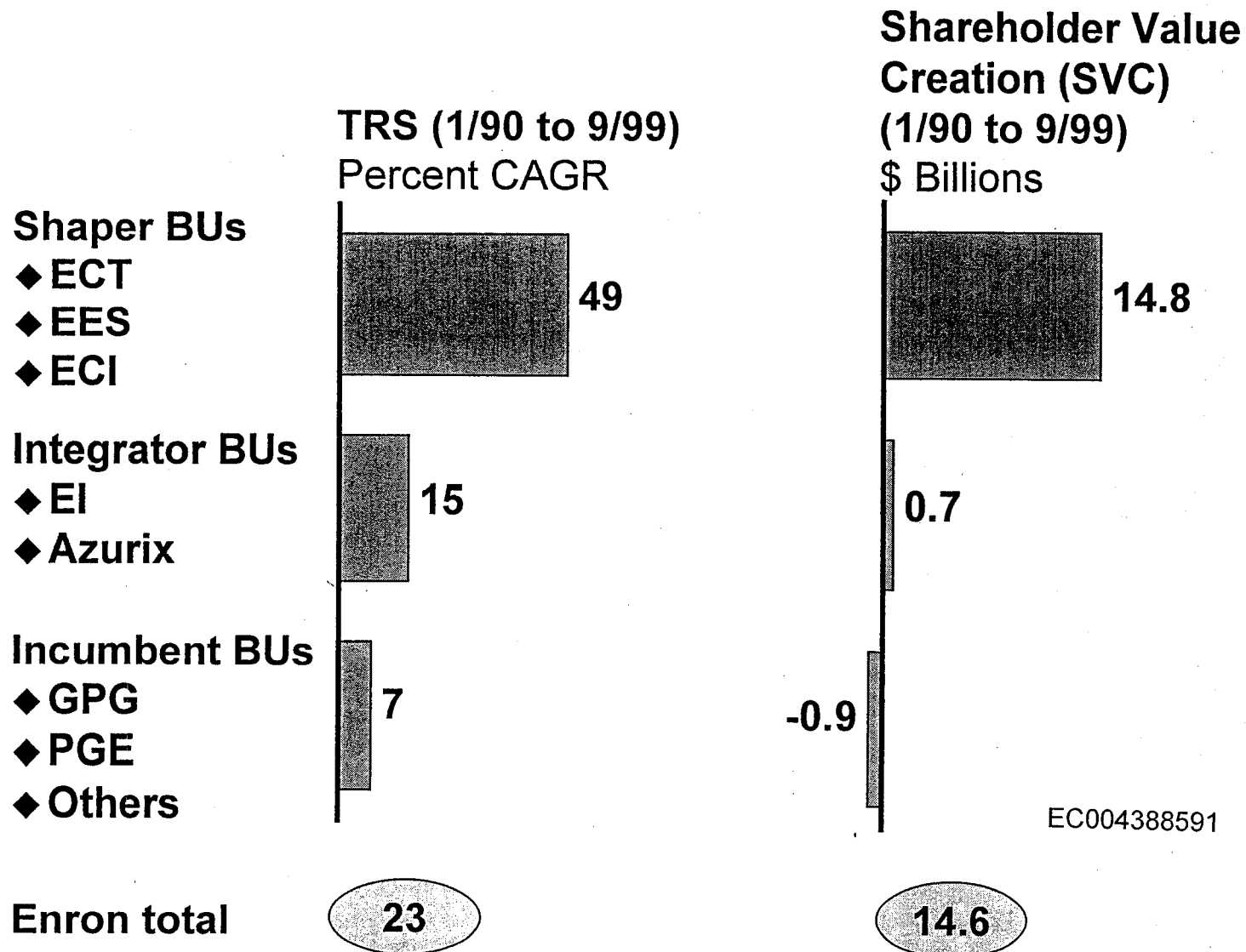
# ... Resulting In Significantly Higher M/b Ratios ...



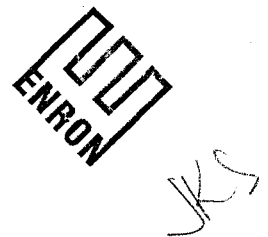
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# ... And Essentially All Of Enron's Shareholder Value Creation



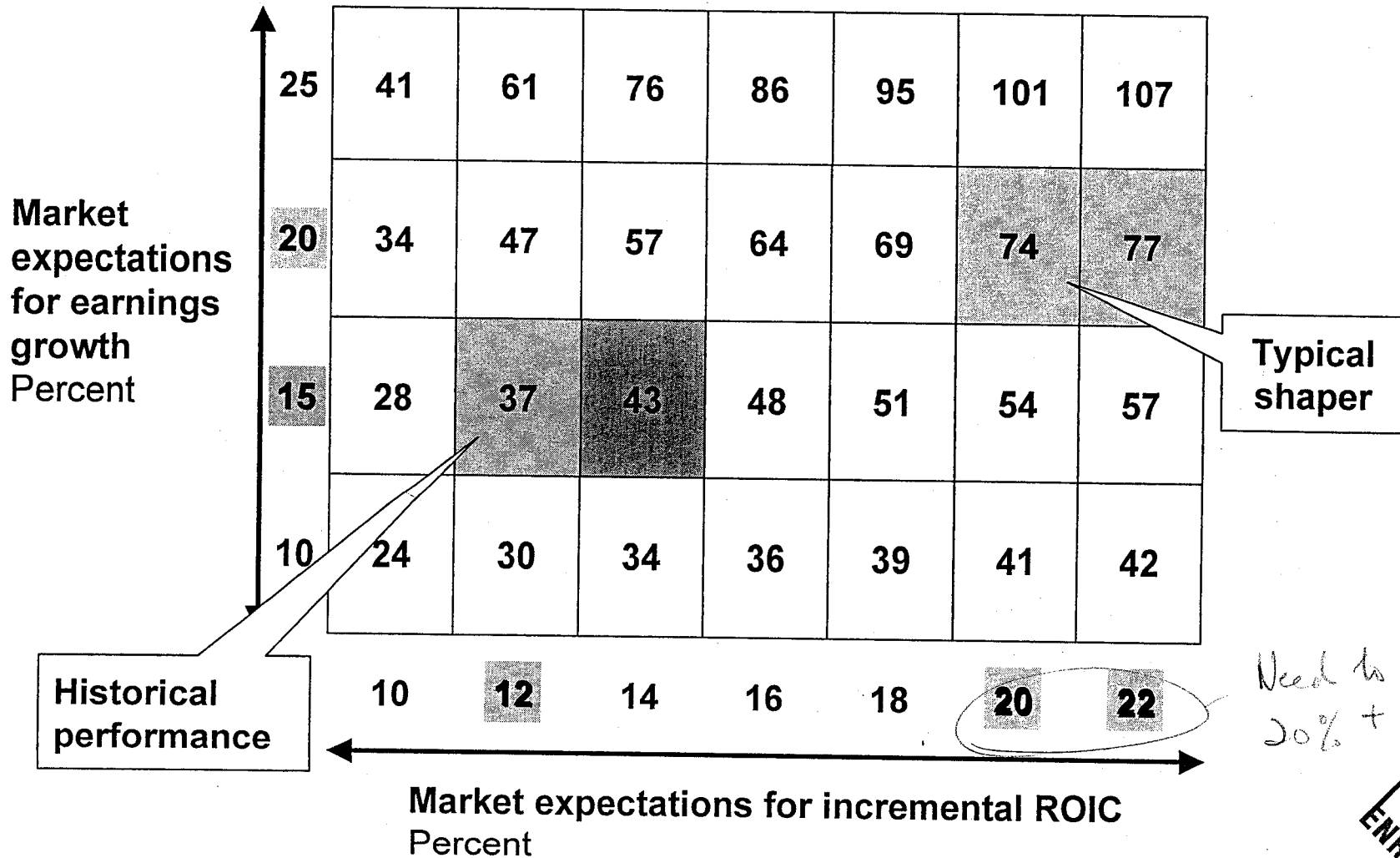
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# Achieving Shaper-Like Expectations Could Create Significant Value

*If we can capture growth (i.e. up to 20%)*

\$ Per share of Enron



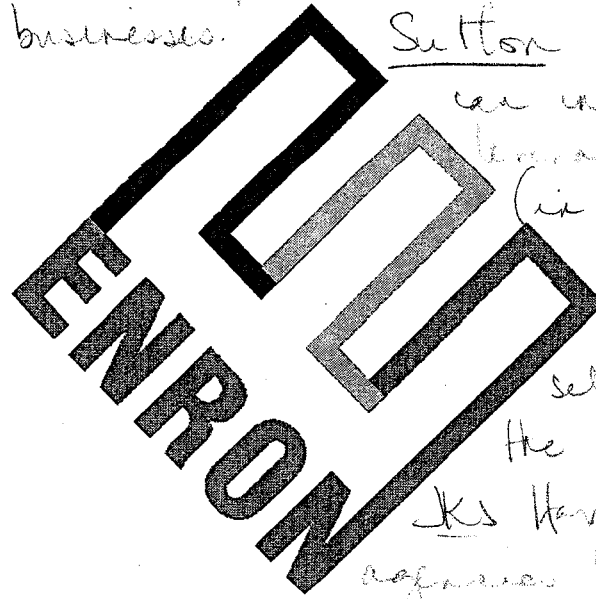
*Need to be @ 20% +*



*JKT*

EC004388592

Duncan Will future acquisitions fit into new model.  
Lay - Need to pay more attention to IT returns.  
Chan What about E1 - where you need a lot of capital.  
JKS Need to find a way to layer on less capital intensive businesses.



Sutton Focusing on areas where we can invest small amounts of money - leverage off it w/ EES + ECI type businesses (in Japan & Korea)

Harrison GPG Long-term - how we maintain earnings growth rate & sell that it continues to fit into the business going forward.

JKS Have earned 18% ROE & rating agencies let us keep up type of having regulated business.

Discussion of Human Resources & retaining employees.

# Company Overview

EC004388593

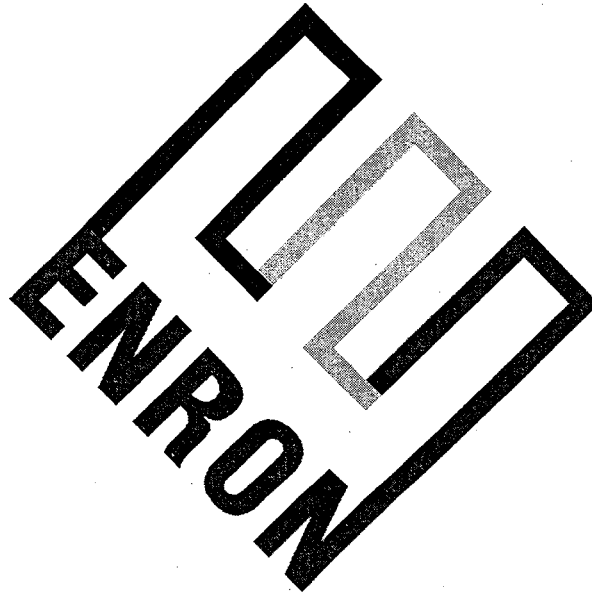


JKS

45 goals in 1999

<S> 500

40 complete in all but 4



# 1999 Enron Strategic Goals Status

EC004388594

*Letter*

# 1999 Enron Strategic Goals Overall

**Goal:** Achieve earnings and funds flow targets included in the 1999 Plan.

**Status:** Complete

All items are currently forecast to exceed Plan as shown below:

	<u>Plan</u>	<u>Forecast</u>
Recurring Income	\$ 859 million	\$ 955 million
Nonrecurring Income	<u>(98) million</u>	<u>(64) million</u>
Total Net Income	<u>\$ 761 million</u>	<u>\$ 891 million</u>
Recurring earnings per share	\$ 1.15	\$ 1.17
Nonrecurring earnings per share	<u>(.13)</u>	<u>(.08)</u>
Total earnings per share	<u>\$ 1.02</u>	<u>\$ 1.09</u>
Funds Flow	\$ 2,100 million	\$ 2,250 million

EC004388595





# 1999 Enron Strategic Goals Overall

**Goal:** Successfully complete the 1999 activities of the Y2K Plan approved by the Board with the goal of preventing the Y2K event from having a material adverse affect on Enron.

**Status:** Complete

The Y2K Plan has been successfully executed and, subject to the impact of third parties outside the control of Enron, it is anticipated that the Y2K event will not have a material adverse affect on the company.

EC004388596



# 1999 Enron Strategic Goals Overall

*Will add value*

**Goal: Successfully implement SAP financials and procurement for Enron Communications on April 1, Corporate on July 1, Enron Europe on October 1 and Enron Energy Services and Enron International on January 1, 2000. Implement SAP procurement for Portland General and Gas Pipeline Group on July 1.**

## **Status:**

**Each of the 1999 implementations described above was completed successfully and on time. We are on track for a successful implementation for Enron's international regions on January 1, 2000. Due to systems strategic planning issues at EES and the Enron reorganization, the EES implementation was rescheduled for July 1, 2000. We remain on track for having initial implementations of each major business unit complete by July 1, 2000.**

EC004388597



*S*

# 1999 Enron Strategic Goals Overall

**Goal:** Lower the weighted average cost of capital by 25 basis points while maintaining BBB+ credit rating.

**Status:** Complete

Enhanced a BBB+ credit rating

12/31/98 ENE 10-year spread	1.77%
12/3/99 ENE 10-year spread	<u>1.45%</u>
<b>Spread Savings</b>	<b>0.32%</b>

**Application of Spread Savings to New Debt:**

1999 Incremental Debt	\$ 1,000 MM
2000 Plan for Incremental Debt	\$ 588 MM

**Value Created (PV 7%)\*** \$ 37.1 MM

\* Assumes 10 year average term for new debt.  
Spreads are over US Treasury of corresponding term

EC004388598



5

# 1999 Enron Strategic Goals Overall

**Goal: (A) Maintain premium valuation multiples for Enron.**

**(B) Achieve total return to Enron's shareholders in excess of its peer group and the S&P 500 index.**

**(C) Develop and deliver coordinated and targeted investor communication that clearly identifies Enron's core strengths and superior earnings growth prospects.**

**Status: Complete**

**(A) Enron Corp. relative valuation versus the market and peer group is as follows:**

	<u>PE Multiple</u> <u>12/31/98</u>	<u>P/E Multiple</u> <u>11/30/99</u>
Enron Corp.	20.9x	27.7x
Peer Group	15.2x	17.4x
S&P 500	24.1x	24.8x

EC004388599



# 1999 Enron Strategic Goals Overall

Status: Continued

(B) Enron's total return to shareholder for 1999 year to date has significantly exceeded all comparative indexes.

	<u>Total Return 1999</u> <u>(YTD through 11/30)</u>
Enron Corp.	35.2%
Peer Group	8.4%
S&P 500	14.2%
Dow Jones Industrials	20.1%
Dow Jones Utilities	(6.4%)

(C) The objective of providing coordinated and targeted investor communications was carried out aggressively in 1999 which contributed to the total returns and increased valuation levels mentioned above.

*held meeting in over 50 locations*

EC004388600



# 1999 Enron Strategic Goals Overall

**Goal:** Improve wholesale electricity transmission access through federal legislation or FERC regulation.

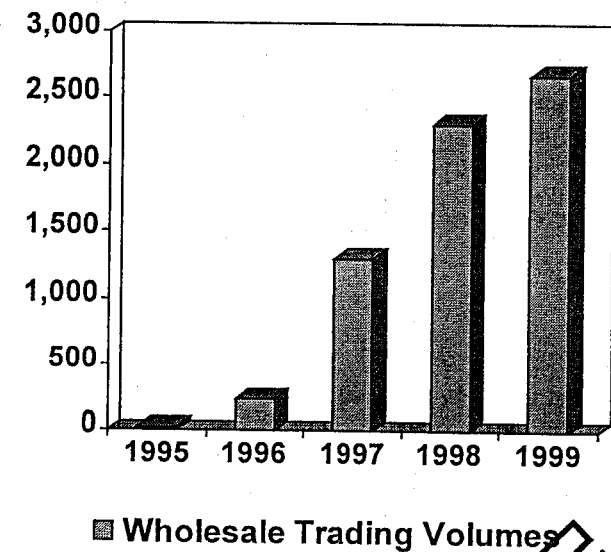
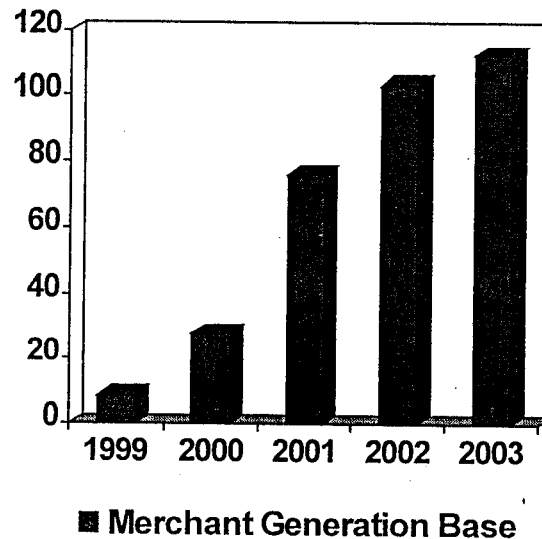
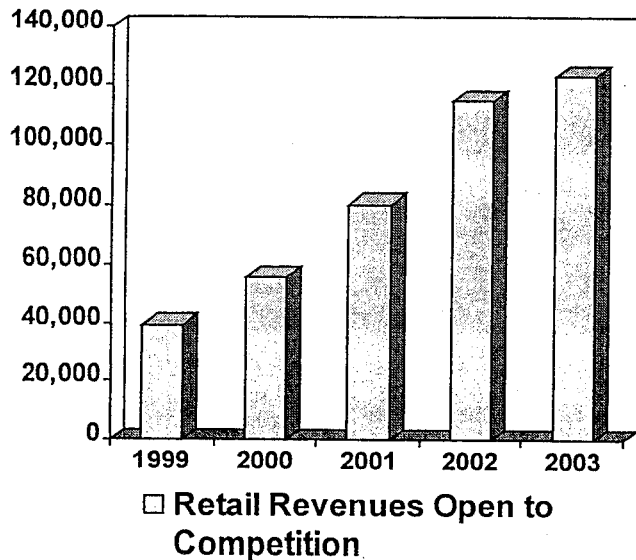
*Great piece, no small achievement*

**Status:** Complete

Federal legislation passed House Subcommittee

FERC initiated Regional Transmission Organization (RTO) rulemaking

Established Enron control areas and retained commercial advantages



EC004388601



5

# 1999 Enron Strategic Goals

## Overall

*Key effort for Enron*

**Goal:** Reinforcement of our Vision and Values at Enron to create a competitive advantage in terms of recruiting and retaining employees and attracting customers and partners.

**Status:** Complete

Values restated two years ago and Task Force established to inculcate them into our company. These values are bringing real change to Enron as evidenced by improved survey results:

- \* • My company does a good job of treating people with respect and dignity - 58% agreed in 1996 vs 74% in 1999
- I can generally believe the information I get from top management - 59% agreed in 1996 vs 74% in 1999
- My immediate supervisor deals fairly with everyone - 62% agreed in 1996 vs 75% in 1999
- Employees feel a commitment to their operating company as more than "just a place to work" - 44% agreed in 1996 vs 65% in 1999

EC004388602



*S*

# 1999 Enron Strategic Goals Overall

**Status: continued**

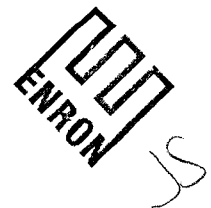
**Three key initiatives:**

**The “Excellence through Communication” intranet survey**

**The Chairman’s Award was an enormous success in 1999**

**Fortune magazine’s “Best 100 Companies” rankings placed  
Enron at #73 last year.**

EC004388603





# 1999 Enron Strategic Goals Overall

**Goal: Show immediate results in Enron's Diversity Program:**

- All underutilized job groupings corrected and target placement rates achieved.
- Increase percentage of minority/women representation in recruiting at the entry level.
- ✓ ● Increase the run rate of MWBE (minority or women owned business enterprise) procurement from 1.1% to between 4% and 7%.

**Status: Complete**

- Diversity Task Force formed - chaired by Ken Lay.
- Underutilized job groupings corrected and target placement rates achieved.
- ✓ ● Focus on minority/women recruiting - total work force increase by .5% on women and 1.5% on minorities.
- Run rate for MWBE procurement increased from 1.1% to 5.7%.

EC004388604



# **Enron Gas Pipeline Group 1999 Goals**

EC004388605

# 1999 Enron Strategic Goals

## Gas Pipeline Group

**Goal:** Complete the certification process for Northern Border Pipeline Company's Project 2000 and Florida Gas Transmission Phase IV that results in the projects being placed into service in December 2000 and May 2001, respectively.

**Status:**

✓ FGT's Phase IV Certificate should be issued in February, 2000 which is on schedule. NBPL's Project 2000 is being held in abeyance pending NBPL's review of the FERC's new order requiring incremental pricing for new projects.

**Goal:** Complete the acquisition(s) of energy transportation assets that are accretive to earnings, have positive cash flow, and have a positive net present value.

✓ **Status: Complete**

EOTT completed the acquisition of Koch's crude oil gathering assets (\$245 Million) and the Texas New Mexico crude oil pipeline (\$35 Million).

EC004388606



# 1999 Enron Strategic Goals

## Gas Pipeline Group

**Goal:** Successfully complete a secondary offering of EOTT units in the third quarter of 1999. Extinguish EOTT's term loan with Enron Corp by the end of the third quarter 1999.

**Status:** Complete

\$235 Million of 10-year notes and 3.5 Million of Common Units were issued in September. The proceeds were used to extinguish all of EOTT's debt with Enron Corp.

✓ **Goal:** Develop an exit strategy for Clean Fuels.

**Status:**

Several potential deals are being analyzed. The write-down of the MTBE plant has resulted in at least three parties coming forward with varying interest in buying the plants.

EC004388607



5

# 1999 Enron Strategic Goals Gas Pipeline Group

**Goal:** Resolve the Northern Natural Gas rate case under terms and conditions that meet or exceed the results included in the 1999 Plan.

**Status:** Complete

Settlement agreement was approved by the FERC in 1999. Settlement met all planned goals.

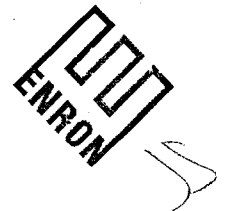
**Goal:** Gain the consent of EOTT's unit holders to:

- Authorize the issuance of an additional 10 Million common units
- Convert special units to common and list on the NYSE
- Approve the listing of units that were issued to Koch on the NYSE

**Status:** Complete

Unit holder approval received in February, 1999.

EC004388608



# **Portland General Group 1999 Goals**

EC004388609

# 1999 Enron Strategic Goals Portland General Electric

**Goal:** Successfully complete asset sale of the Colstrip Plant. If regulation delays the Colstrip sale, be prepared to implement sale of Centralia and Sullivan plants.

## **Status:**

Colstrip and Centralia plant sales delayed until Q1 2000, but despite delays, the \$42.5 million IBIT overview associated with these transactions was achieved through O&M savings, short-term trading activities and specific regulatory accounting treatment (cost deferral).

Sullivan sale delayed indefinitely due to buyer (Smurfit) considering the sale/closure of the existing paper mill on the site.

EC004388610



# 1999 Enron Strategic Goals Portland General Electric

**Goal:** Complete a business expansion initiative that contributes at least \$30 million in additional earnings beginning no later than 2001.

**Status:**

Efforts were turned to supporting the successful sale of PGE (ultimately to Sierra).

**Goal:** Continue to manage regulatory and legislative initiatives in a way that optimizes benefits to customers and shareholders. Support Enron's national strategy for restructuring the electric utility industry.

**Status: Complete**

Deregulation Oregon Senate Bill (SB1149) passed, requiring open access to industrial and large commercial customers by 10/1/2001.

PGE went to the legislative session with 11 priority bills. All 11 passed the House & Senate.

EC004388611



SS



# **1999 Enron Strategic Goals Portland General Electric**

**Goal: Meet Trojan decommissioning objectives and successfully manage the Trojan court case.**

**Status: Complete**

**Reactor vessel removal completed on time and under budget.  
Spent fuel storage project on track for completion by year-end 2000.**

EC004388612



5

# **Enron North America 1999 Goals**

EC004388613

# 1999 Enron Strategic Goals

## Enron North America

### Goal: Generation -

- Finalize 1999 peakers to come on line in phases with a minimum of 1200 MW by July 1, 1999.
- Finalize development and funding of Year 2000 peakers.
- Close Cogen Technologies transaction and integrate into Enron.

### Status: Complete

- 1260 MW commercially available on 7/1
- Project on track (1587 MW) to come on-line in first half of 2000
- Transaction closed in first quarter, operations are integrated

EC004388614



# **1999 Enron Strategic Goals Enron North America**

**Goal: Trading - Fortify our leadership position. Maintain number one position with total energy volumes marketed of 26,000 BBtu/day representing a 20% increase from 1998.**

**Status: Complete**

**Enron remains #1 merchant of power and gas in North America  
YTD volume growth = 21%**

EC004388615



5

# 1999 Enron Strategic Goals

## Enron North America

**Goal: Gas Assets - Total outsourcing of the gas supply and asset management function of a natural gas utility to ECT in a key strategic market (utility annual load in excess of 60 bcf/yr).**

**Status: Complete**

**BUG (~107Bcf) extended for one year**

**Peoples (~160Bcf) closed in third quarter**

**Goal: Finance - \$1 billion in new investments without increasing balance sheet limits.**

**Status: Complete**

**YTD October investments exceeded \$1 billion with no increase to limits.**

EC004388616



# **Enron Europe 1999 Goals**

EC004388617

# 1999 Enron Strategic Goals

## Enron Europe

**Goal:** Generate at least \$150 million of gross margin outside of the U.K.

**Status:**

Generated approximately \$100 million of gross margin outside U.K.

**Goal:** Financially close two significant infrastructure projects.

**Status:** Complete

- Closed sale of Bitterfeld (125mw plant in Germany) with MEAG.
- Expected to complete dry close on Croatia by year end (locked in financing terms with lenders).
- Financial close on Arcos is expected Q1 00 due to delays in permitting process.

*Spain*

EC004388618



# **1999 Enron Strategic Goals Enron Europe**

**Goal: Eliminate remaining financial exposure associated with Eastern positions.**

**Status: Complete**

**Successfully reduced net open positions in both gas and power to within board approved limits with no adverse financial impact. Eastern positions have increased in value by over \$120 million, while Eastern credit exposure has been reduced by over \$65 million through innovative credit instruments.**

EC004388619





# **Enron India 1999 Goals**

EC004388620

# 1999 Enron Strategic Goals

## Enron India

**Goal: Expand India business into a gas distribution and electricity franchise evidenced by:**

- **Achieving commercial operation of Dabhol Phase I by the end of the first quarter 1999.**
- **Achieving financial closing of Dabhol Phase II by the end of the first quarter 1999.**
- **Start construction of the Dabhol pipeline and contract for sale and supply of a minimum of 1.2 mm tons of LNG as follow-on volumes for Dabhol by year end.**

EC004388621



# 1999 Enron Strategic Goals

## Enron India

Status: Complete

Dabhol Power Plant: Phase I (740 MW)

- Achieved commercial operation in May 1999, 5 months behind expected schedule, still 2 months ahead of contractual commitments
- Significant contractor issues (mainly GE) resulting in:
  - Downtime due to rotor change out on GE Frame 9FA
  - Plant performance issues

Dabhol Power Plant: Phase II (1,440 MW)

- Under construction by Enbech (Bechtel and EECC) on the power side and EECC on the marine/LNG side
- Maintaining schedule for Phase II

Metgas Pipeline Development well underway

- Terminating and regas contract with Dabhol Power in place
- LNG terminal and tanks 12 months into construction
- Pipeline ROW acquisition in progress GSAs with gas customers under active negotiation
- Joint Venture with SICOM to develop LDCs in Maharashtra

EC004388622



**Enron Asia Pacific, Africa  
and China  
1999 Goals**

EC004388623

# **1999 Enron Strategic Goals**

## **Enron Asia Pacific, Africa and China**

**Goal: Break through into energy business in China as evidenced by closing one pipeline or power project.**

**Status: Complete**

**Developed and closed Chengdu Power Project**

**Goal: Remedy Hainan Island power project payment problem.**

**Status:**

**Triggered prohibited arbitration process - significant progress**

EC004388624



# **Enron Caribbean / Middle East 1999 Goals**

EC004388625

# **1999 Enron Strategic Goals Enron Caribbean / Middle East**

**Goal: Resolve asset management issues in the Dominican Republic resulting in receipt of timely payments.**

**Status: Complete**

- **Renegotiated PPA**
- **Settled back payment dispute**
- **Received over \$30 million from privatization proceeds and special payments**
- **Instituted island-wide Citibank escrow account to ensure future payments**

EC004388626



# **Enron Southern Cone 1999 Goals**

EC004388627



# **1999 Enron Strategic Goals Enron Southern Cone**

**Goal: Continue to develop Enron International's Southern Cone business into a fully integrated and profitable energy business by year end as evidenced by the following accomplishments:**

- **Closing Cuiaba Power Plant and Pipeline.**
- **Closing one large 450-900 MW power project utilizing gas supply from an Enron gas LDC.**
- **Continuing to develop the Southern Cone trading business to an income positive position.**

## **Status: Complete**

- **Closed Cuiaba Power Plant and Pipeline - OPIC financing.**
- **Currently developing three new power stations totaling 700 MWs.**
- **Completed first trade in Brazil in 1999 - growing business in Argentina.**

EC004388628



**EECC and  
Asset Management  
1999 Goals**

EC004388629

# **1999 Enron Strategic Goals EECC and Asset Management**

**Goal: Successfully construct and transition to commercial operations all projects currently under construction**

**Status: Complete**

**Eight projects completed. Four nearing completion.**

**Projects completed in 1999 total 3,058 MW.**

EC004388630



# 1999 Enron Strategic Goals EECC and Asset Management

Completed Projects Location/ Plant Name	Size MWs	Guaranteed Completion Date (PPA)	Actual Commercial Ops Date	YTD Capacity thru 11/99	YTD Availability thru 11/99
India/Dabhol Phase I	765	07/10/99	08/13/99	58%	73%
Cuiaba	480	05/05/99	04/06/99	17%	87%
Marmara	493	07/13/99	06/05/99*	77%	85%
Guam	110	03/01/99	01/31/99	75%	94%
Sutton Bridge		03/01/99	05/28/99	79%	83%
Brownsville, TN**	460	07/01/99	05/10/99	N/A	99%
Caledonia, MS**	450	07/01/99	06/01 thru 07/08/99	N/A	99%
New Albany**	300	07/01/99	6/23 thru 07/08/99	N/A	99%

\* Early generation date of Feb 13, 1999 was achieved. Commercial Operation under the PPA was declared June 5, 1999.

\*\* Merchant peaking plants , only dispatched for summer peak months of June - September. Availability calculation is based on seasonal average.

EC004388631



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# 1999 Enron Strategic Goals EECC and Asset Management

## In Progress

## Completion Date

### Nicaragua

71 MW Barge Power Plant

December 1999

### Italy

511 MW Sarlux Plant

June 2000

### Puerto Rico

507 MW EcoElectrica

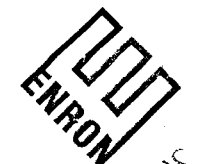
January 2000

### Brazil

Cuiaba Plant Phase II and III - 480 MW

May 2000

EC004388632



# **Enron Energy Services 1999 Goals**

EC004388633

# **1999 Enron Strategic Goals Enron Energy Services**

**Goal: Become net income positive by fourth quarter 1999.**

**Status: Complete**

**1999 estimated Q4 net income in \$5.5 million.**

**1999 estimated full year net loss is (\$61.7) million.**

**Goal: Sign commodity and service contracts with future contract value of at least \$8 billion.**

**Status: Complete**

**In 1999, EES estimates signing contracts totaling approximately \$9.0 billion in future contract value.**

EC004388634



SS

# **1999 Enron Strategic Goals Enron Energy Services**

**Goal: Gain concurrence on residential strategy.**

**Status:**

- **During Q4 1999, EES will complete a privately-placed equity funding totaling \$100 million of interest in a newly-formed entity.**
- **Public offering targeted for 1st half of 2000.**
- **Key staffing search underway.**

**Goal: Begin developing and implementing an international strategy.**

**Status: Complete**

**During 1999, EES commenced its international strategy, which has phased approach to commercial development of markets in Europe, the Southern Cone and Asia.**

EC004388635





# 1999 Enron Strategic Goals Enron Energy Services

**Goal: \$650 million of service revenues in 1999 with a margin of \$60 million.**

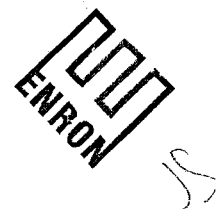
**Status: Complete**

**EES estimates 1999 service revenue contributions as follows:**

<b>EES Services Subsidiaries</b>	<b>\$ 540 million</b>
<b>Services Component of Bundled Deals</b>	<b>\$ 155 million</b>
<b>Total</b>	<b><u>\$ 695 million</u></b>

**EES Services will contribute approximately \$82 million in margin.**

EC004388636



# **Enron Communications 1999 Goals**

EC004388637

# **1999 Enron Strategic Goals Enron Communications**

**Goal: Implement business model to accelerate market entry, obtain alliance agreements from at least four internet service providers (ISP's) and eight local exchange carriers (CLEC's), and obtain contracts from at least four content providers or content aggregators.**

**Status: Complete**

**Closed 20 distribution alliance agreements with ISP's/CLEC's/RBOC's including Bell South, GTE, Verio and RCN**

**Closed 9 content agreements including Warner Bros, Lehman Bros, Roadshow.Com and Digital Entertainment Network**

EC004388638



5

# **1999 Enron Strategic Goals**

## **Enron Communications**

**Goal: Achieve a successful public launch of the business; introduce at least four new products utilizing the intelligent network capabilities, be recognized as a leader in the delivery of rich media content and have a recognized value at least three times invested capital.**

**Status: Complete**

**Successful launch of business with roll out of product offering:**

**eMediacast live event**

**eMediacast store and forward**

**eMedia Transport**

**eConference**

**Recognition of leadership position in delivery of rich media content (Country Music Awards / Drew Carey events)**

**Valuation in excess of three times invested capital based on market comparables**

EC004388639



**Enron Economic  
Development Corp.  
1999 Goals**

EC004388640

# **1999 Enron Strategic Goals**

## **Enron Economic Development Corp.**

**Goal: Close \$50 million equity fund by June 30, 1999 for minority owned businesses.**

### **Status:**

**Closed a \$20 million equity fund in April 1999.**

**Committed to date \$9.8 million and funded \$8.8 million on 10 separate transactions for a projected weighted average IRR of 40.51%.**

**Received additional commitments of \$15 million from banks which should close by December 31, 1999.**

EC004388641



53

# 1999 Enron Strategic Goals Summary

EC004388642

*Skipped until  
last page*

# 1999 Enron Strategic Goals Scorecard

Goal	Business Unit	Completed	In Progress	Not Complete	OBE
1) Earnings & Funds Flow Targets	Corp	X			
2) Y2K	Corp	X	X		
3) SAP	Corp	X	X		
4) Lower WAC of capital by 25 basis pts - BBB+	Corp	X			
5) A. Premium valuation multiple	Corp	X			
B. Exceed peer group & S&P total return to shareholders	Corp	X			
C. Investor relations communications	Corp	X			

EC004388643



SS



# 1999 Enron Strategic Goals Scorecard

Goal	Business Unit	Completed	In Progress	Not Complete	OBE
6) Improve Wholesale electricity transmission	Corp	X			
7) Reinforce Vision & Values	Corp	X			
8) Improve Enron Diversity Program	Corp	X			
9) FGT & NBP - Project 2000	GPG		X		
10) Acquire energy transportation assets - Positive NPV	GPG	X	X		

EC004388644



# 1999 Enron Strategic Goals Scorecard

Goal	Business Unit	Completed	In Progress	Not Complete	OBE
11) Secondary offering of EOTT units	GPG	X			
12) Exit strategy for Clean Fuels	GPG		X		
13) Northern Natural rate case	GPG	X			
14) EOTT issuance of common units	GPG	X			
15) Complete asset sales	PGE	X	X		
16) Complete business expansion	PGE				X

EC004388645



# 1999 Enron Strategic Goals Scorecard

Goal	Business Unit	Completed	In Progress	Not Complete	OBE
17) Manage regulatory & legislative initiatives	PGE	X			
18) Trojan decommissioning	PGE	X			
19) Peakers plants transactions	North America	X			
20) Maintain leadership position in trading	North America	X			
21) Total outsourcing of gas supply & asset mgmt for a natural gas utility	North America	X			
22) \$1 billion in investments	North America	X			

EC004388646



# 1999 Enron Strategic Goals Scorecard

Goal	Business Unit	Completed	In Progress	Not Complete	OBE
23) \$150 mm of gross margin outside the UK	Europe			X	
24) Close 2 infrastructure projects	Europe	X			
25) Eliminate exposure of Eastern positions	Europe	X			
26) Expand into gas distribution & electricity	India	X			
27) Close 1 pipeline or power project	APACHI	X			
28) Remedy Hainan payment problem	APACHI		X		

EC004388647



# 1999 Enron Strategic Goals Scorecard

Goal	Business Unit	Completed	In Progress	Not Complete	OBE
29) Resolve issues in Dominican Republic	CALME	X			
30) Develop into an integrated business ...	Southern Cone	X			
31) Construct & transition to commercial operations all projects under construction	EECC	X			
32) Net income positive in 4Q 1999	EES	X			
33) Sign contracts with total value of \$8 billion	EES	X			

EC004388648



# 1999 Enron Strategic Goals Scorecard

Goal	Business Unit	Completed	In Progress	Not Complete	OBE
34) Gain concurrence on residential strategy	EES		X		
35) Develop an international strategy	EES	X			
36) \$650 mm of service revenues with a margin of \$60 mm	EES	X			
37) Implement business model	ECI	X			
38) Achieve public launch of the business	ECI	X			

EC004388649



# 1999 Enron Strategic Goals Scorecard

Goal	Business Unit	Completed	In Progress	Not Complete	OBE
39) Sell private/public equity at significant premium	Azurix	X			
40) Win 2 major concessions or BOT projects	Azurix	X			
41) Establish Azurix in industrial waste market	Azurix	X			

EC004388650



# 1999 Enron Strategic Goals Scorecard

Goal	Business Unit	Completed	In Progress	Not Complete	OBE
42) Increase production by 7%	EOG				X
43) Replace 110% of volumes	EOG				X
44) Develop China gas market	EOG				X
45) Achieve governmental approval of Tapti expansion	EOG				X

EC004388651



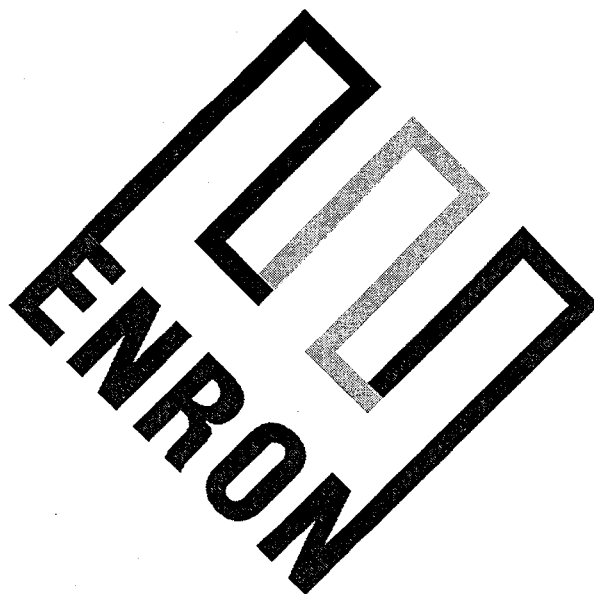


# 1999 Enron Strategic Goals Scorecard Summary

	<u>Number</u>	<u>Percent</u>
Completed	35	78%
In Progress	4	9%
Not Complete	1	2%
Overcome by Events	<u>5</u>	<u>11%</u>
<b>Total Goals</b>	<b>45</b>	<b>100%</b>

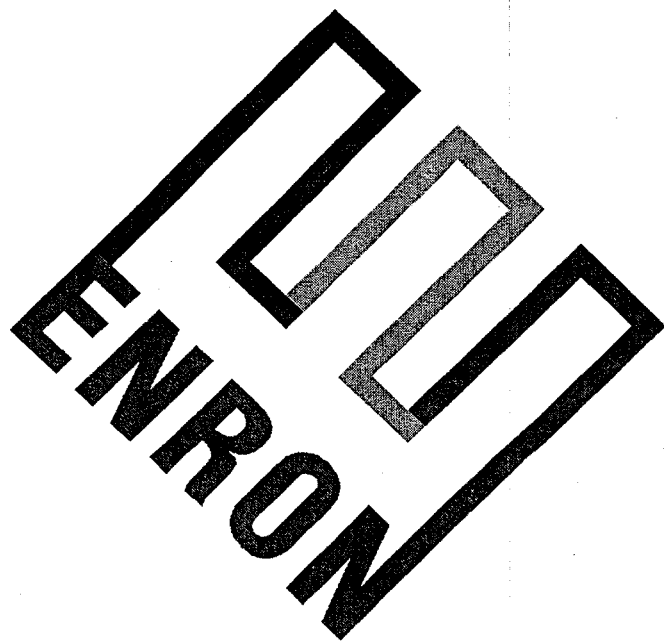
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# 1999 Enron Strategic Goals

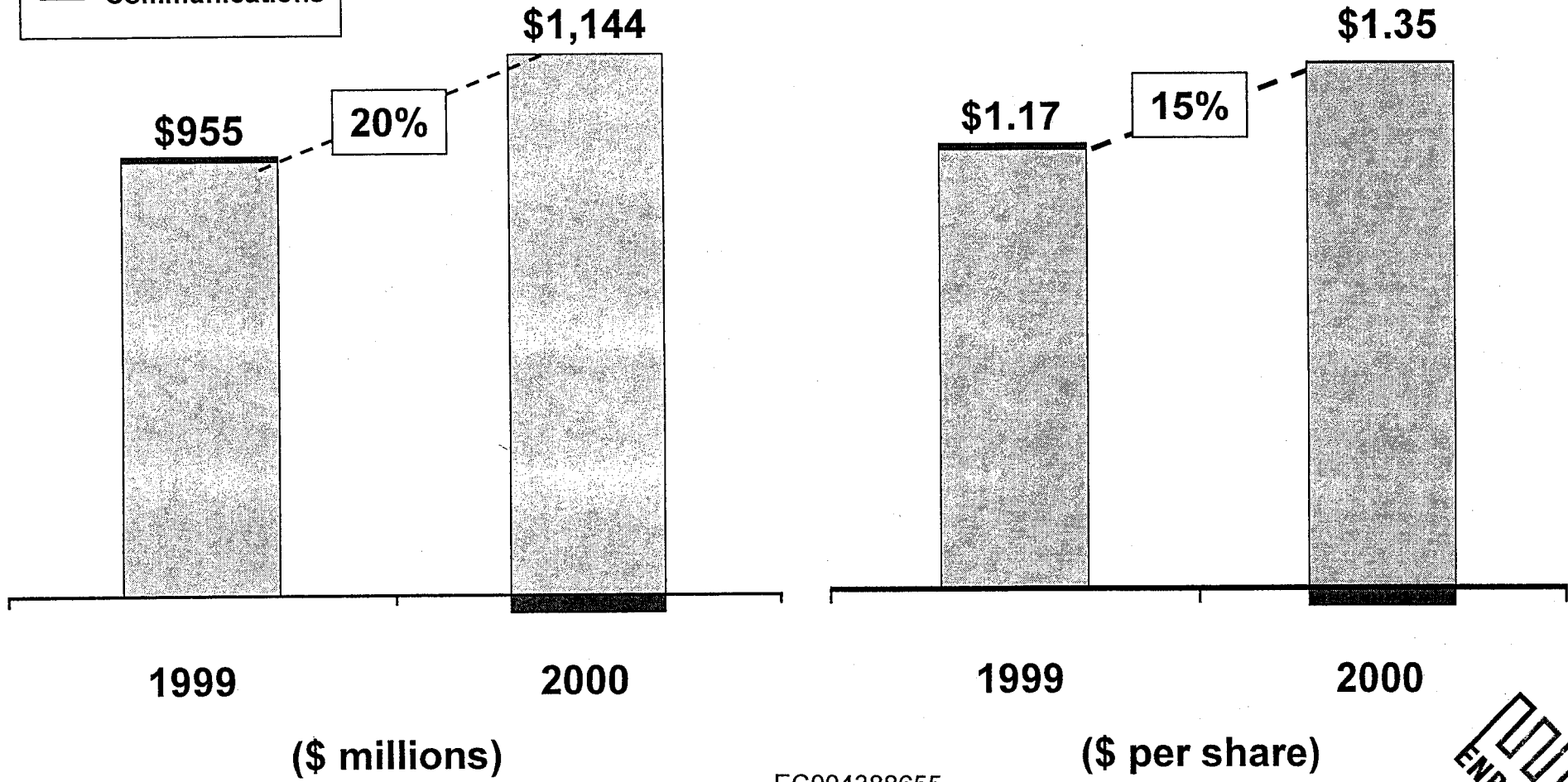
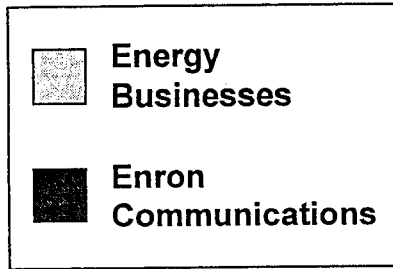
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**2000 - 2002**  
**Operating & Strategic Plan**

EC004388654

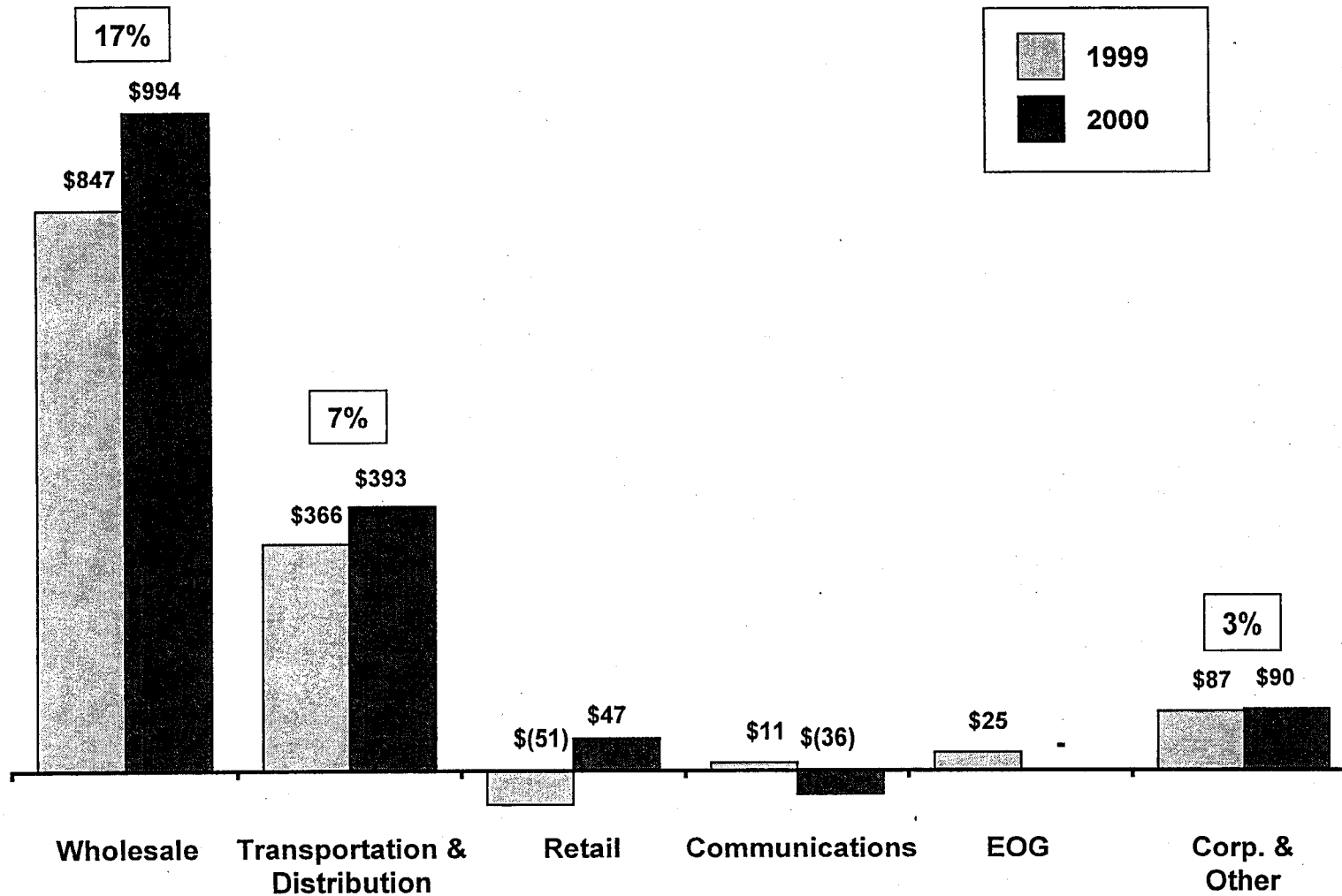
# Enron Net Income & Diluted EPS



EC004388655



# Enron Net Income By Segment (\$ millions)

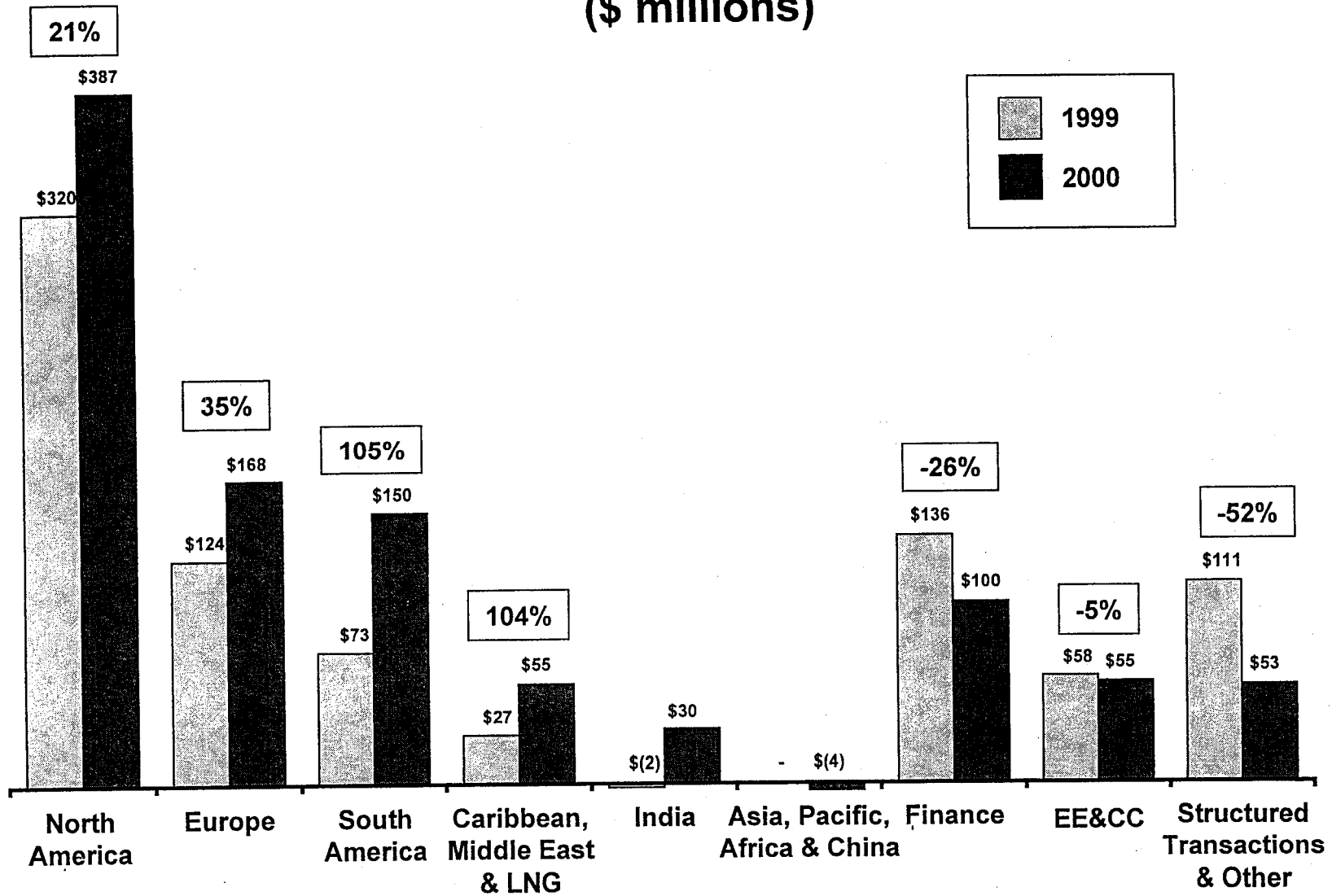


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# Wholesale Net Income

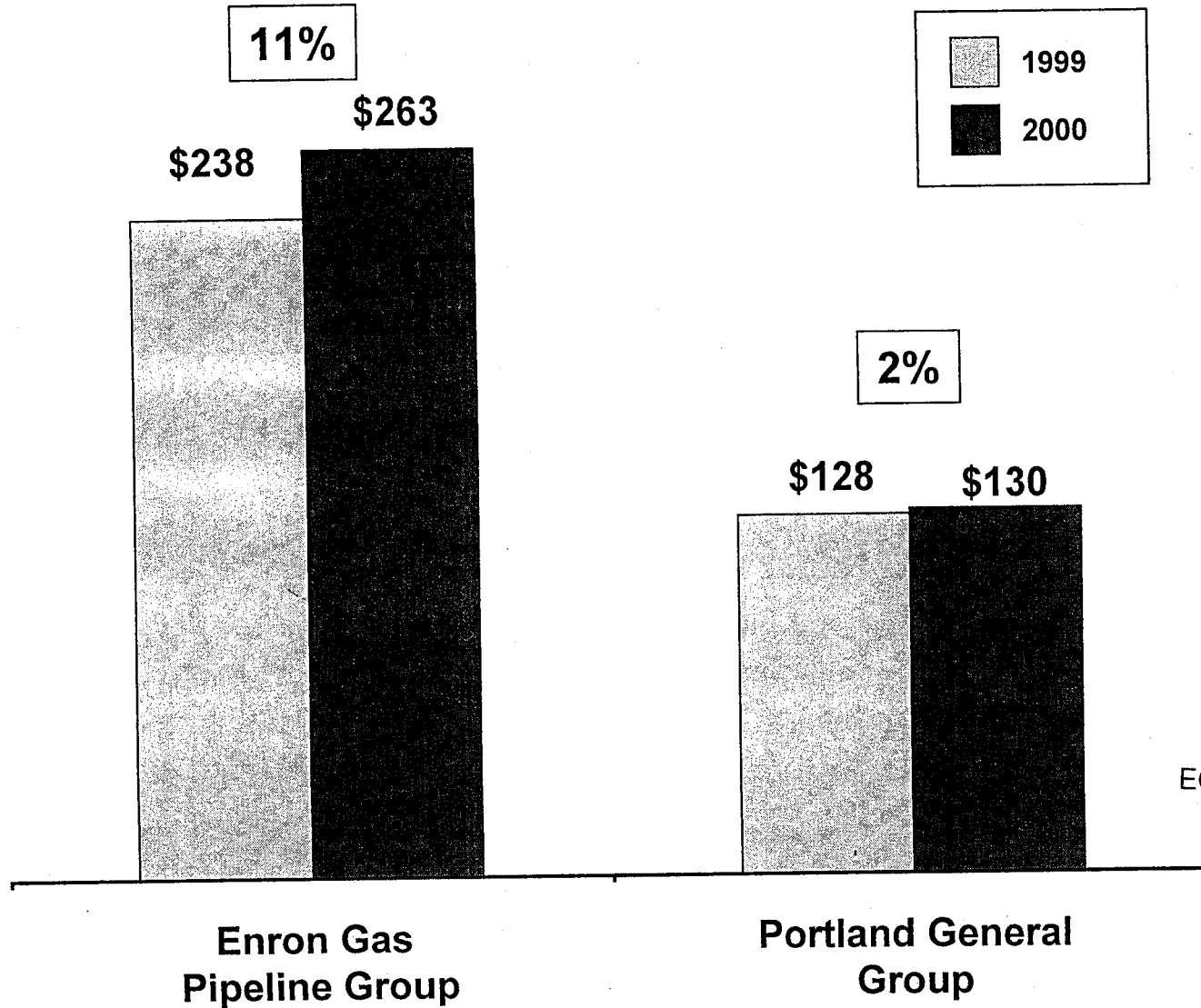
(\$ millions)



EC004388657



# Transportation & Distribution Net Income (\$ millions)

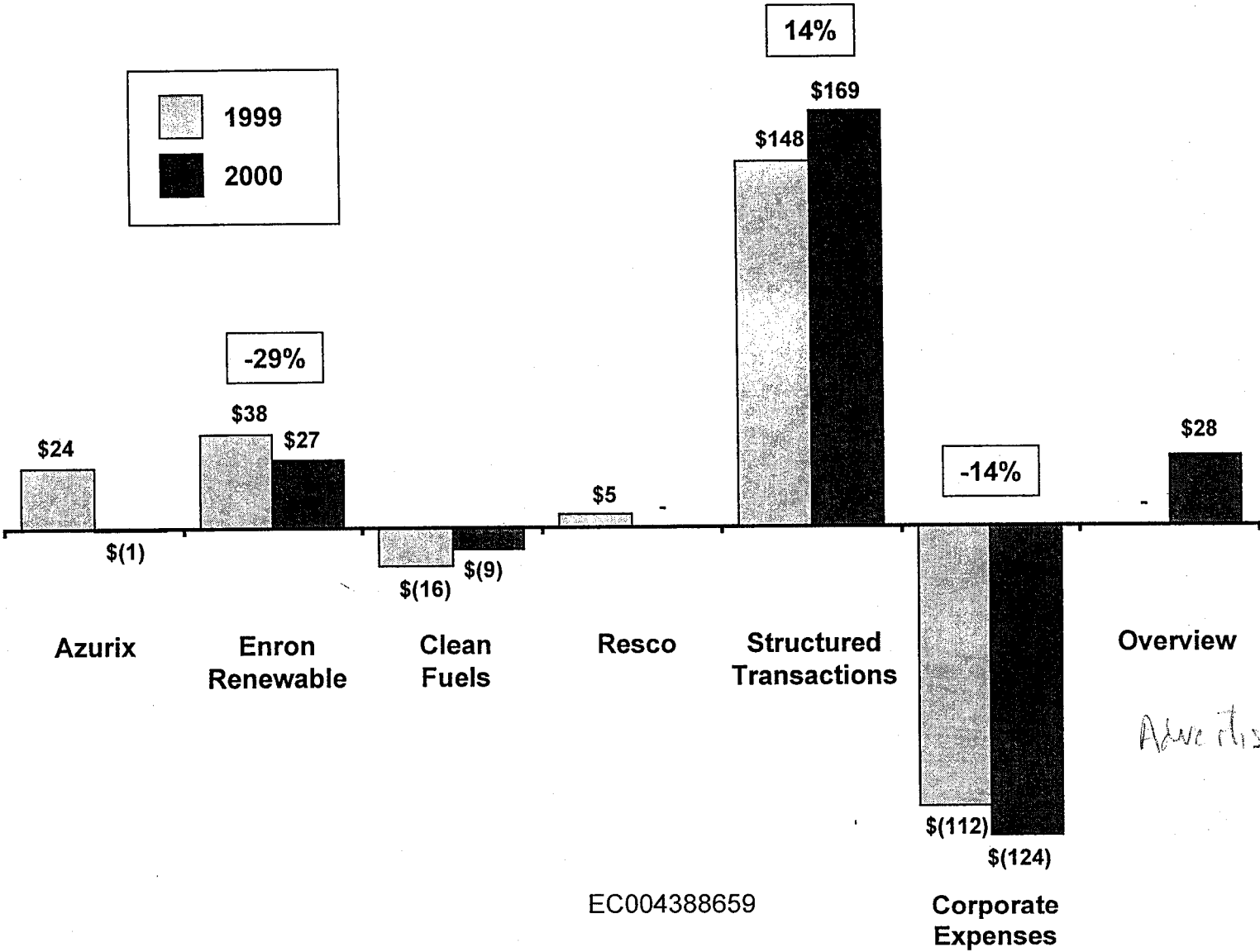


EC004388658



# Corporate & Other Net Income

(\$ millions)



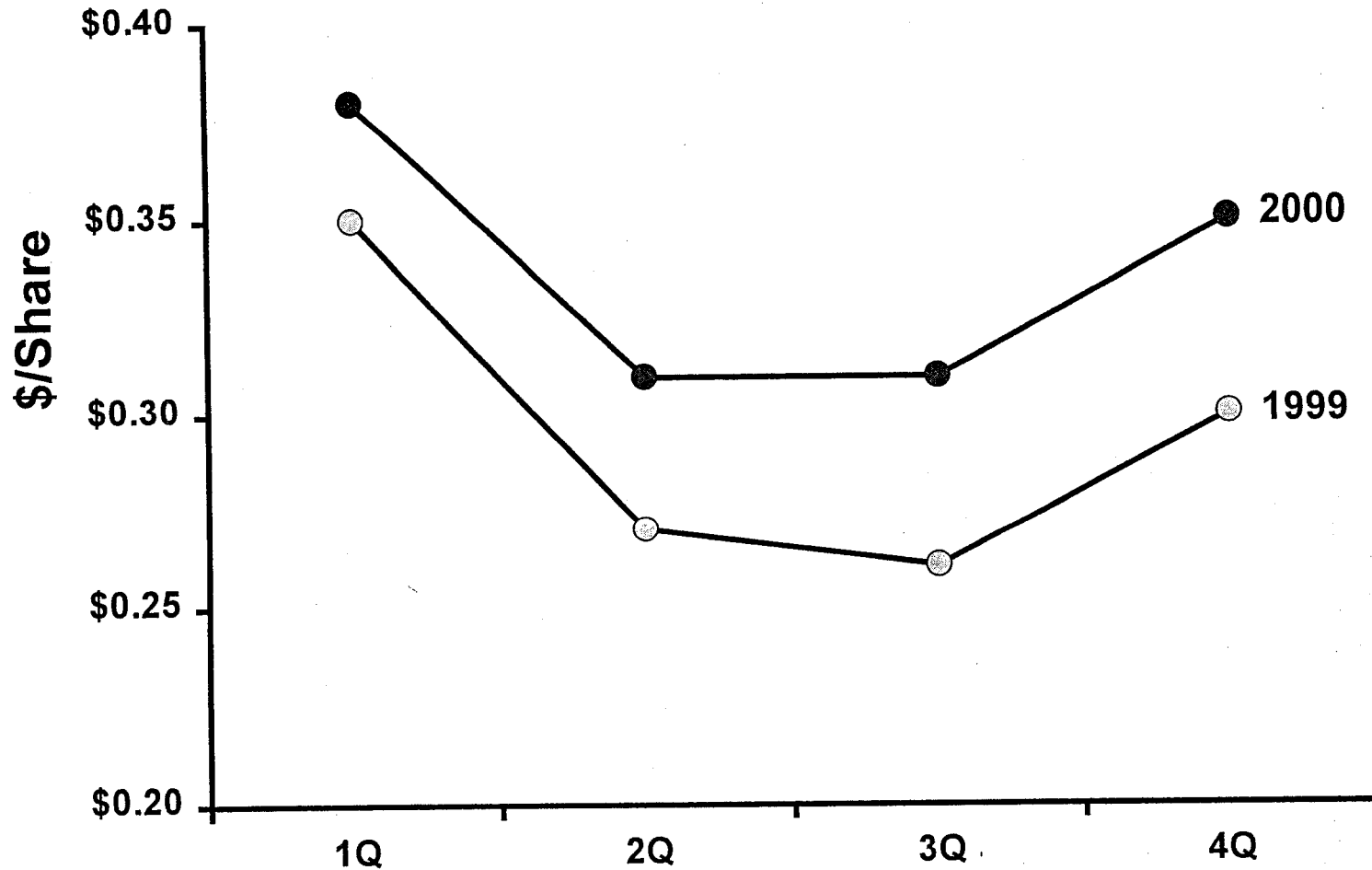
*Advertising Campaign*

EC004388659





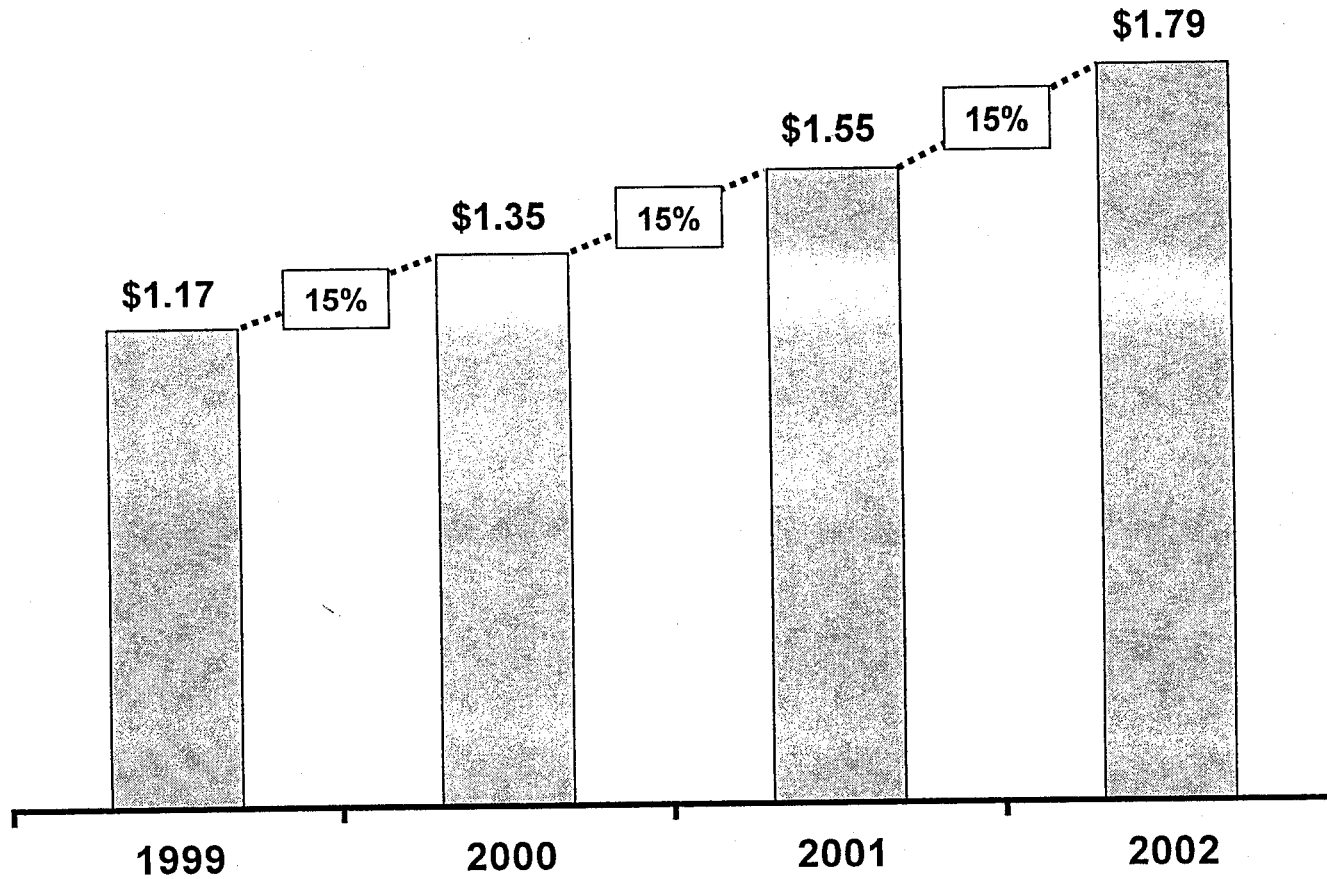
# Enron Recurring EPS By Quarter



EC004388660



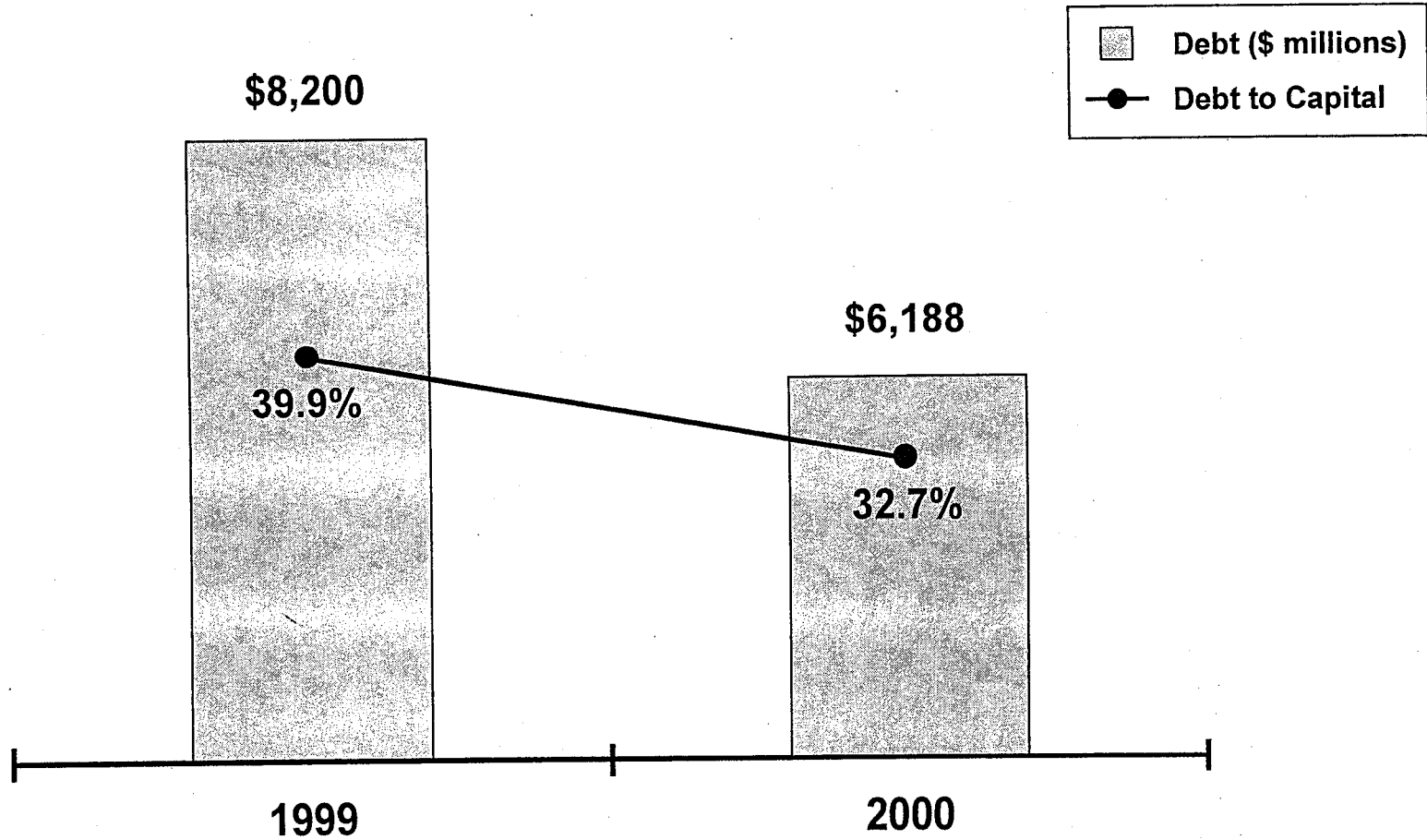
# Enron Recurring EPS (\$ per share)



EC004388661



# Enron Debt & Debt to Capital

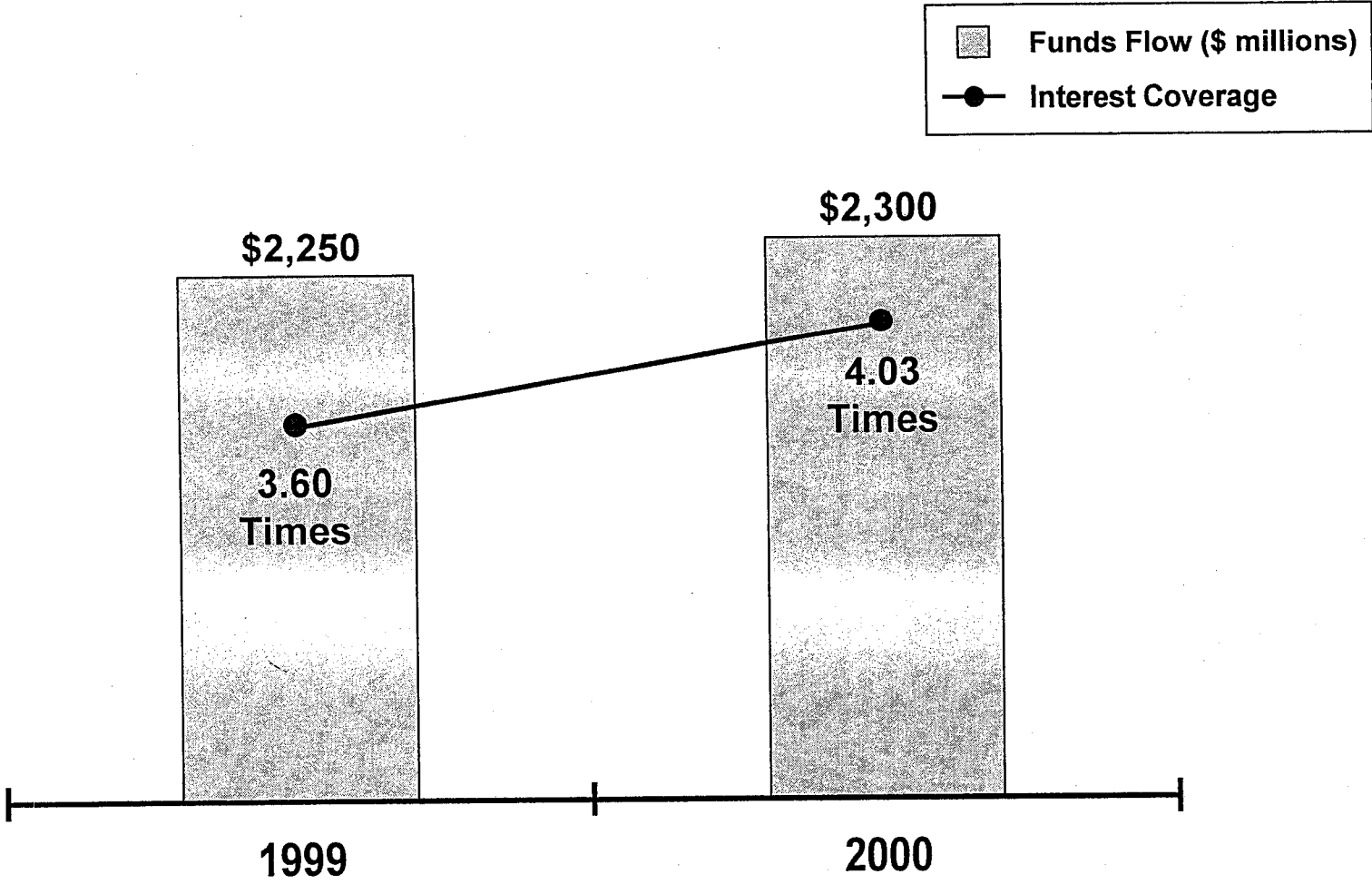


\* Assumes sale of Portland General December 2000

EC004388662



# Enron Funds Flow & Interest Coverage

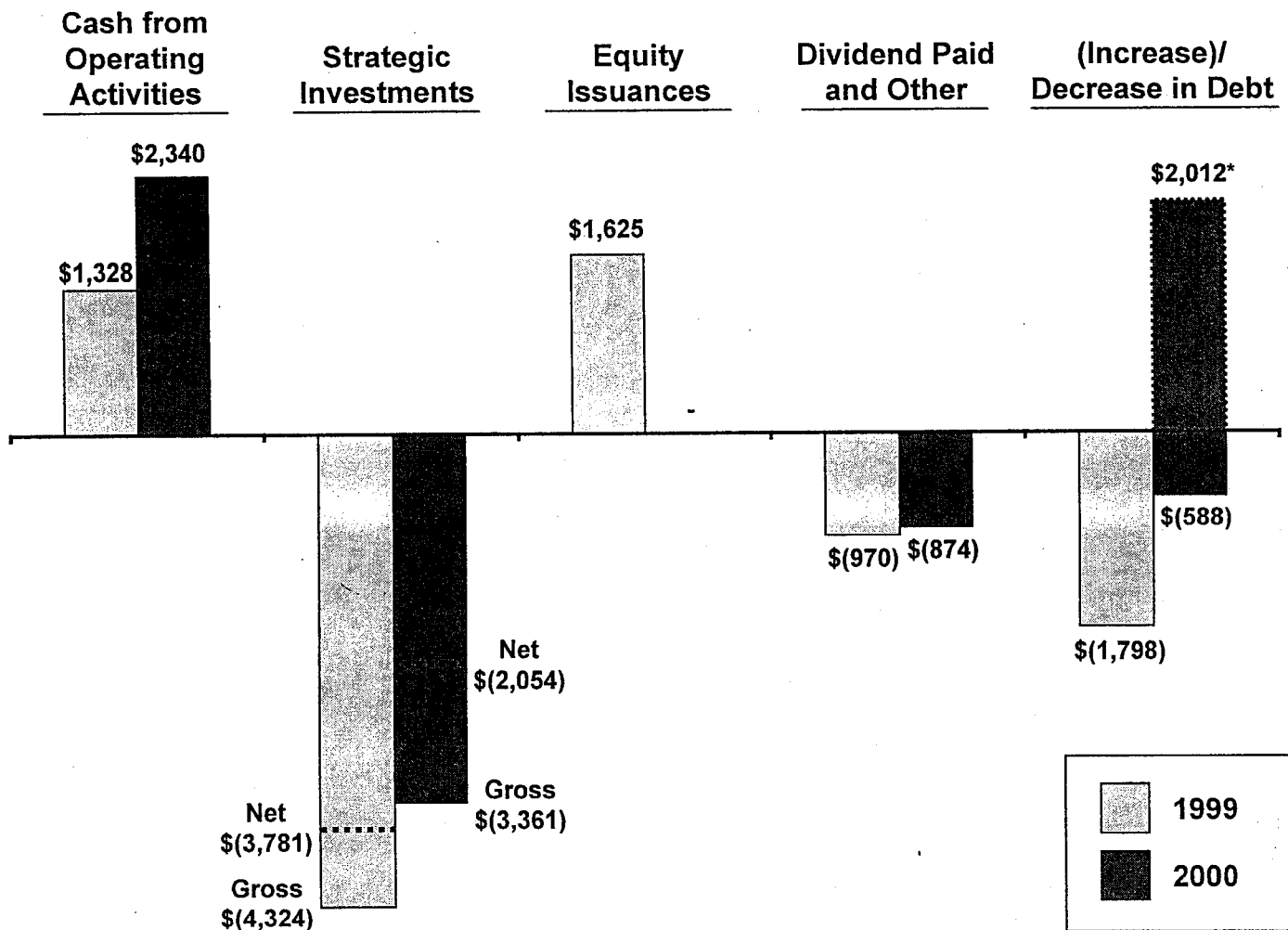


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# Enron

## Change in Balance Sheet Debt (\$ millions)

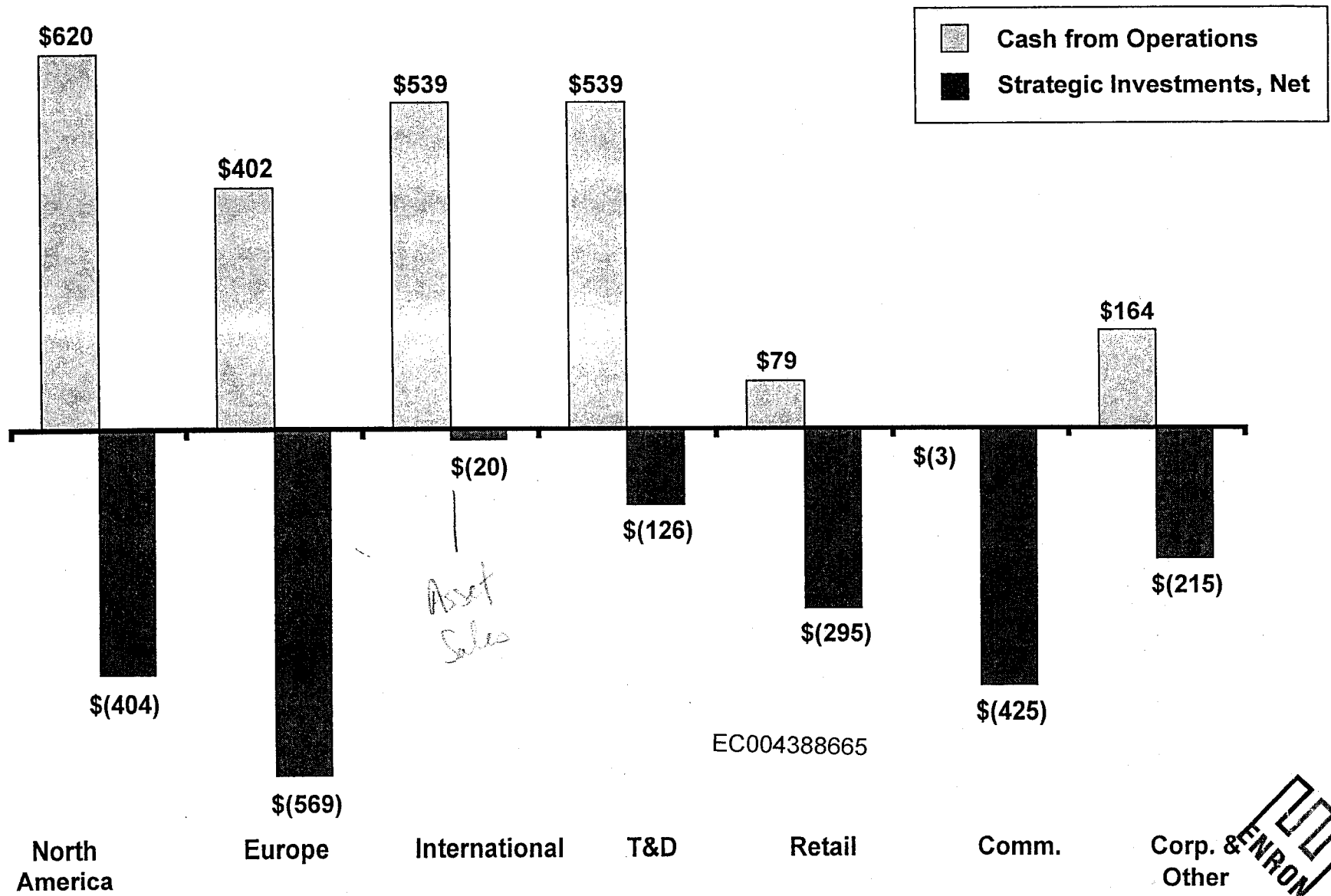


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\*Assumes sale of Portland General December 2000.



# Enron Net Cash Flow by Business Segment



# Enron

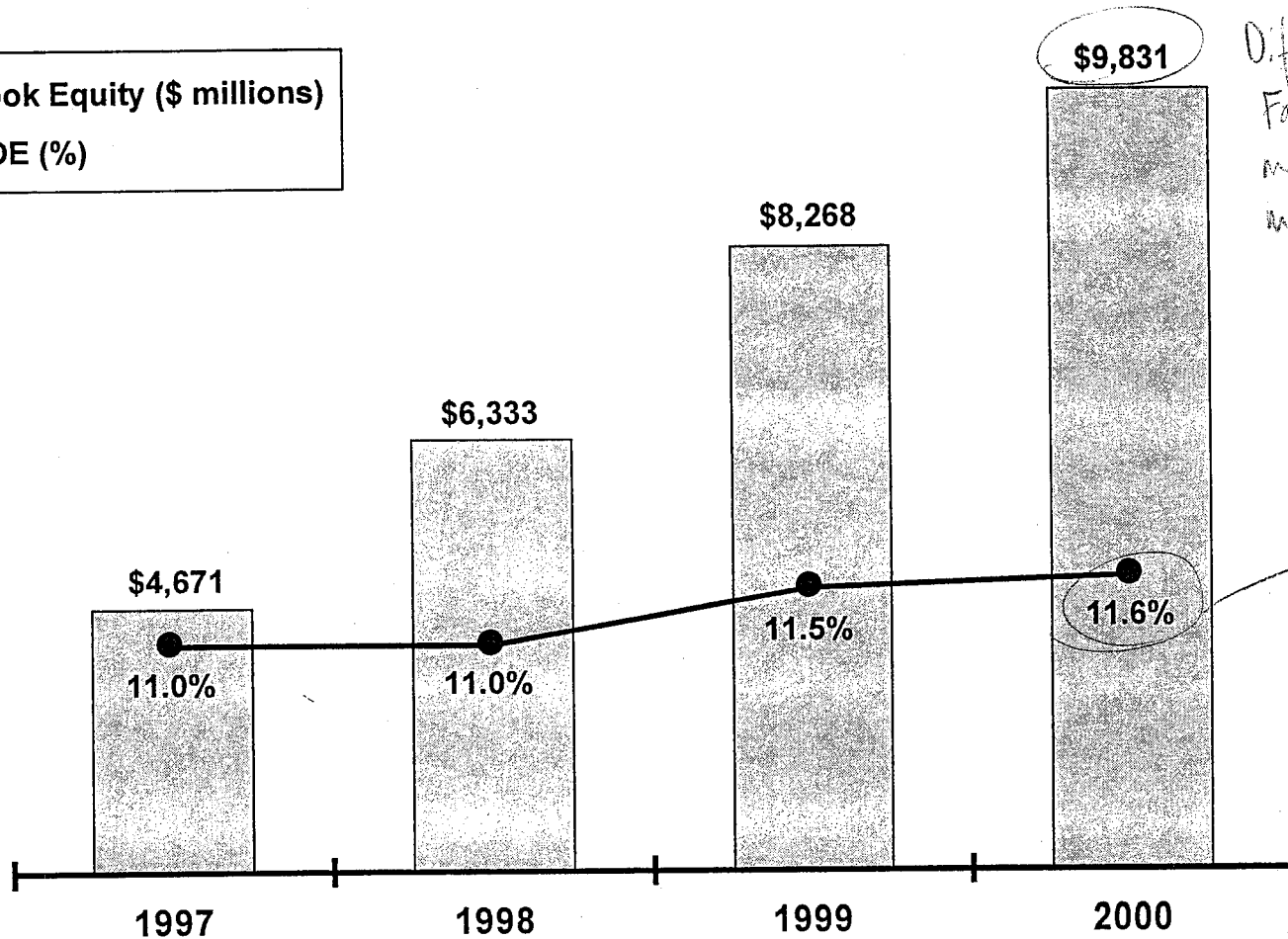
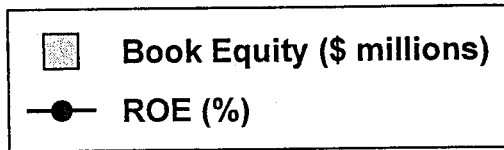
## Cash Flow Assumptions

- **Price Risk Management Activities will be Cash Neutral**  
(Continued monetization of contract portfolio)
- **Merchant Equity Investments will be Cash Neutral**  
(Monetize any growth in portfolio, either new commitments or merchant value)
- **Capital Spending Plan based on required “maintenance” expenditures and other known projects. Any additional spending will require incremental funds flow.**
- **Dividends of \$0.50 per common share**
- **No equity issuances**

EC004388666



# Enron Return on Book Equity



\$7.6 detailed on  
next pages.

Difference is \$1.2 B  
Fair Value Goodwill for  
merger & Corp. invest  
ments

Really need  
to do better

EC004388667

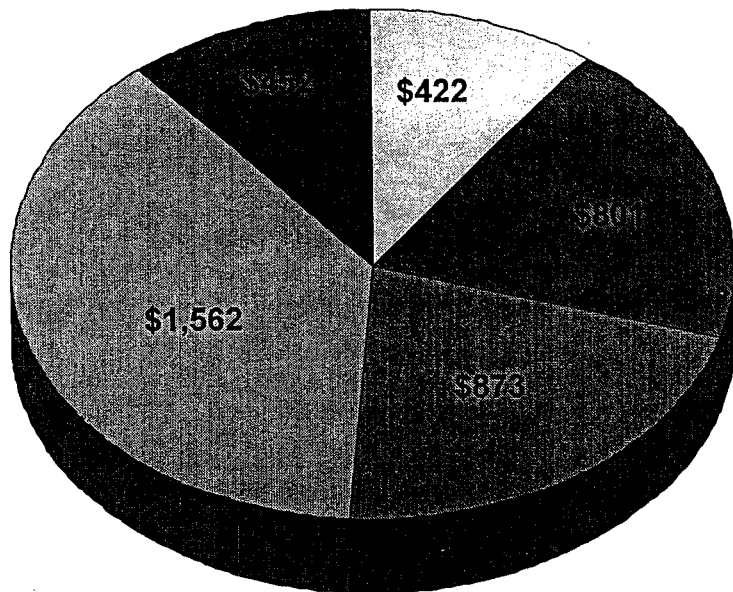




# Wholesale Capital Deployed & ROE

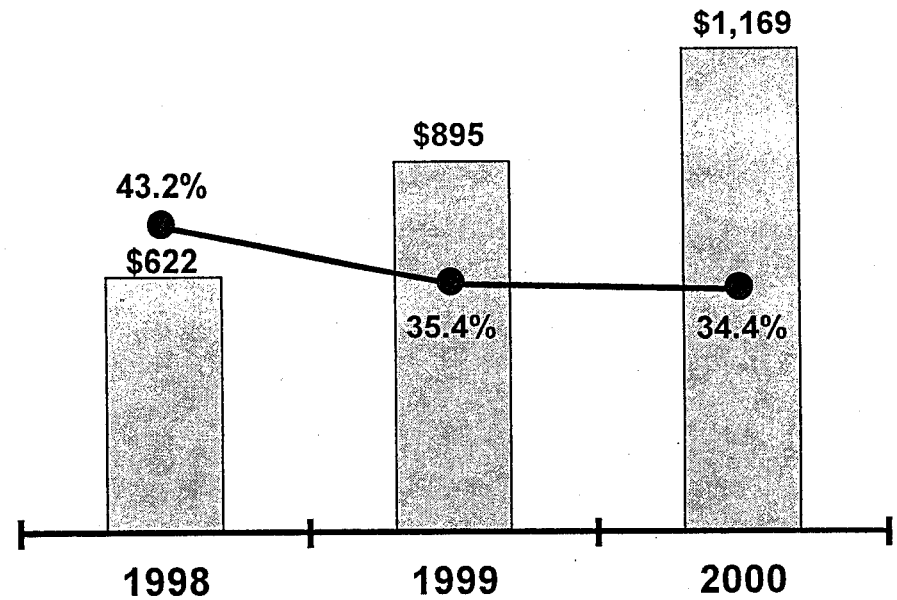
*Both N.A and Europe have VOR that should be factored in working on*

## North America



**\$4,110 MM**

- Pipeline Assets
- Power Plant Assets
- Regulated Assets
- Other Assets
- Merchant Investments
- Off B/S Assets



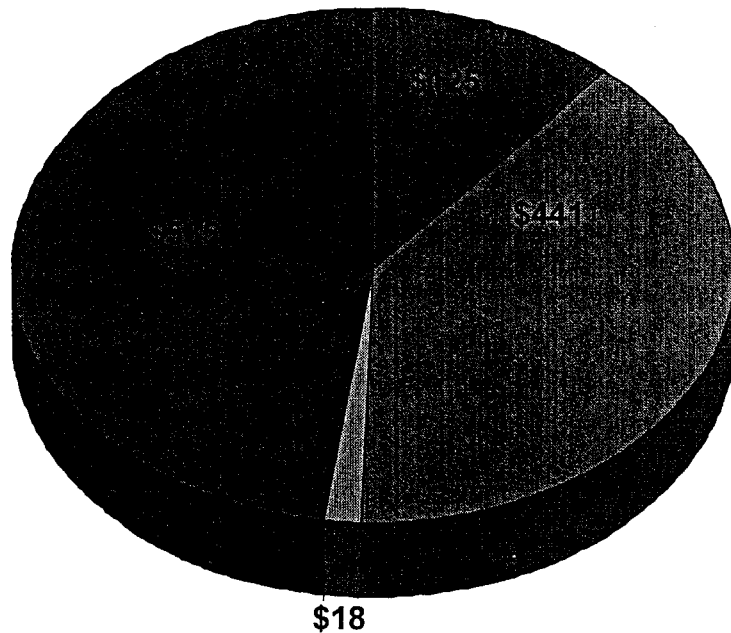
- Equity (\$ millions)
- ROE (%)

EC004388668



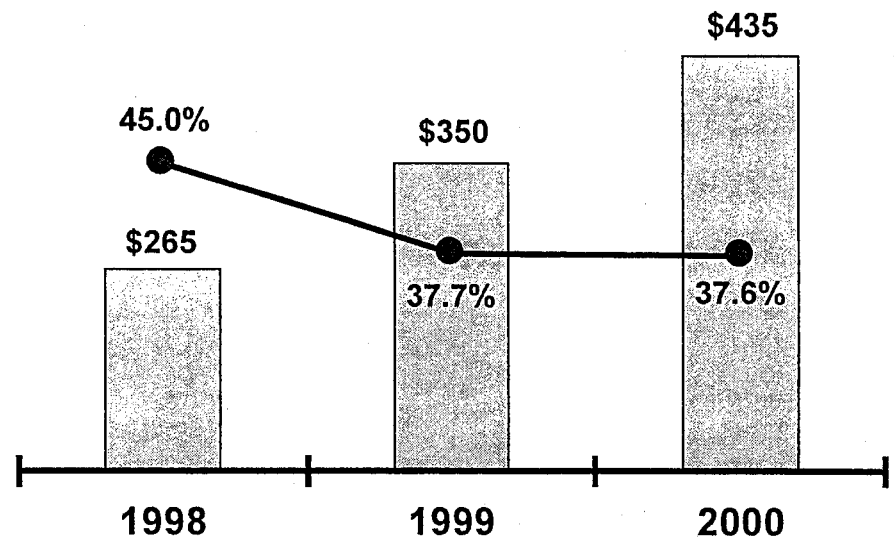
# Wholesale Capital Deployed & ROE

## Europe



**\$1,119 MM**

- |                    |                      |
|--------------------|----------------------|
| Pipeline Assets    | Other Assets         |
| Power Plant Assets | Merchant Investments |
| Regulated Assets   | Off B/S Assets       |



Equity (\$ millions)  
 ROE (%)

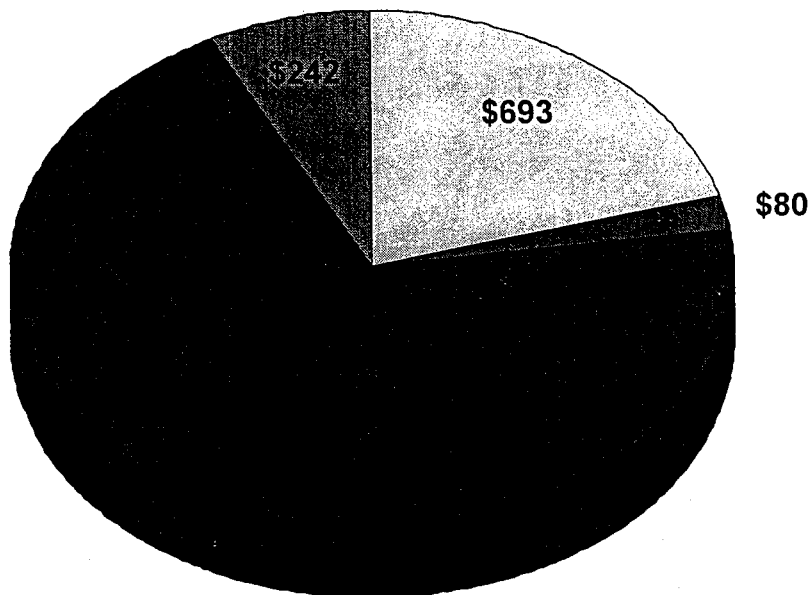
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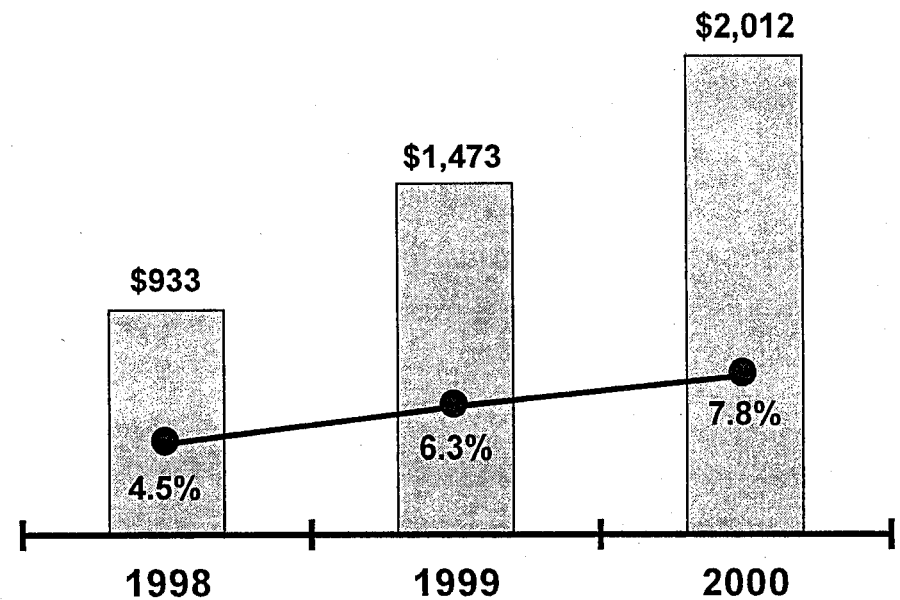
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# Wholesale Capital Deployed & ROE

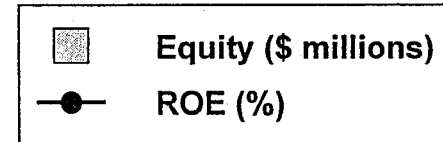
## South America



**\$3,379 MM**



EC004388670



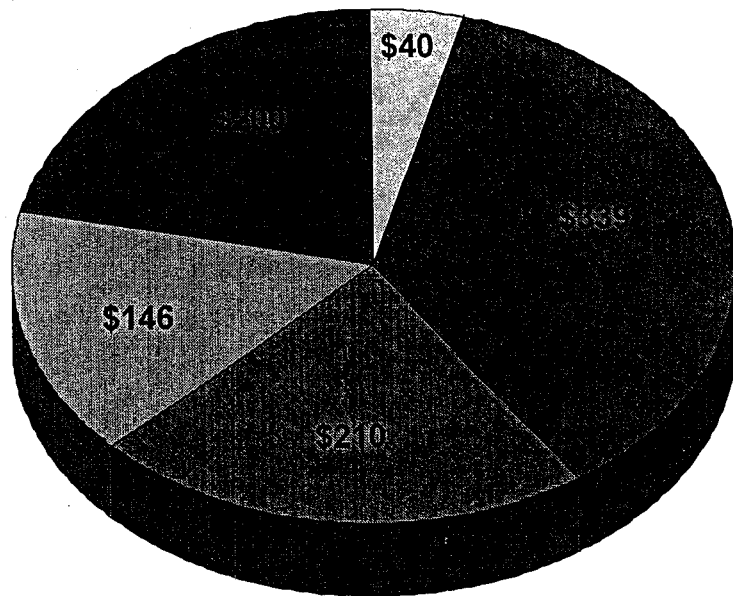
- |                    |                      |
|--------------------|----------------------|
| Pipeline Assets    | Other Assets         |
| Power Plant Assets | Merchant Investments |
| Regulated Assets   | Off B/S Assets       |

*Good returns given the environment*

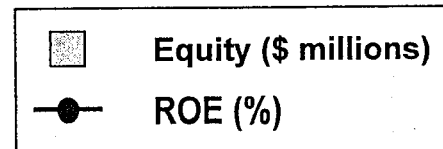
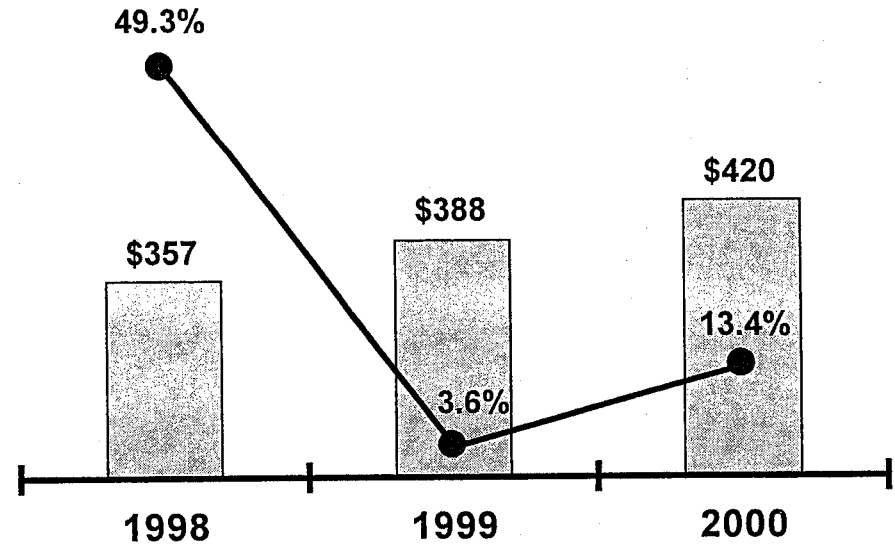
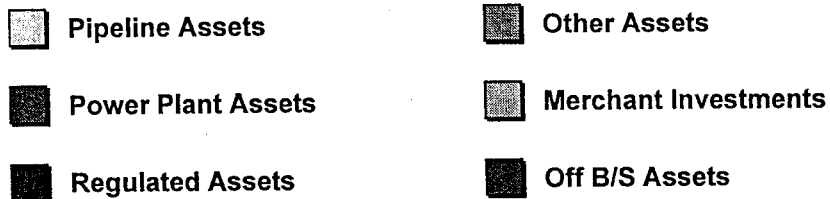


# Wholesale Capital Deployed & ROE

## CALME



**\$935 MM**

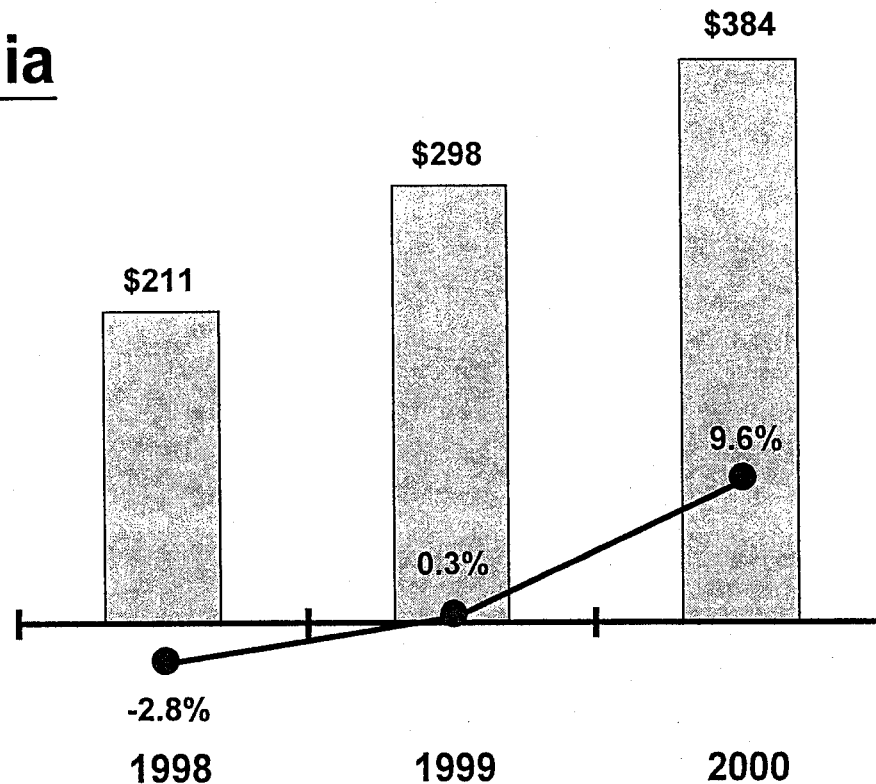
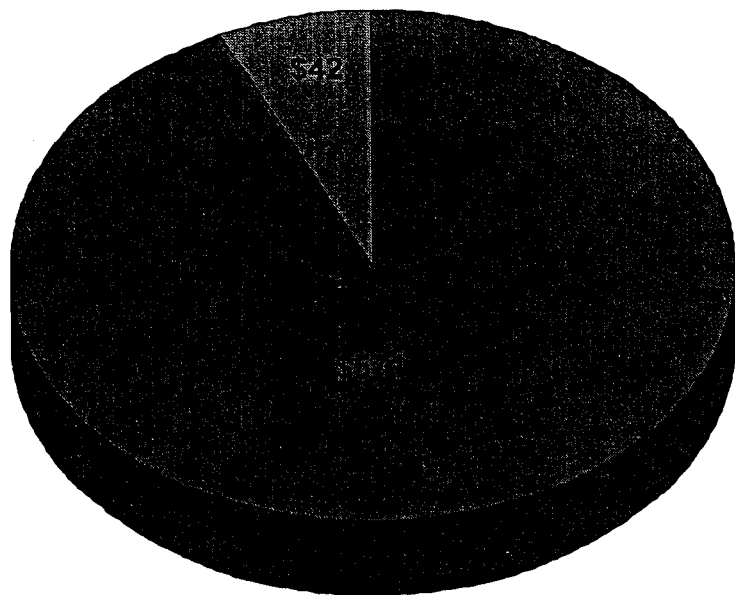


EC004388671

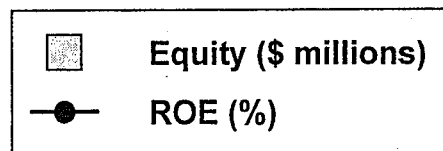


# Wholesale Capital Deployed & ROE

## India



- |                    |                      |
|--------------------|----------------------|
| Pipeline Assets    | Other Assets         |
| Power Plant Assets | Merchant Investments |
| Regulated Assets   | Off B/S Assets       |

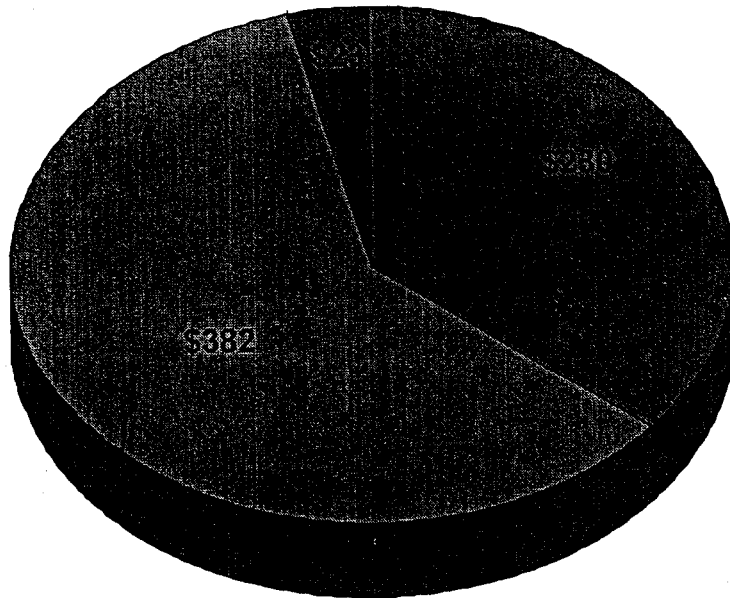


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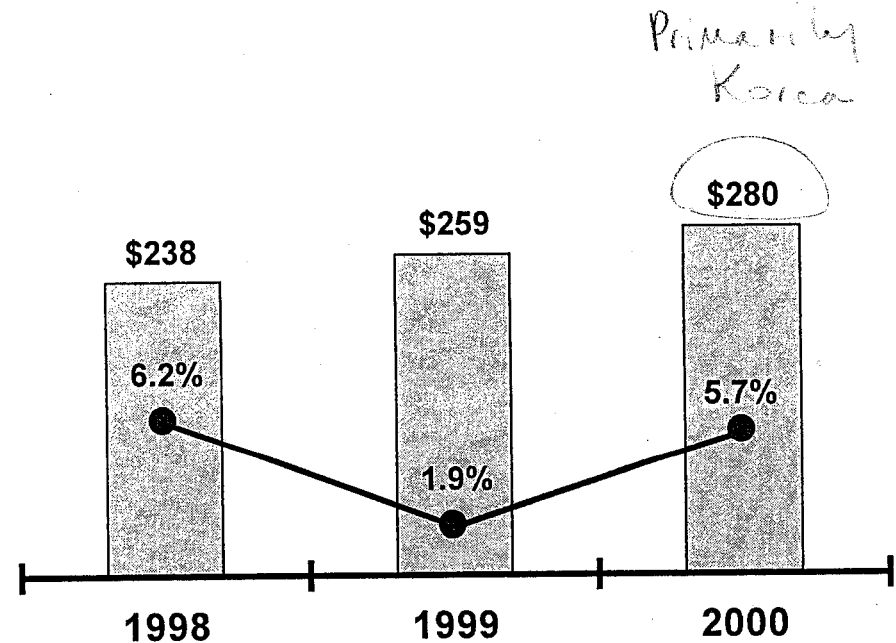
# Wholesale Capital Deployed & ROE



## APACHI



**\$635 MM**

-  Pipeline Assets
-  Other Assets
-  Power Plant Assets
-  Merchant Investments
-  Regulated Assets
-  Off B/S Assets



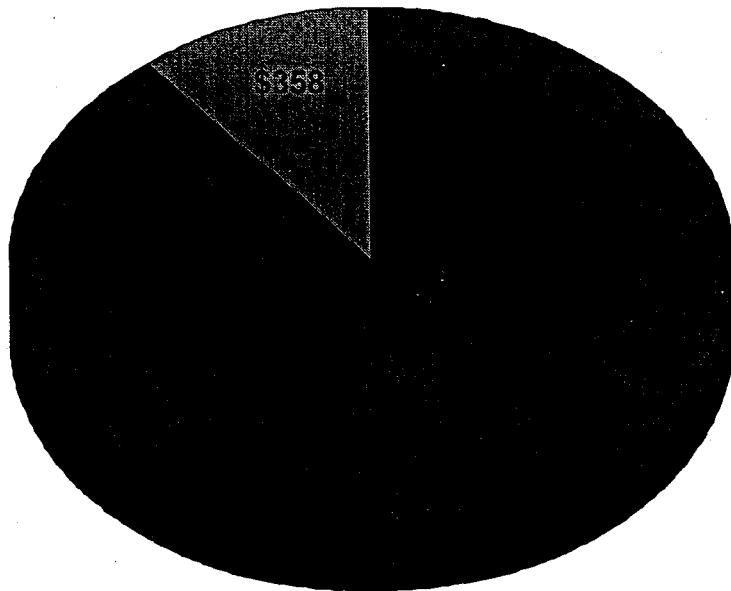
-  Equity (\$ millions)
-  ROE (%)

EC004388673



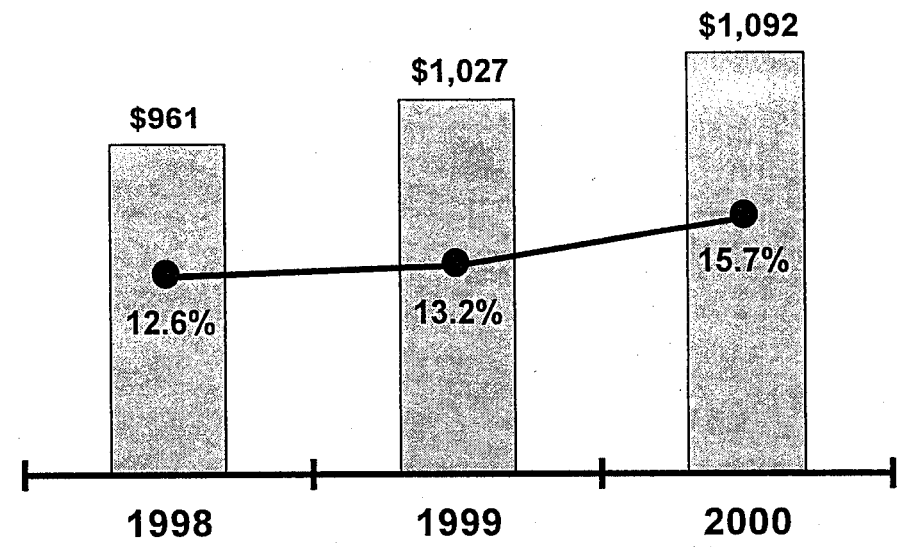
# Transportation & Distribution Capital Deployed & ROE

GPG includes EOTI



**\$3,407 MM**

- Pipeline Assets
- Other Assets
- Power Plant Assets
- Merchant Investments
- Regulated Assets
- Off B/S Assets



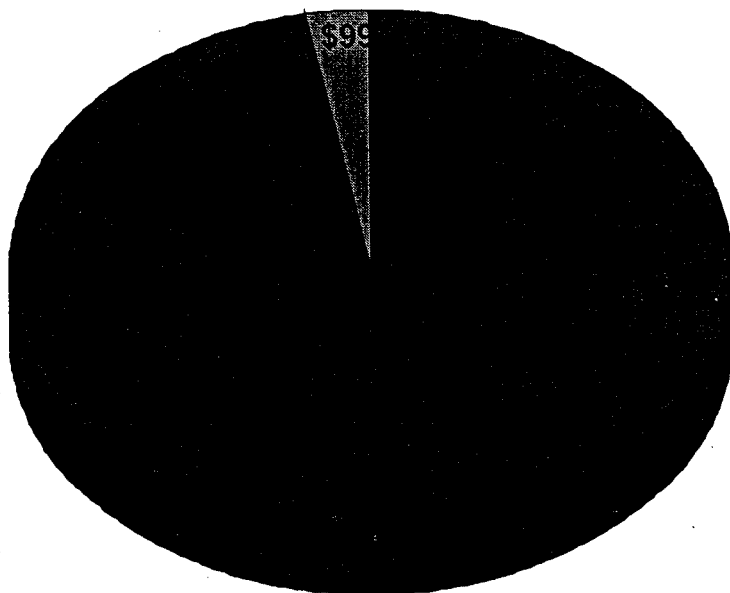
Equity (\$ millions)  
 ROE (%)

EC004388674

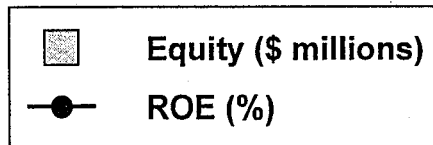
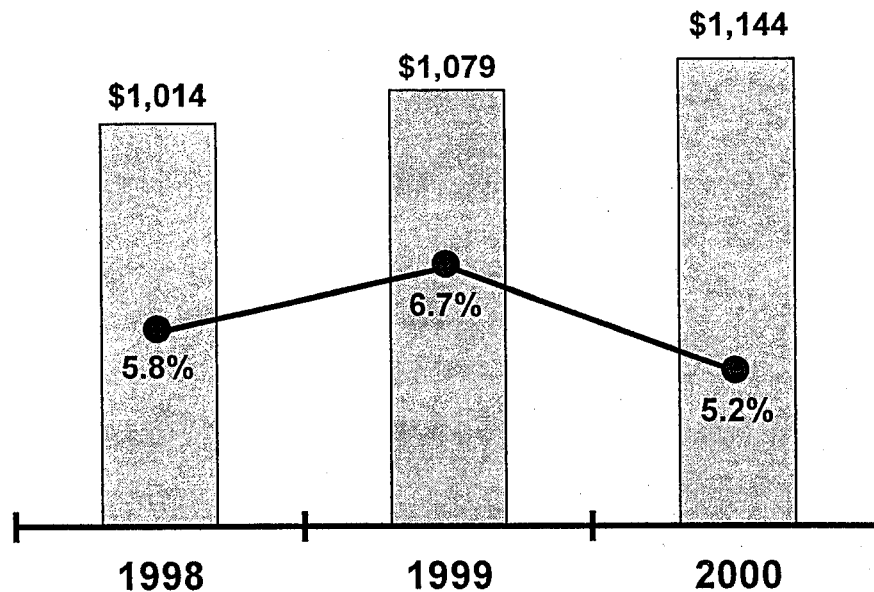
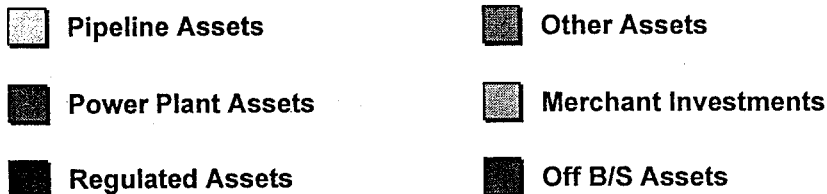


# Transportation & Distribution Capital Deployed & ROE

## PGE



**\$3,532 MM**



EC004388675





# Enron Capital Deployed & ROE

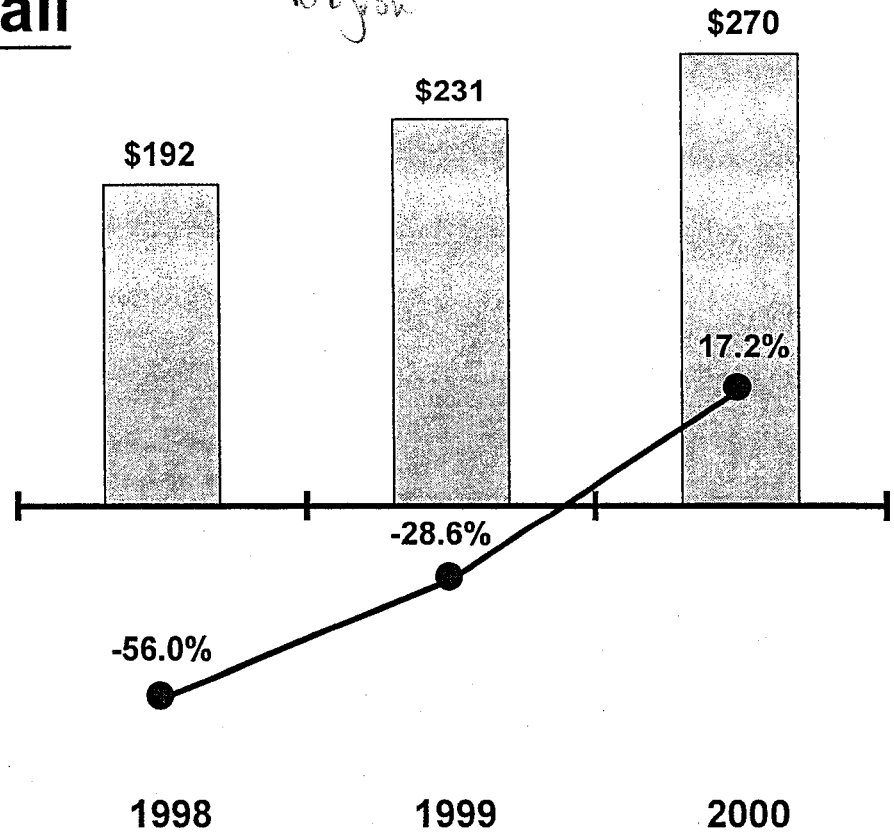
*Not capital intensive it will continue to grow*

## Retail



**\$634 MM**

- Pipeline Assets
- Other Assets
- Power Plant Assets
- Merchant Investments
- Regulated Assets
- Off B/S Assets



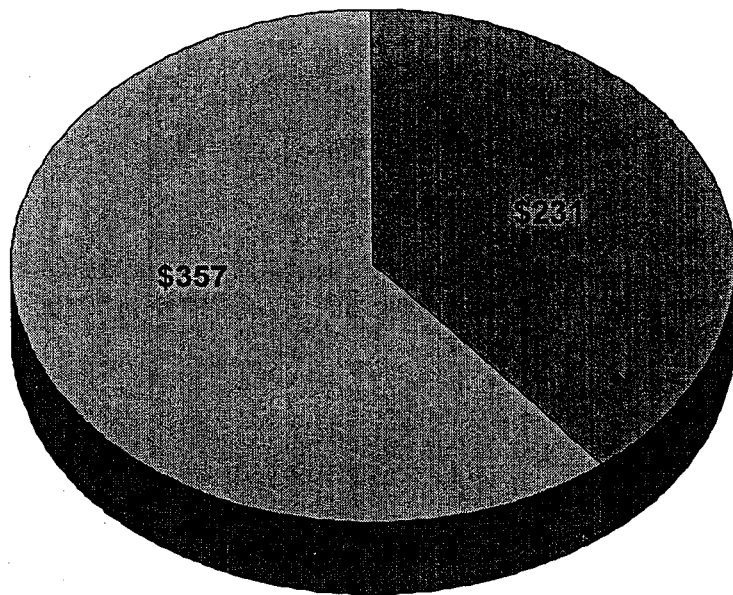
Equity (\$ millions)  
 ROE (%)

EC004388676

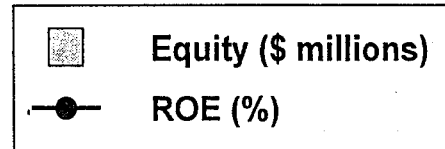
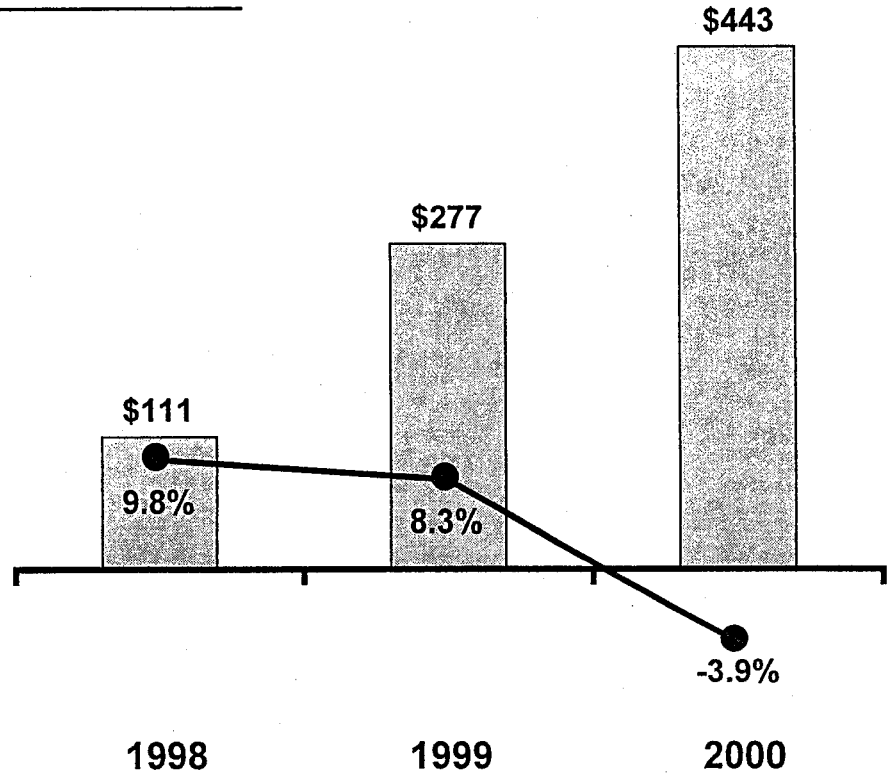


# Enron Capital Deployed & ROE

## Communications



**\$588 MM**



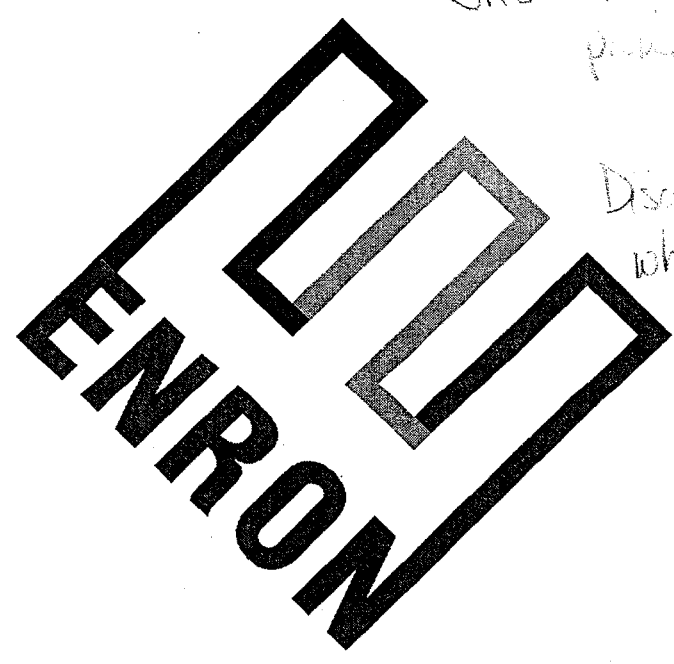
EC004388677



Discussion change in 2001 plan from  
Prior Year plan.

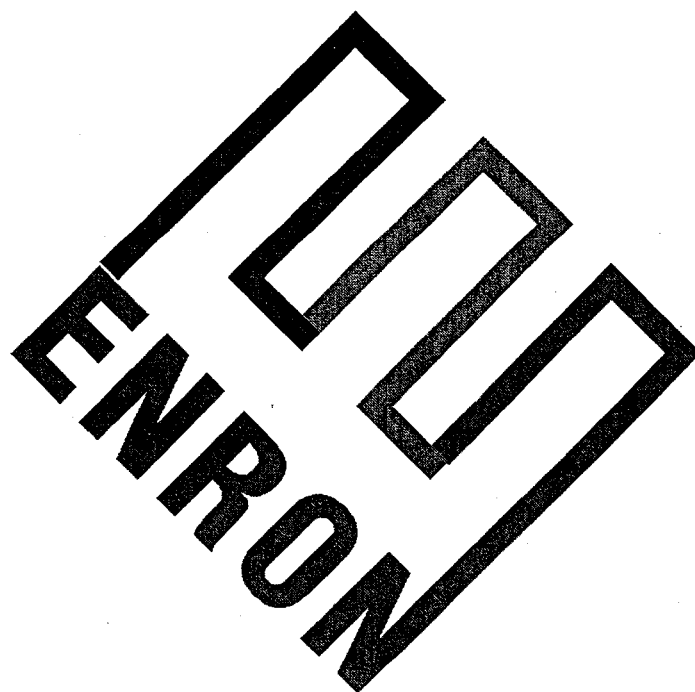
JKS - Prior year assumed but in line  
primary fiber core

Discussion by Board of strategy,  
where funds will be committed.



# 2000 - 2002 Operating & Strategic Plan

EC004388678



# Enron Energy Services

*Plans for RESCO call for 100% external financing*

EC004388679

*Di*

# Situation Review - December 1997

## Residential Business Environment

- Market Size ✓- California only state open
- Quality of Deregulation ✓- Regulators focused on stranded cost recovery
- Customer Value Proposition ✓- No customer savings relative to incumbent service  
✓- No value-added services developed
- Competition ✓- Potential entry by numerous utility affiliates/start-ups
- Cost Structure ✓- Customer acquisition costs high  
✓- No scale efficiencies on customer care
- Capital Funding Plan ✓- Start-up losses to be absorbed by Enron Corp income statement

EC004388680



# Residential Decision Point First Quarter 1998

- ✓◆ **End efforts to acquire residential customers**
- ✓◆ **Develop viable business plan for the future**
- ✓◆ **Redirect legislative efforts**
  - Focus on any legislation which opens markets
- ✓◆ **Cultivate strategic relationships**
- ✓◆ **Pursue alternate capital funding plans**

EC004388681



# Situation Review - 2000

- Market Size**
  - 25% of residential market open Jan 2000 (28MM households)
  - 75% of residential market projected to be open by 2003
- Quality of Deregulation**
  - Regulators turn attention to creating rules which lead to competitive markets
- Customer Value Proposition**
  - Rules create opportunity to generate savings for consumers
  - Better understanding of customer needs for other products and services
- Competition**
  - No near-term national competitor on horizon
  - Early market entrants have exhausted resources
- Cost Structure**
  - Channel acquisition strategy reduces customer acquisition costs
  - Larger available market provides scale opportunities for customer care
    - ◆ Outsource solutions for back office requirements being developed
    - ◆ Migration of consumers to the web creates efficiency opportunities
- Capital Funding Plan**
  - Numerous capital sources actively express interest in participating in residential opportunity

***A window exists for Enron to leverage its unique competencies to capture first mover advantage in the \$124B national residential market***

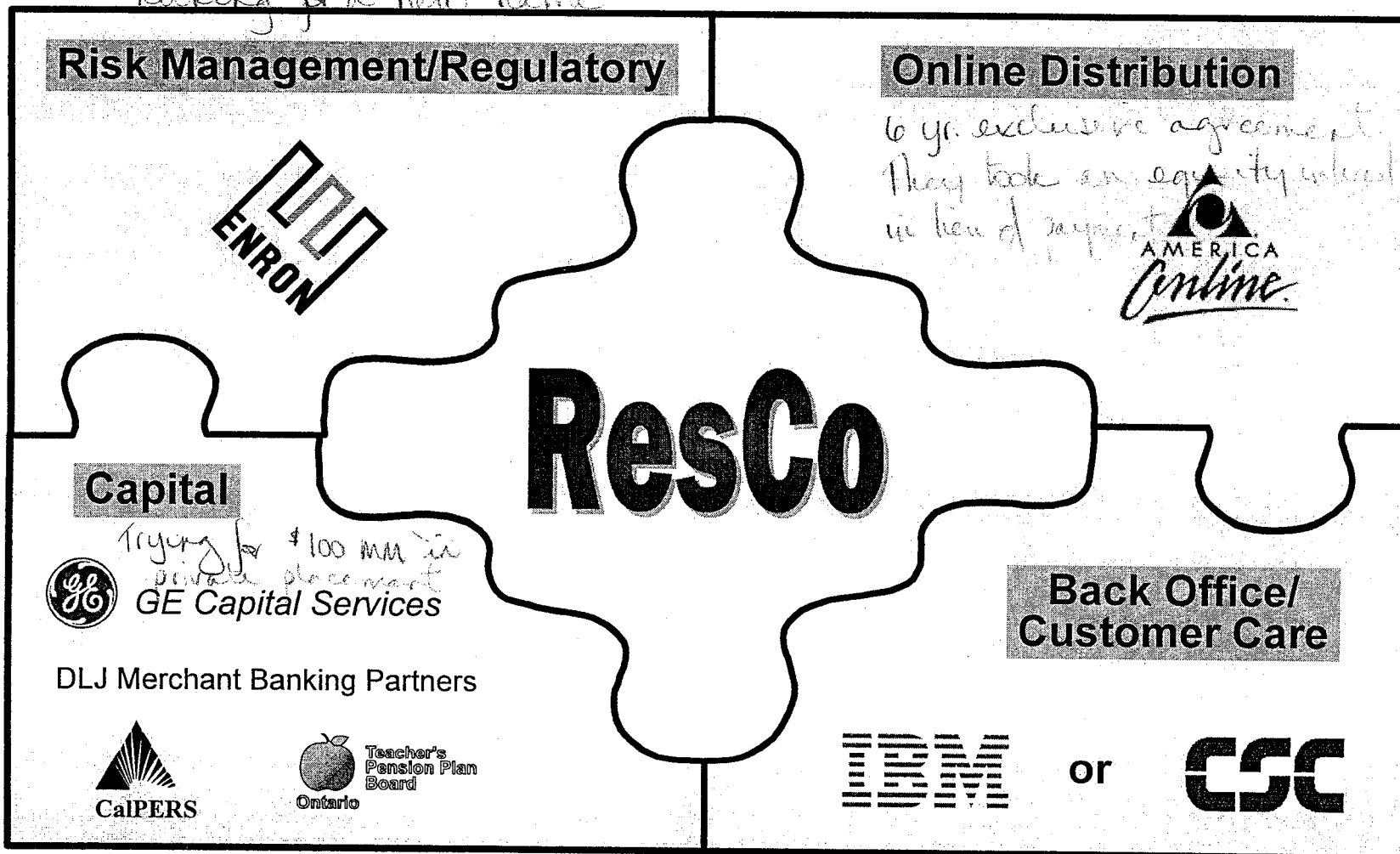
EC004388682

ENRON

# ResCo Positioned for Success

*EES has assembled world class players from a number of arenas to launch a new stand-alone entity to capitalize on the opportunity*

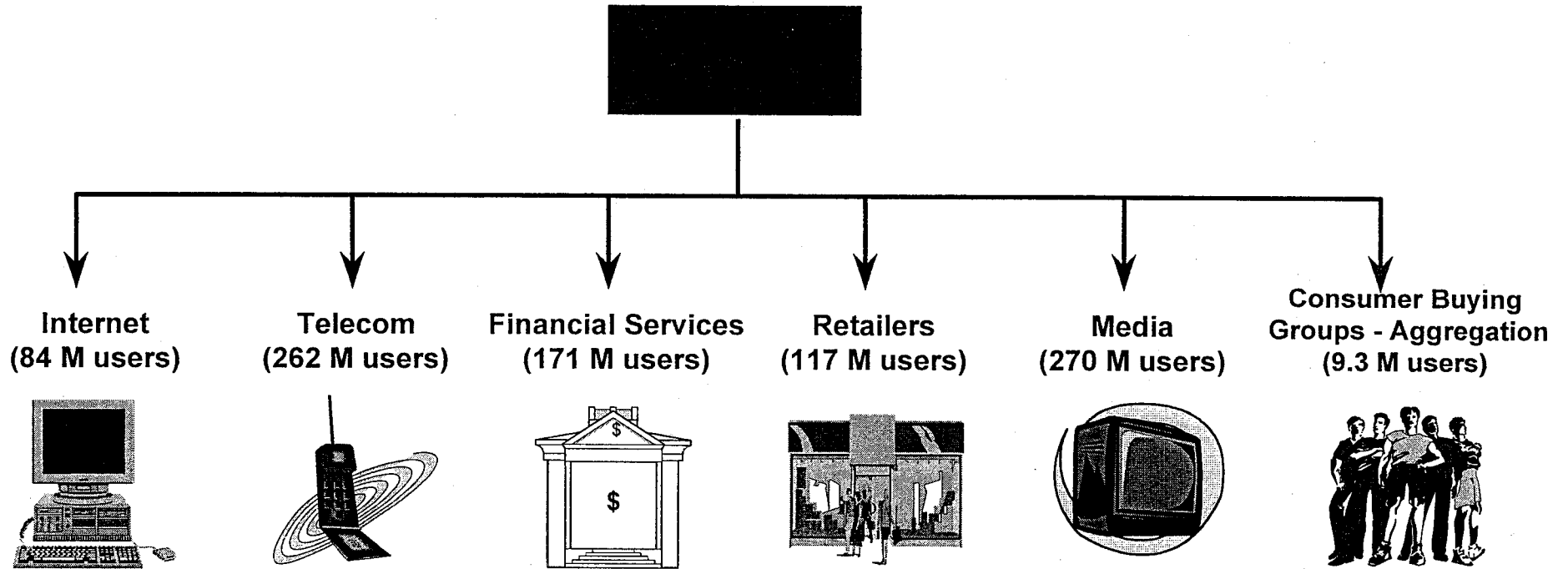
*looking for a new name*



EC004388683



# Marketing Strategy



***Channel-focused acquisition strategy provides scalable access to appropriate customers cost efficiently***

EC004388684



*Only company w/ a national energy strategy*

**RESCO**

Join Resco and get 6 months' FREE XYZ.

GAS  
ELECTRICITY  
GREEN POWER

CABLE  
MOVIES ON DEMAND

AIR CONDITIONING/HEATING  
ELECTRICAL  
EMERGENCY &  
CLEAN-UP SERVICE

DIAL-UP INTERNET SERVICE  
HIGH-SPEED DSL  
T1

**ENERGY**

**ENTERTAINMENT**

**MAINTENANCE**

**COMMUNICATION**



## Resco simplifies your life.

We have conveniences for your home and deliver them to your door online. Learn more about our suite of energy products and services.



**APPLIANCES**

**PRODUCTS**

**MOVING**

**FINANCES**

PURCHASE  
INSTALL  
FINANCE

HOME SURGE PROTECTION  
SMART HOME  
HOME MESSAGE BOARD

UTILITIES  
ADDRESS CHANGE  
COMMUNITY INFORMATION  
REMODELING  
MORTGAGES SERVICES

REFINANCE  
REFI WITH ENERGY BUNDLE  
WEATHER INSURANCE

**YOUR ACCOUNT**

EC004388685



# ResCo Funding Plan

	<u>Private Placement</u>		<u>IPO (3, 4)</u>	
	<u>\$M</u>	<u>%<sup>(1)</sup></u>	<u>\$M</u>	<u>%<sup>(1)</sup></u>
Enron	\$ -	58.1%	\$ -	43.6%
Investors	100	29.2	100	22.0
Management	-	10.0	-	7.5
AOL <sup>(2)</sup>	-	2.5	-	1.9
Public	-	-	500	25.0
	<u>\$100</u>	<u>100.0%</u>	<u>\$600</u>	<u>100.0%</u>

(1) Fully diluted

(2) AOL only earns equity on hitting customer acquisition targets

(3) Assumes exercise of investor warrants

(4) Based on a \$2.0B post-money valuation

EC004388686



# Management Staffing Plan

## Position (Source)

## Status

### CEO (External)

*Top candidate has a telecommunications background.*

- Search in final stage
- Candidates prioritized by Enron management
- Interviews with outside investors scheduled

### SVP Operations (External)

- Several candidates identified for CEO to consider

### VP Risk Management (Enron)

- Candidates identified

### VP Regulatory (Enron)

- Candidates identified

**Current ResCo commercial team anticipated to be included in ResCo start-up**

EC004388687

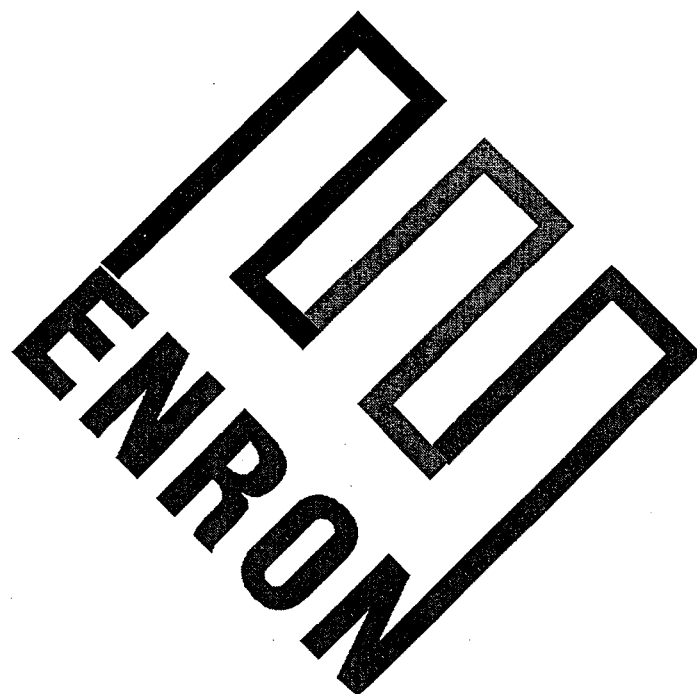


# Summary

- ◆ **Market conditions perfect for national effort aimed at residential market**
- ◆ **EES has assembled world class participants to position ResCo for success**
- ◆ **Funding plan is in place**
  - **Private funding expected to close by year end**
  - **Public offering planned during 2000**

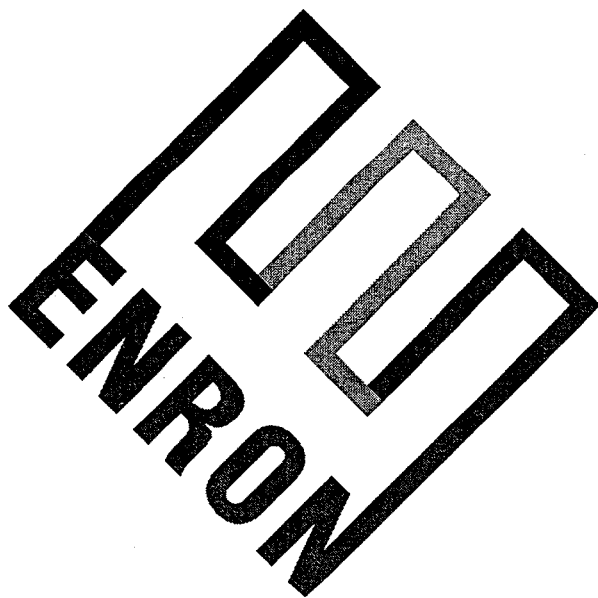
EC004388688





# Enron Energy Services

EC004388689



# Enron Gas Pipeline Group

EC004388690

*Hor ton*

# Enron Gas Pipeline Group

## Florida Gas Transmission Company Expansion Projects

- Phase IV
- Phase V
- Phase VI

*Estimated that Florida will require an additional 10,000 MW by 2007*

*Strong growth in electric demand*

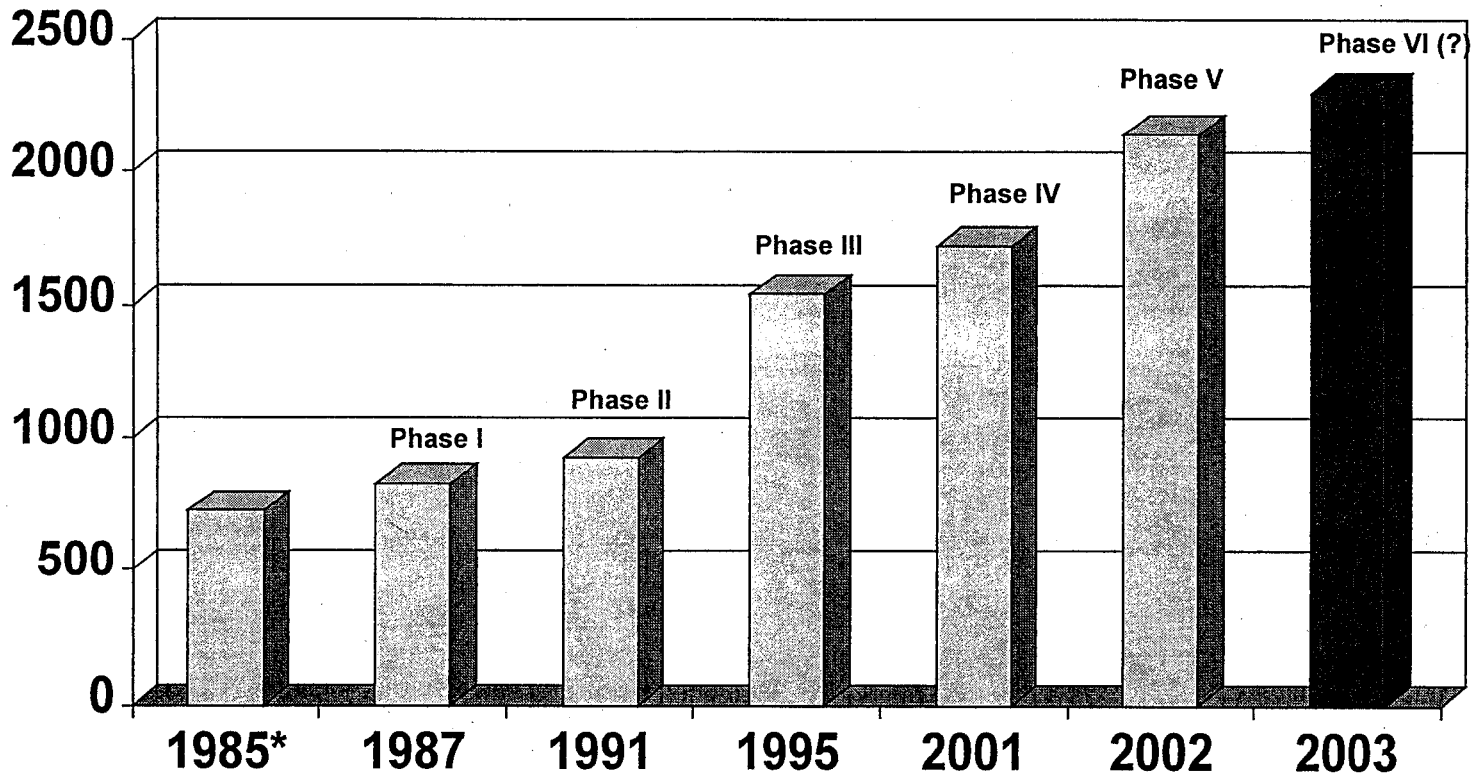
EC004388691



# Florida Gas Transmission Company

## “Fueling the Growth”

### Market Area Mainline Capacity (Bbtu/d)



\* Enron Acquired Florida Gas Transmission

EC004388692



# Florida Gas Transmission Company Growth of Pipeline System

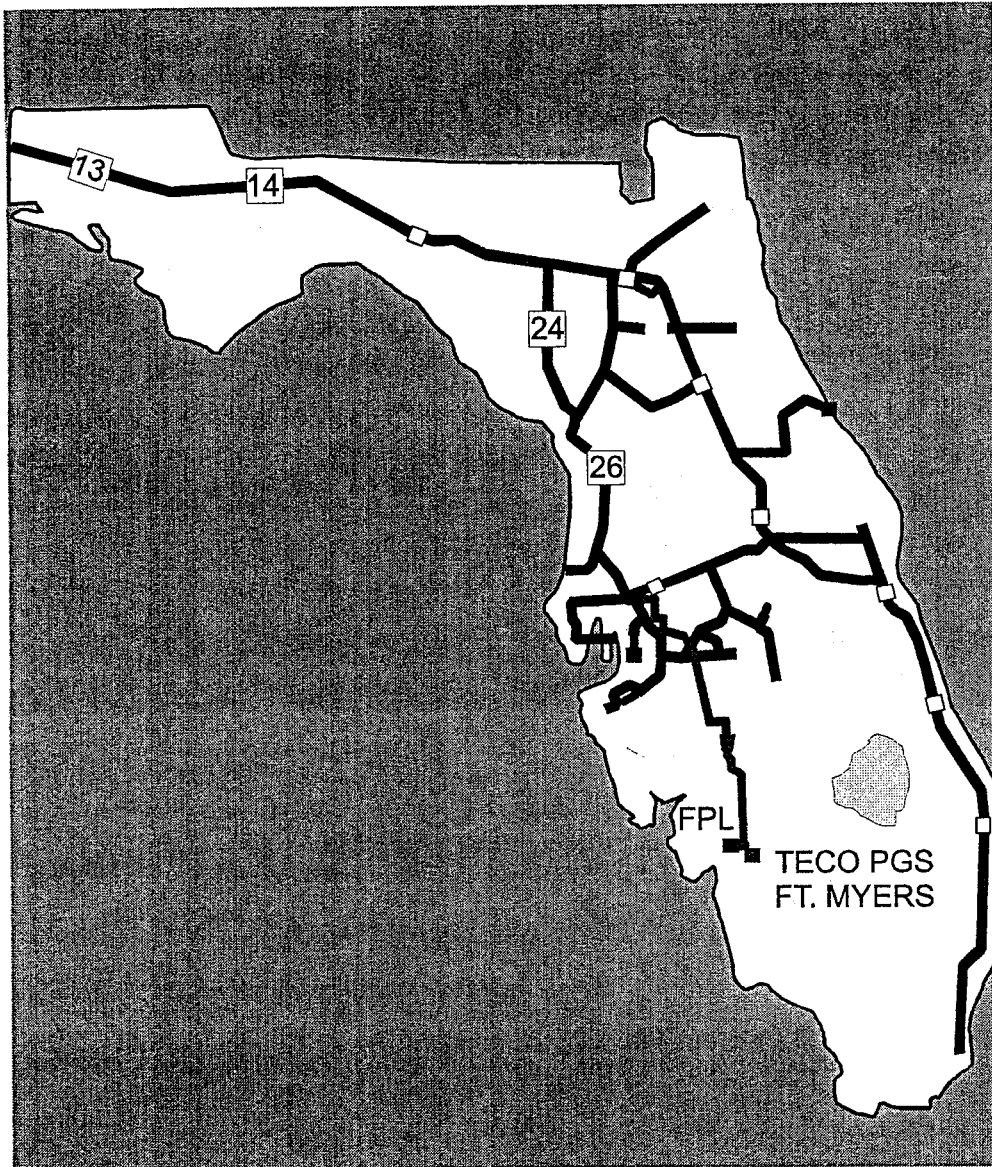
	Prior to Phase III	Phase III (1995)	Phase IV (5/2001)	Phase V (4/2002)
• <b>Market Area Capacity (Bbtu/d)</b>	925	1,540	1,720	2,145
• <b>Miles of Pipe*</b>	4,460	5,225	4,746*	4,978
• <b>Compressor HP</b>	183,857	289,657	332,677	421,647
• <b>Measurement Stations</b>	499	480	478*	484

\*Miles of Pipe and Meter Stations reduced from Phase III to Phase IV due to divestiture of non-strategic assets

EC004388693



# Florida Gas Transmission Company Phase IV Market Area Expansion



- 250 Bbtu/d/20-Yr Firm Contracts
- \$270 MM Projected Capital Cost
- Filed with FERC December 1, 1998
- Received Preliminary Determination July 1999
- Authorization to Construct 1st Qtr 2000 (Target)
- Target In-Service Date May 1, 2001
- Florida Power & Light's Ft. Myers Project "Anchors" Expansion
- Establishes Pipeline Presence in Growing SW Florida

EC004388694



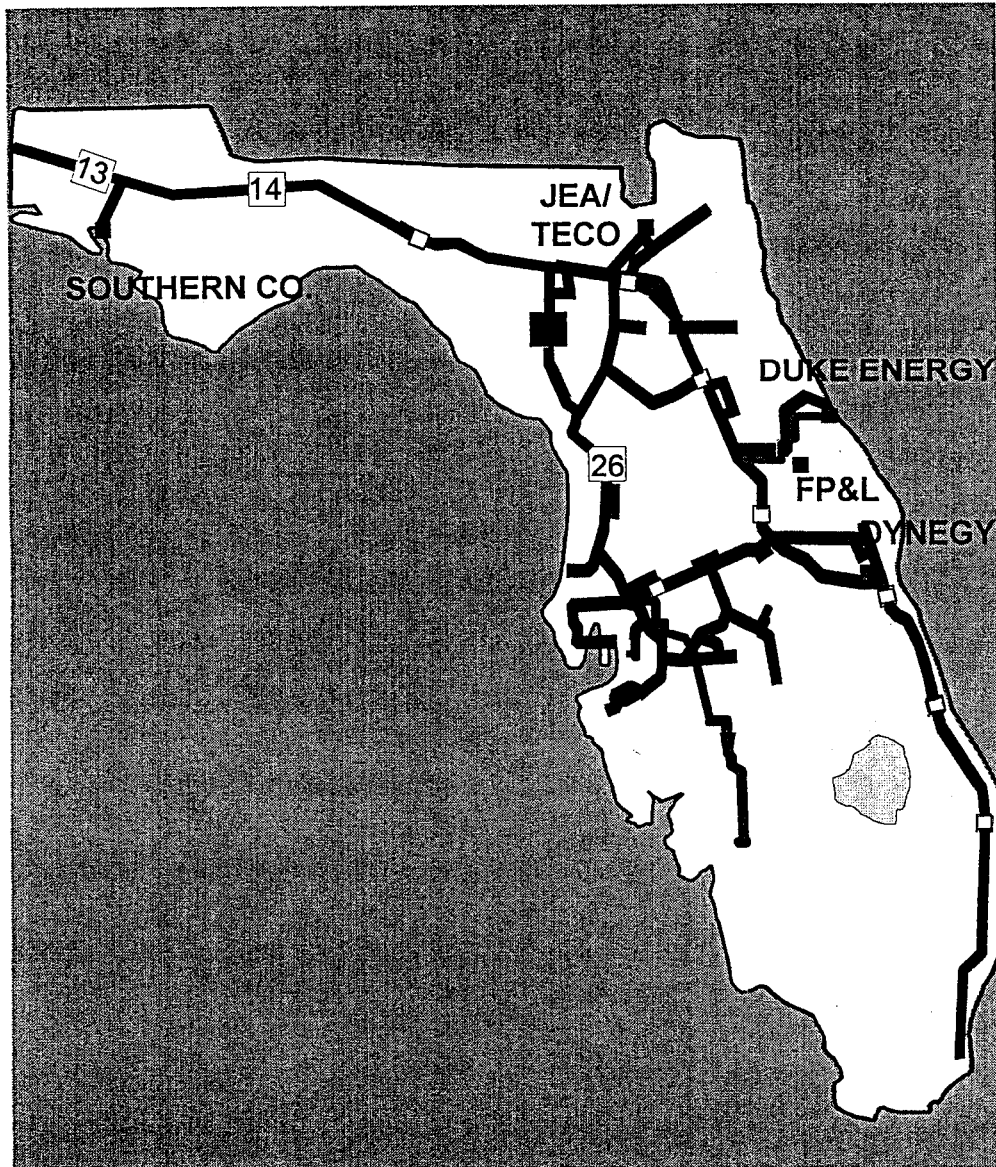
# Florida Gas Transmission Company Phase IV Expansion Facilities

- **140 miles of Pipeline including:**
  - 6.1 miles of 30" Loop**
  - 9.3 miles of 36" Loop in Mississippi**
  - Approximately 11 miles of small laterals**
- **One new compressor station will be constructed and additions made to three others for a total of 38,220 HP.**

EC004388695



# Florida Gas Transmission Company Phase V Market Area Expansion



- Additional Capacity Needed to Meet Electric Generation Requirements
- Open Season Concluded April 1999
- FP&L - Sanford and Southern Company's - Plant Smith Commitments Solidified Expansion
- Approx: 400 Bbtu/d incremental capacity supported by 20-Yr firm contracts
- Filed with FERC December 1, 1999
- Anticipated In-Service April, 2002
- \$420 MM Projected Capital Cost

EC004388696



# Florida Gas Transmission Company Phase V Expansion Facilities

- **231.1 Miles of Pipeline from 16” through 42” diameter**
- **89,765 HP of compression at nine existing and two new stations**

EC004388697



# Florida Gas Transmission Company Phase VI Expansion

- Meetings with Customers in Progress
- Target Market - IPP Merchant Plants
- 200-300 Bbtu/d Potential Load

## TIMING

- Open Season Early 2000
  - Anticipated In-Service 2003
  - Capital Requirements \$400-600 Million
- 
- Analyzing LNG Based Project (ELBA ISLAND) as Pipeline Alternative
  - Phase VI Markets in Competition with “Alternative” Pipeline projects

EC004388698









MISS.

ALABAMA

GEORGIA

FLORIDA

	EXISTING FGT PIPELINE		COASTAL
	PHASE IV		DUKE
	PHASE V		WILLIAMS

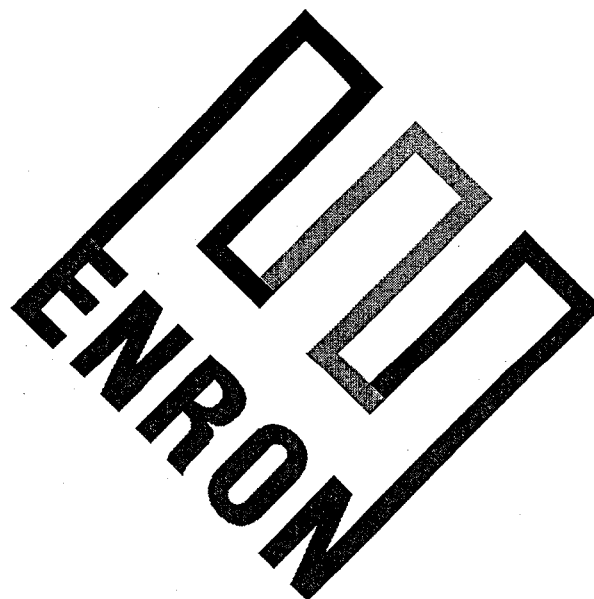
About 1 Bcf a day  
& would cost \$1.5 B

Will compete  
w/ Phase II  
both have  
good project  
economics if they  
can set the market.



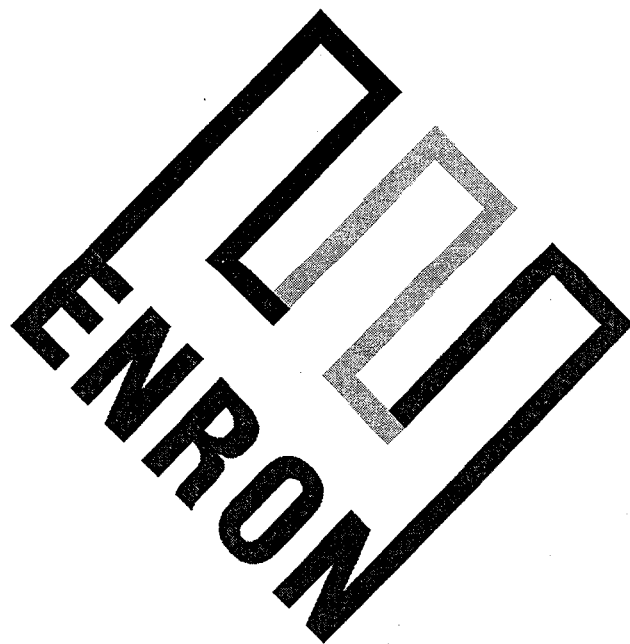
EC004388699





# Enron Gas Pipeline Group

EC004388700



*business units need the right people to grow their businesses*

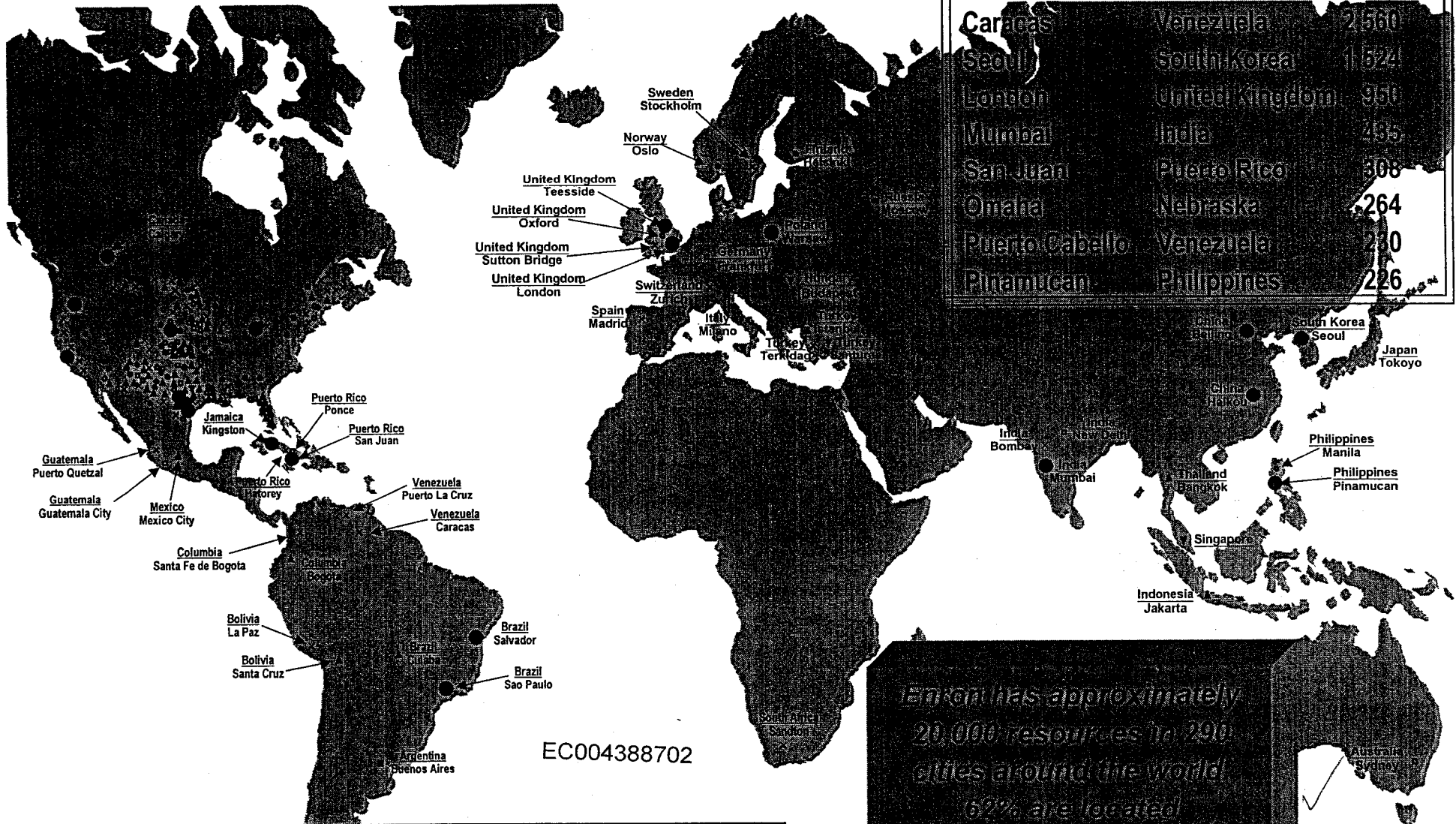
# **Global Recruiting, Retention and Deployment of Enron's Human Capital**

EC004388701

*olson*

# Enron's Global Resource Pool

Houston	Texas	6,699
Sao Paulo	Brazil	4,784
Caracas	Venezuela	2,560
Seoul	South Korea	1,824
London	United Kingdom	950
Mumbai	India	435
San Juan	Puerto Rico	308
Omaha	Nebraska	264
Puerto Cabello	Venezuela	230
Pinamucan	Philippines	226



EC004388702

X	1-4	▲	5-9	●	10-20	■	21-30	●	31-40	▼	41-50	○	50 and Over
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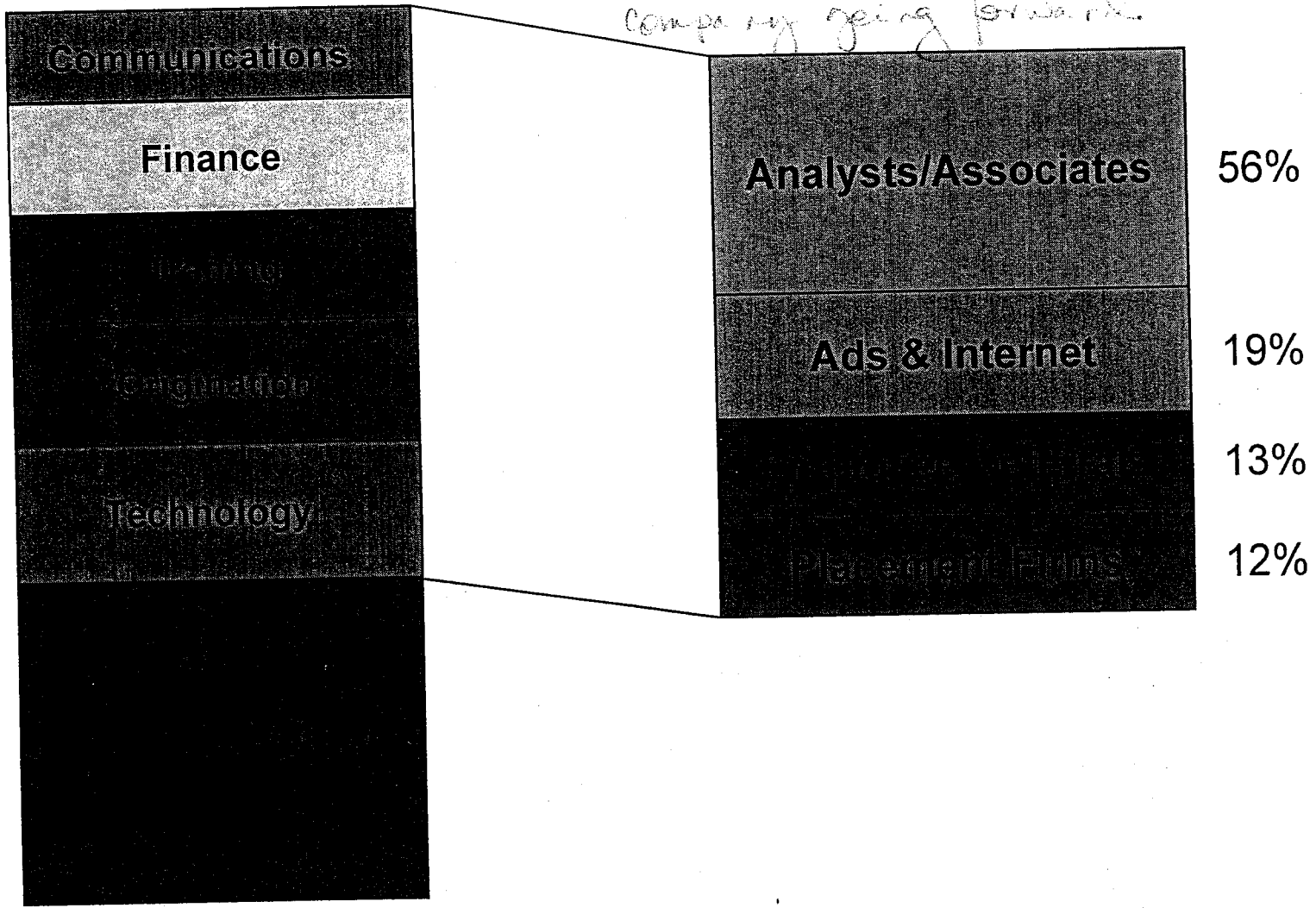
Enron has approximately 20,000 resources in 290 cities around the world. 62% are located domestically while 38% are international.

35% are JV employees



# Sources of Strategic Resources

2000-3000 employees  
that have skill set we need to grow  
company going forward.



~ 20,000 Employees

EC004388703



# Analysts and Associates Program

*Key Resource for  
Commercial talent*

## ■ Objective

- To have a Global world class program that provides the Intellectual Capital to propel Enron into the New Economy

## ■ Current Participants in Program: 659

- Analysts 323
- Associates 336

## ■ Challenges in the Program

- Program size *Strong perception in company that the program is too large.*
- Distinction in the two programs *Need to work on how they are utilized & overall mgmt. of the program*
- Program management

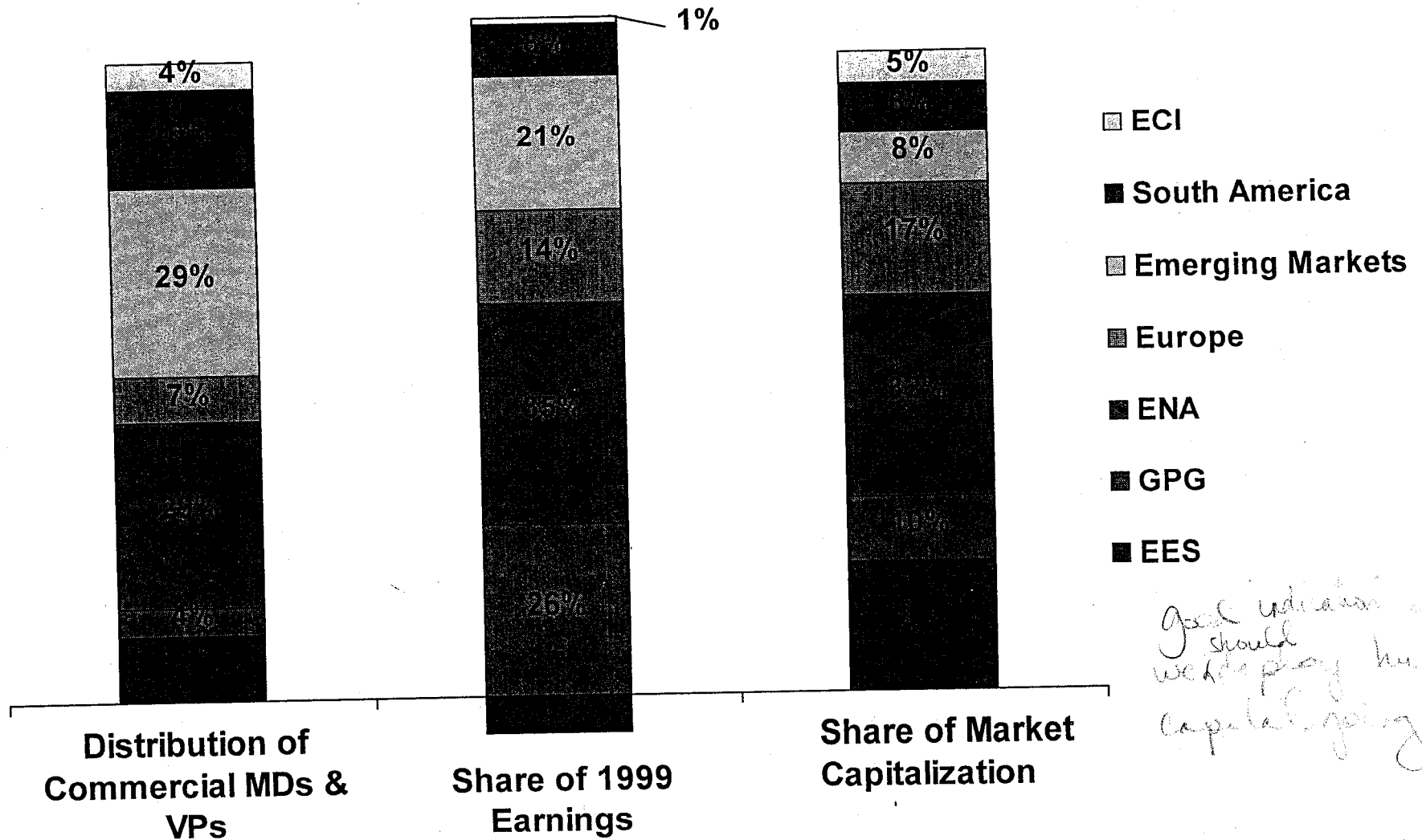
## ■ Recommendations

- Recruiting
  - Refine Priority Schools
  - Better define skill set tracks
- Program Management
  - Migrate to one Global program
  - Refine structure

EC004388704



# MD/VP Deployment Compared to 1999 Earnings and Market Capitalization



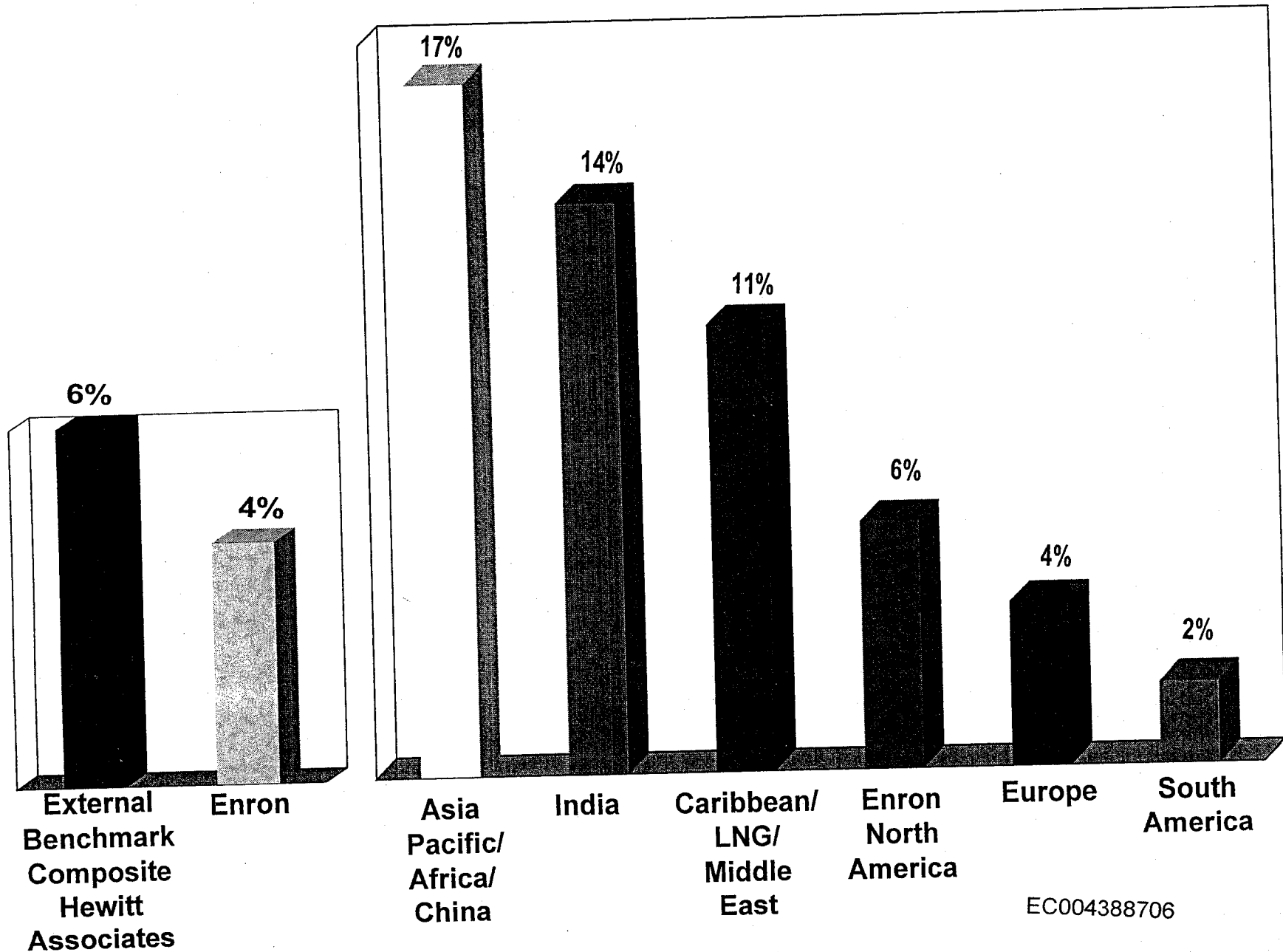
*Good indication of how  
we should  
play human  
capital deployment*

EC004388705



# Deployment of Resources Internationally

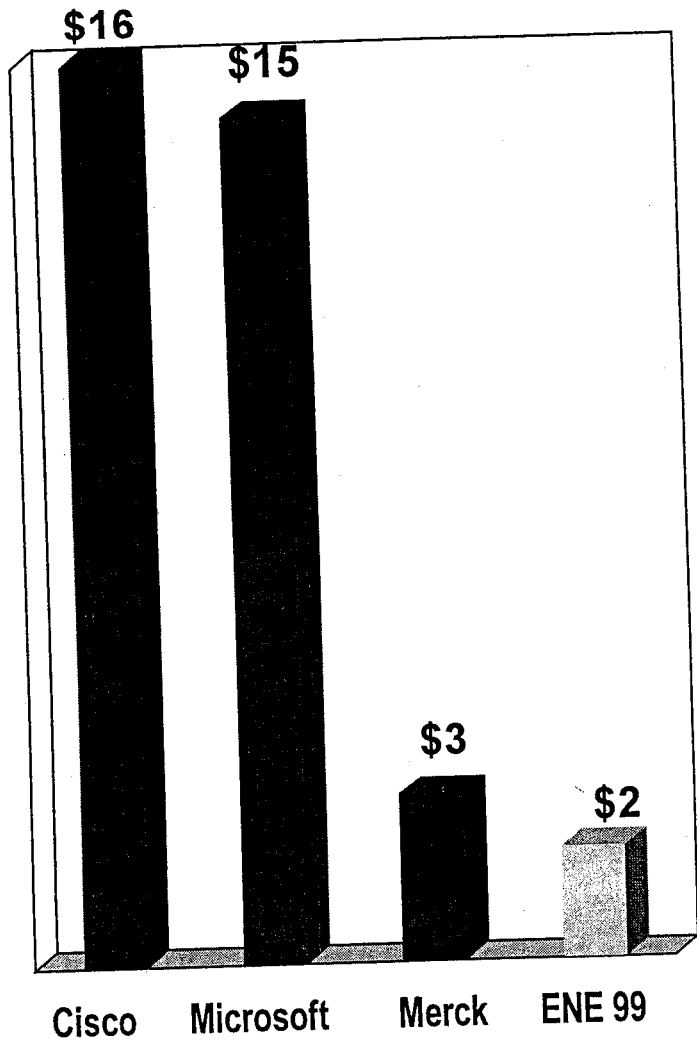
## Expatriate to Local National Percentage



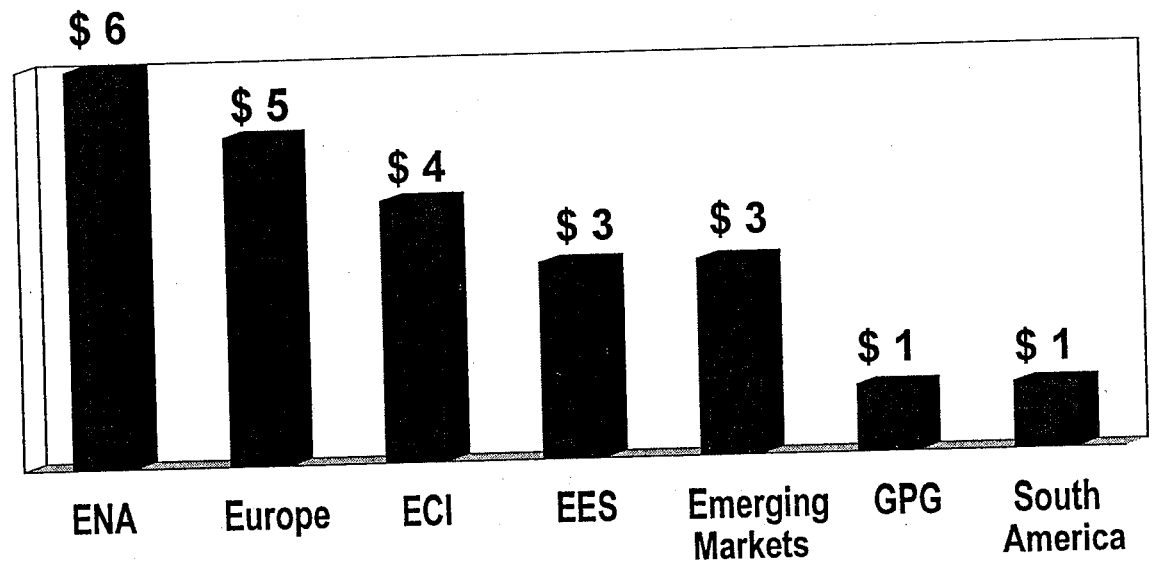
EC004388706



# Market Cap Contribution per Employee (\$MM)



*Start measuring our return on human capital*



EC004388707





# Challenges that Face Enron

- Attracting new employees
  - Development of unique employment proposition in each skill set
  - Utilization of Enron's equity to attract "high growth" resources in the high technology areas
  - Staff growth in the tightest job market in the last three decades
  - Growth of the Analyst / Associate Program
- Retaining good employees
  - Culture
  - Work life improvements
- Globalization
  - Utilization of talent world wide
  - Leverage expatriates to grow new businesses
- Increasing Return on Investment of Human Capital
  - Measurement of outcomes and determination of drivers
  - Maximize allocation of resources

*Cindy answered question on Analyst / Associate program*

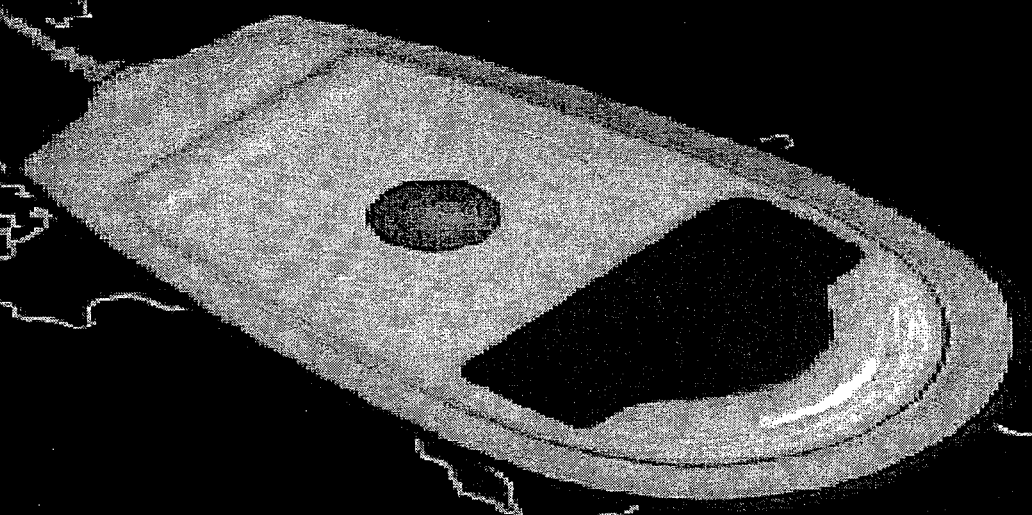
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an Petrochemicals [www.enrononline.com](http://www.enrononline.com) Canadian Gas [www.enrononline.com](http://www.enrononline.com) US Crude [www.enrononline.com](http://www.enrononline.com) German [www.enrononline.com](http://www.enrononline.com)

# enron Online

Putting Energy Into e-commerce



EC004388709

[www.enrononline.com](http://www.enrononline.com) UK Gas [www.enrononline.com](http://www.enrononline.com) Dutch Power [www.enrononline.com](http://www.enrononline.com)  
[www.enrononline.com](http://www.enrononline.com) Asian Crude [www.enrononline.com](http://www.enrononline.com) US Pulp [www.enrononline.com](http://www.enrononline.com) US Power

*Kitcher*

# October 26, 1999

- ◆ **Announcement**

- ◆ **Holding Page** *until market opened*

- ◆ **Registration Information**
- ◆ **Launch Schedule**
- ◆ **Video Clip**

***About 35,000 Users visited the holding page***

EC004388710



About  
**EnronOnline**

**EnronOnline**

R

*Also a significant number of universities*

# Who's Looking?

## ● Producers & Marketers

- Aquila
- Bank of Montreal
- Chevron
- Dynegy
- EES
- Entergy
- Goldman Sachs
- Koch Industries
- Morgan Stanley
- Phibro
- Shell
- Texaco
- Toronto Dominion Bank
- Williams Energy

## ● End Users

- Dow Chemicals
- International Paper
- Lafarge
- Pepsico Inc.

## ● Utilities

- British Energy
- Detroit Edison
- Duke Energy
- Electricite de France
- Electrobras
- Florida Power & Light
- PG&E
- Reliant Energy
- SNAM

## ● Competitors

- Altra Energy
- Bloomberg
- Nymex

## ● Technologists

- UUNet Technologies, Inc.
- Compaq
- IBM
- CISCO

## ● Consultants

- McKinsey
- AT Kearney
- Price Waterhouse Coopers
- Arthur Andersen

## ● Research

- CERA
- Columbia
- Harvard Business School
- Meta Group

## ● Analysts

- Merrill Lynch
- Everen Securities
- Janus Capital

- **Brokers** - *we don't let them see prices*
  - **All of them.....**

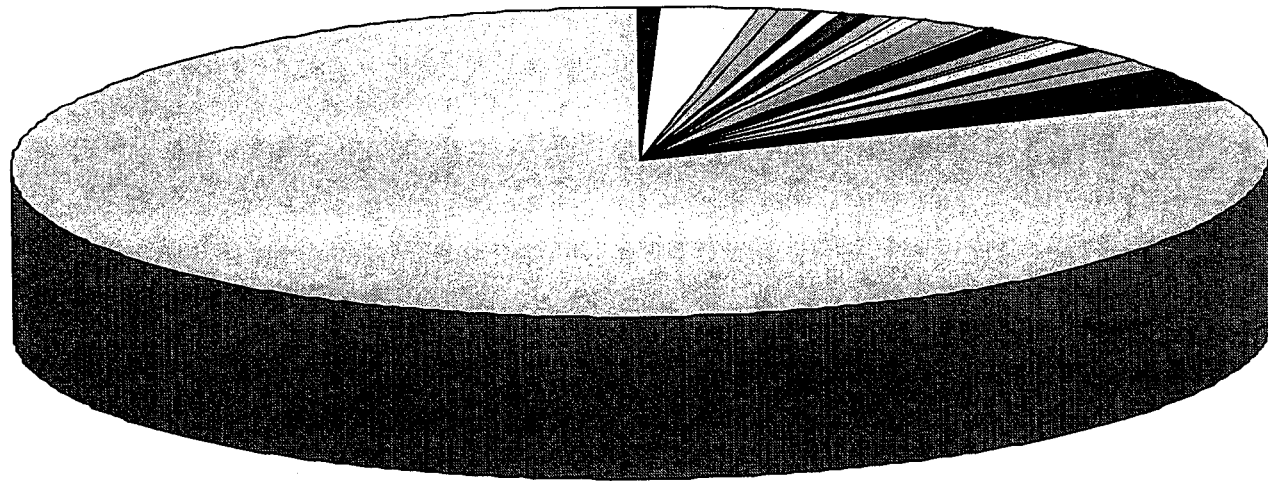
EC004388711

About  
EnronOnline

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# Users by Country (to date)



- Argentina
- Australia
- Canada
- Switzerland
- Germany
- Spain
- Finland
- France
- Greece
- Croatia
- Hungary
- India
- Iran
- Italy
- Japan
- Mexico
- Netherlands
- Norway
- Nepal
- Poland
- Sweden
- Singapore
- UAE
- UK
- USA

EC004388712

*US markets went online first →*

About  
EnronOnline

EnronOnline

*K*

# Customer Response *Nov 29*

- ◆ **HelpDesk Enquiries** *50% emailed* **1,051**
- ◆ **Total Guest User Ids Issued** *Can't transact*
  - ◆ **Mailing** *All industry players* **3,850**
  - ◆ **Unsolicited** **278**
- ◆ **Total Master Transaction Ids requested** **386** *414*
- ◆ **Total Master Transaction Ids issued** **228**
- ◆ **Number of Counterparties transacting** **58**  
*in first 10 days*

EC004388713

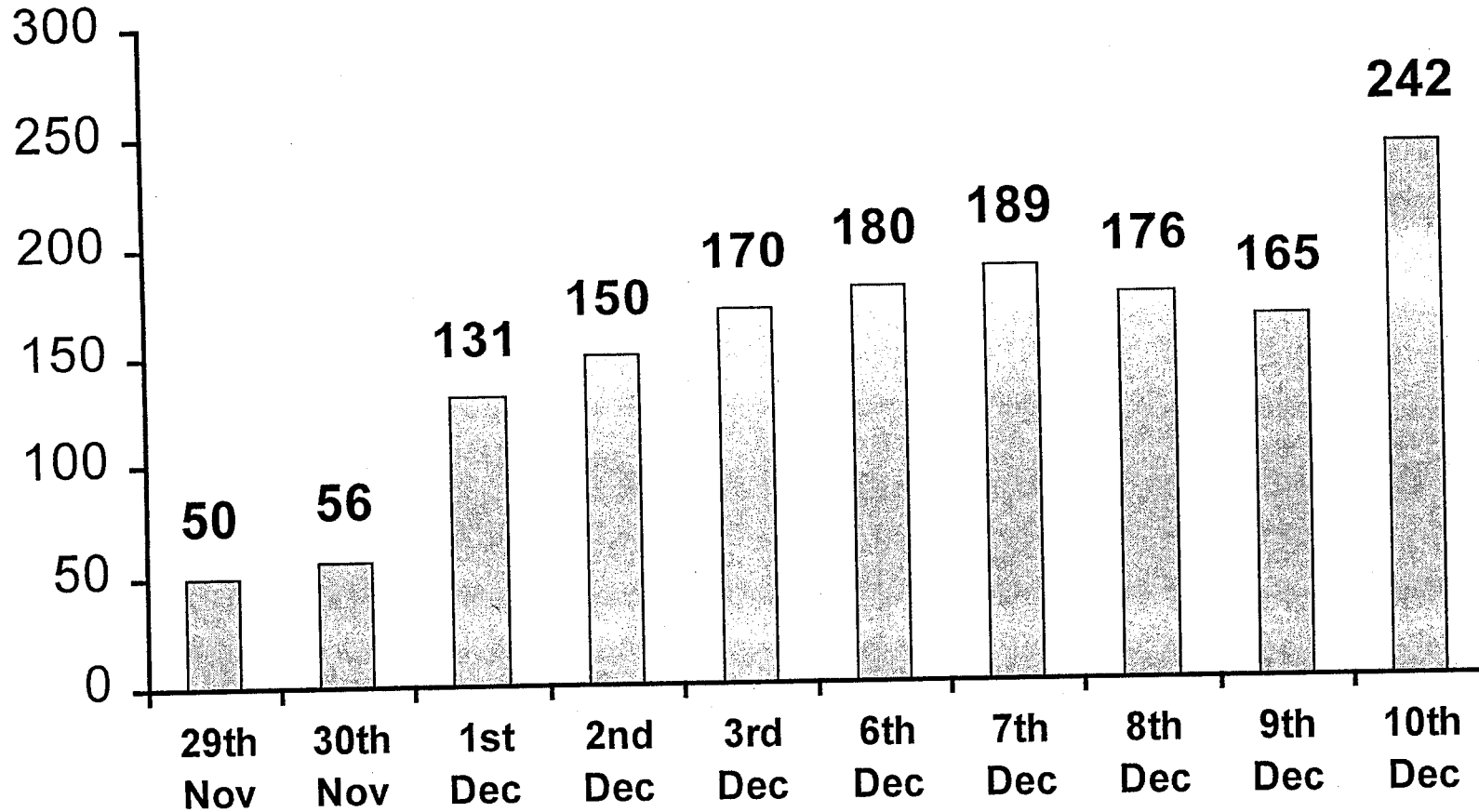
About  
**EnronOnline**

**EnronOnline**

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# Number of Transactions per day

*only US Natural Gas*



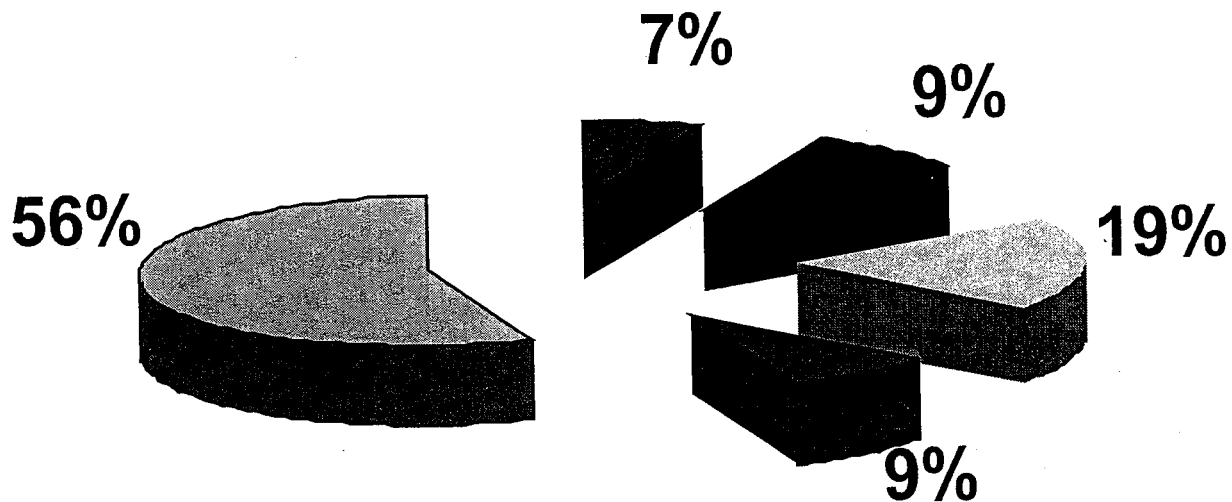
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# Transactions via EnronOnline

## 373 Million MMBtu



■ Canadian Gas Financial	■ Canadian Gas Physical
■ US Gas Financial	■ US Gas Physical
■ US Gas Basis	<i>1/3 of our physical transactions took place on the Web</i>

EC004388715

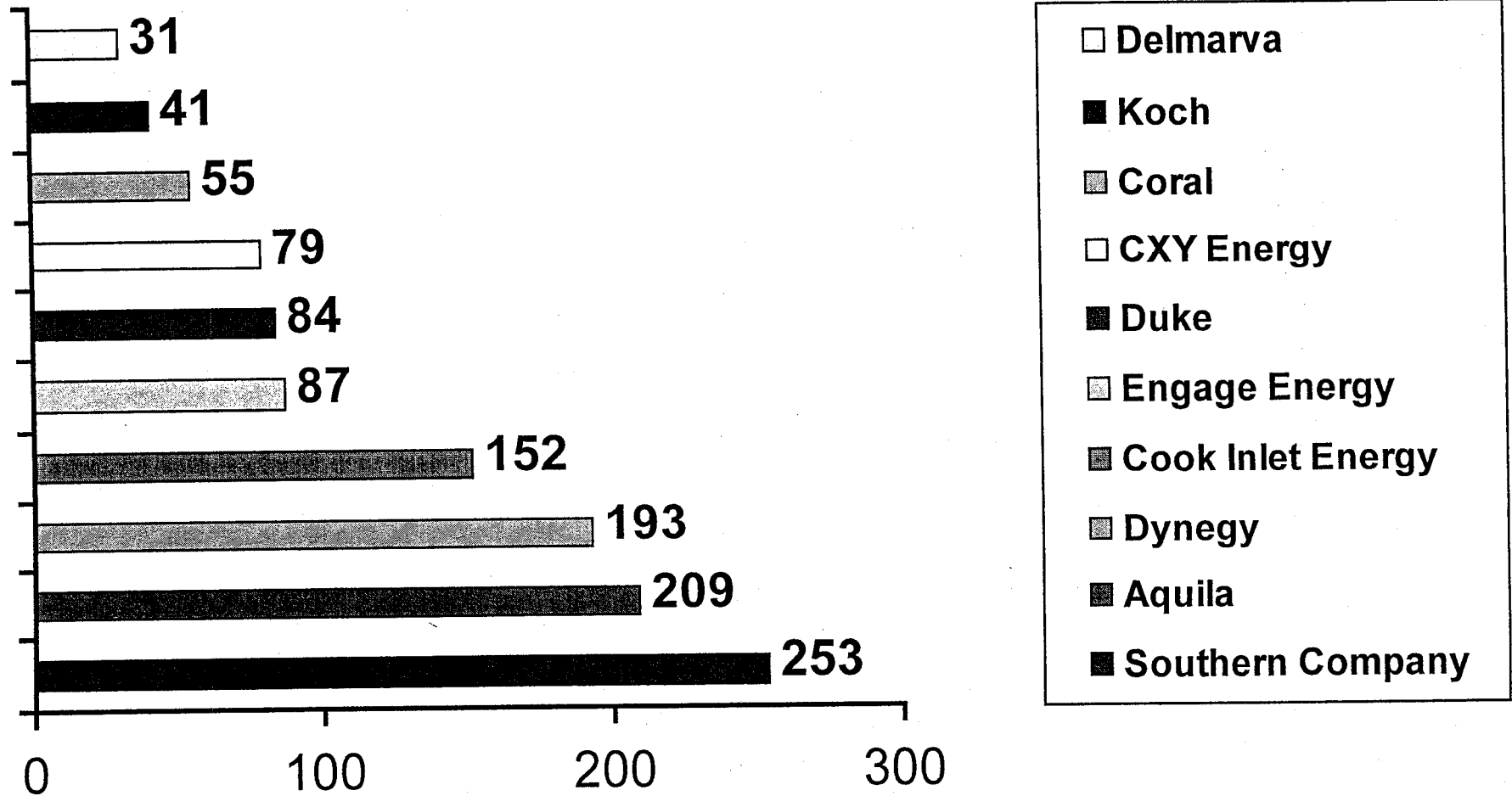
About  
EnronOnline

EnronOnline

K



# Top Ten Counterparties

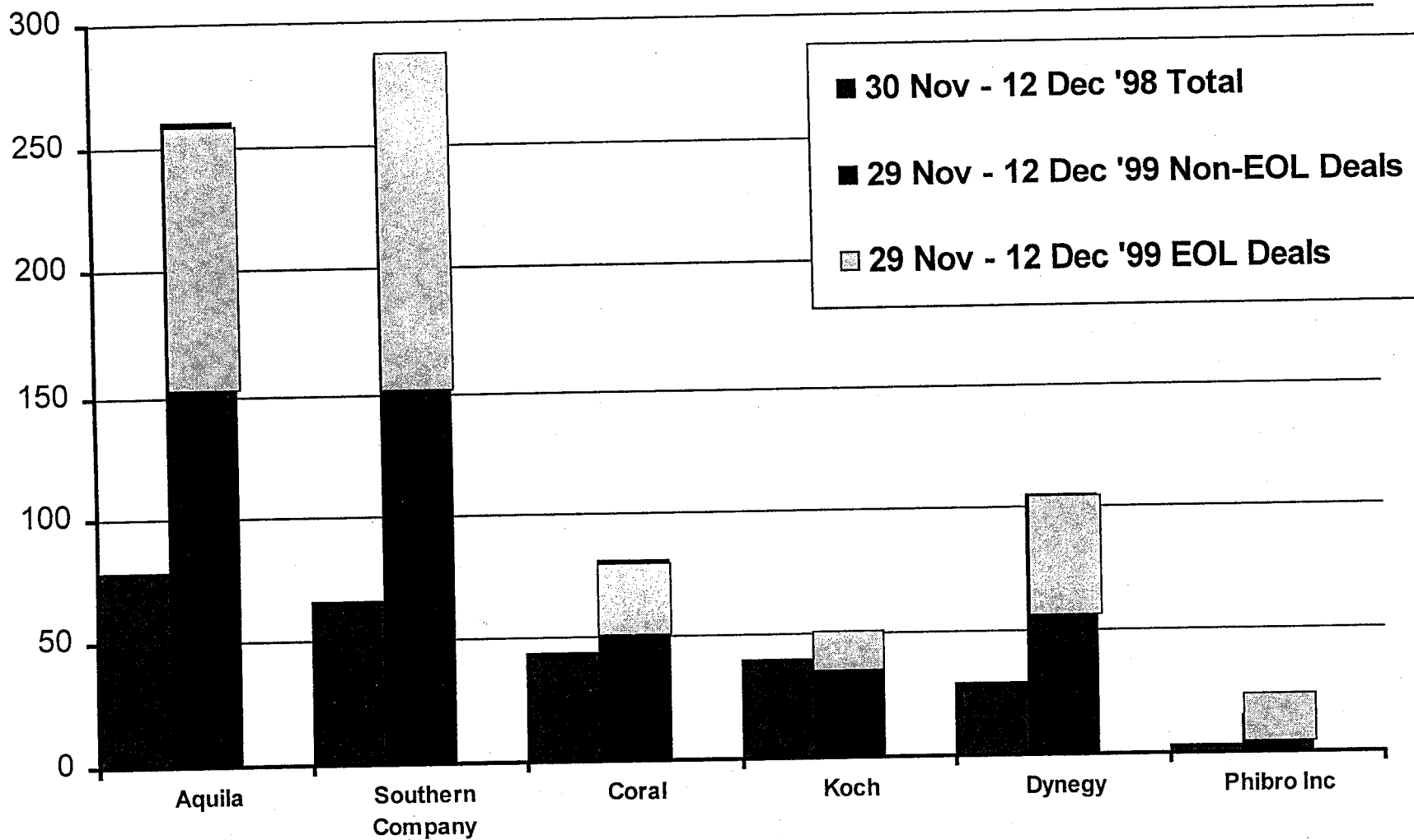


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# Compared to Same Period Last Year



EC004388717

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# New Customers

## Only transacted with Enron via EnronOnline

*Canadian Companies*

- ◆ Gulf Midstream Services
- ◆ PetroBank Energy & Resources Limited

EC004388718

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# Revenue

Calculated on the basis of settled value to date which includes delivered volumes only:

Revenue Nov 29 - Dec 12 (2 weeks)

US Natural Gas \$ 14,155,546

Canadian Gas \$ 5,067,298

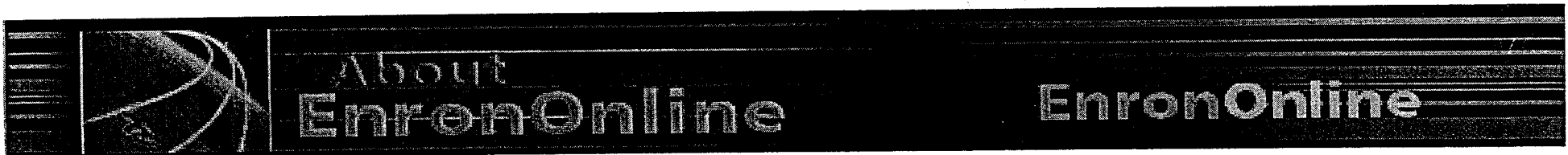
Total \$ 19,222,845

*Don't show up as revenues until settlement date*

## Revenue Estimates (2000)

Assume EnronOnline takes 10% of volume > \$1.7bn

EC004388719



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# Comparative Statistics

- ◆ Total Gross Notional Value (\$)

Price x Volume

- ◆ Why use this calculation?

**Altra** - *Matches counterparties*

1998

\$6bn

1999 (est)

\$12bn

EnronOnline (first 2 weeks only)

\$857m

Per annum

\$22.3bn

EC004388720

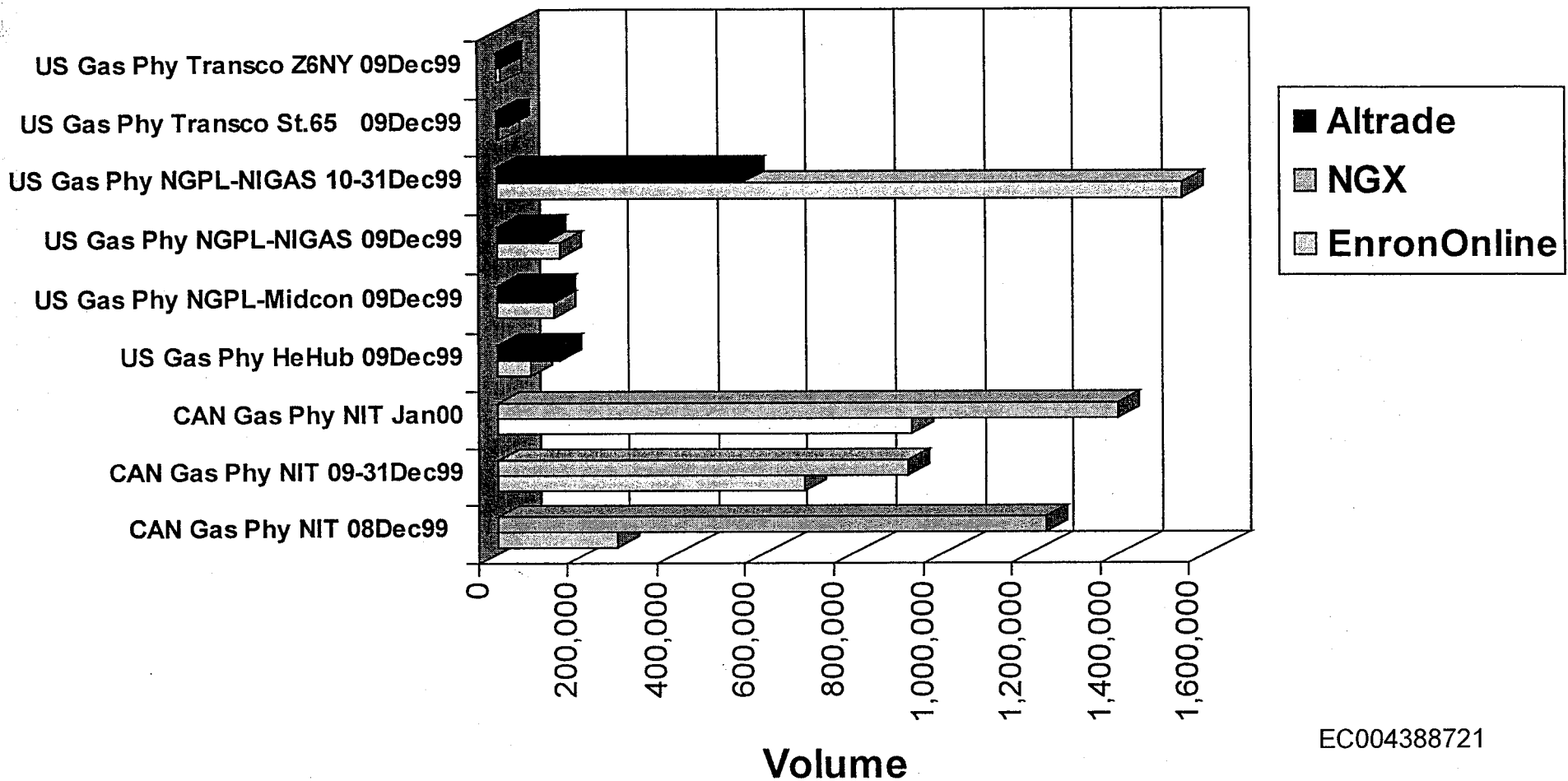
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# Comparative - EnronOnline v NGX & Altrade

As On 8th December



EC004388721

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# Launch Schedule

November 29, 1999

December 13, 1999

December 15 - 16, 1999

January 5, 1999

US Natural Gas

Canadian Gas

US Power

Coal

Nordic Power

Plastics

Pulp & Paper

UK Power

UK Gas

Continental Power

Continental Gas

Emissions

Oil & Refined Products

Petrochemicals

Weather



Online

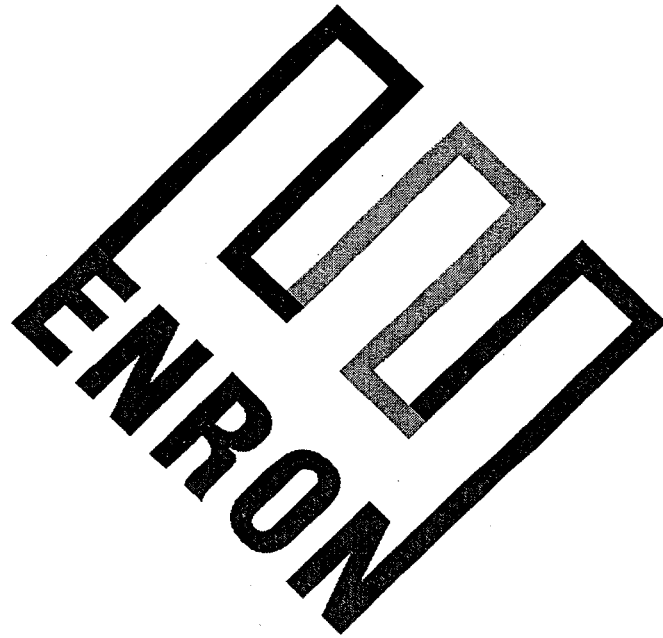
Accelerated  
Launch

EC004388722

ABOUT  
EnronOnline

EnronOnline

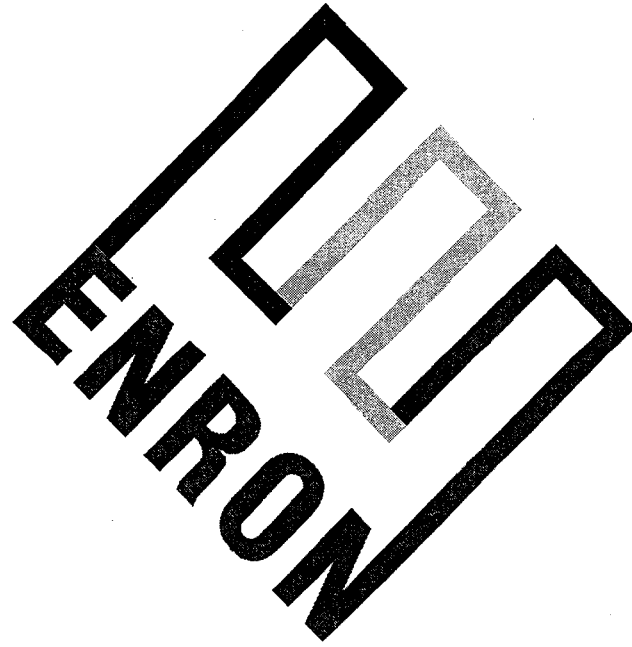
Pulled up actual site & gave a  
brief demonstration.



**EnronOnline**

EC004388723





# **Global Technology Update on eCommerce Activities**

EC004388724

*McConnell*

# Global Technology Activities

Knocking down silos over the last 6 months & making technology group one function.

- ◆ **General Update**
- ◆ **Existing eCommerce Initiatives**

global – **EnronOnline** *glob*

retail – **energy.enron.com** *EES Web based tool for small residential customers. They can put in their load curves*

corp. – **eSupply Chain**

– **eServices and EnergyDesk.com** *Risk Mgmt. Tools for large customers. Joint w/ AA did not work & we killed it.*

*Fitzgerald* – **EnronStrommarkt.de** *Germany Power*

– **Other Activities**

◆ **Technology Origination Role** *Employees who are trying to*

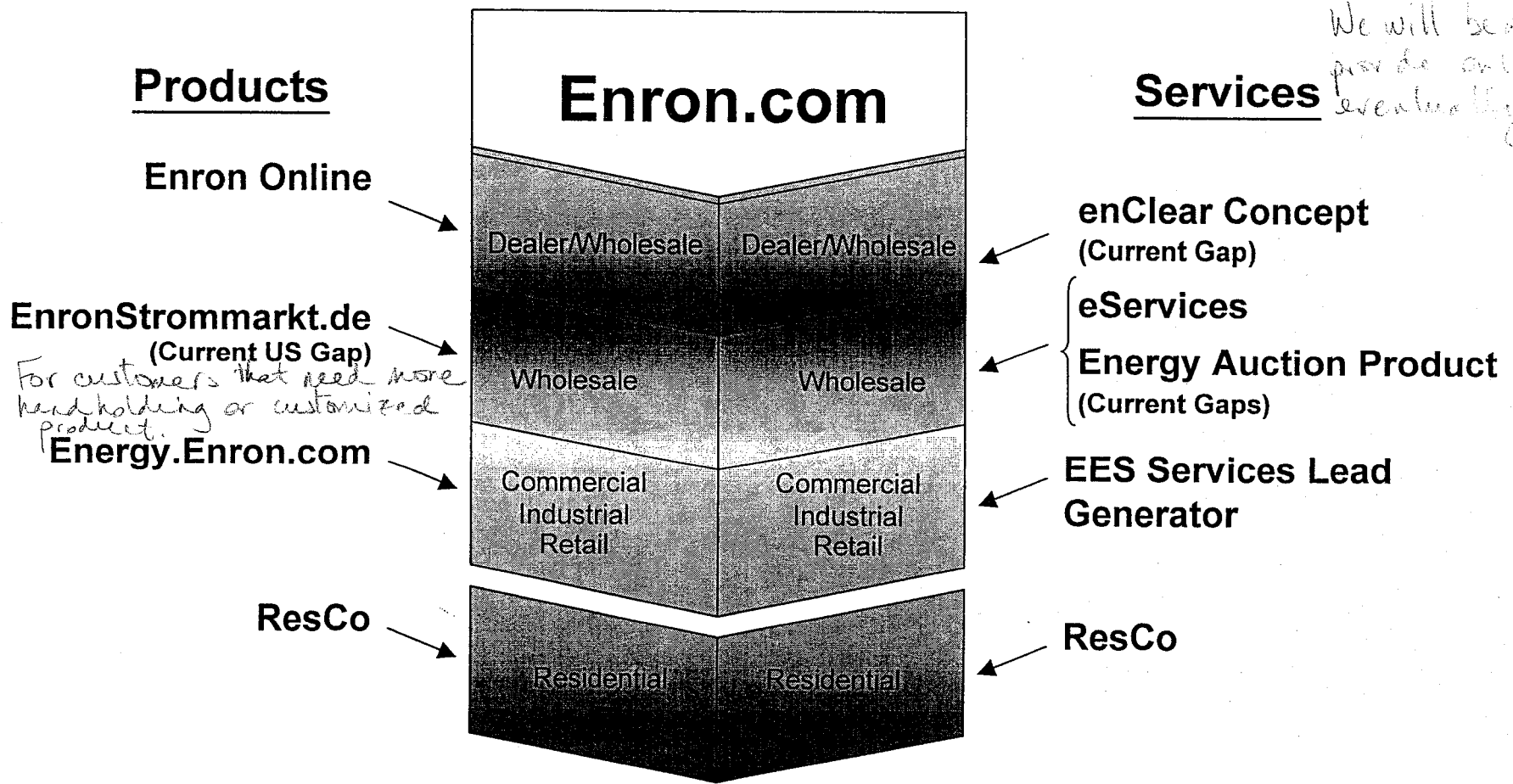
◆ **Investments and Acquisitions** *add technology business around the world. will be talked about more*

*next year*

EC004388725

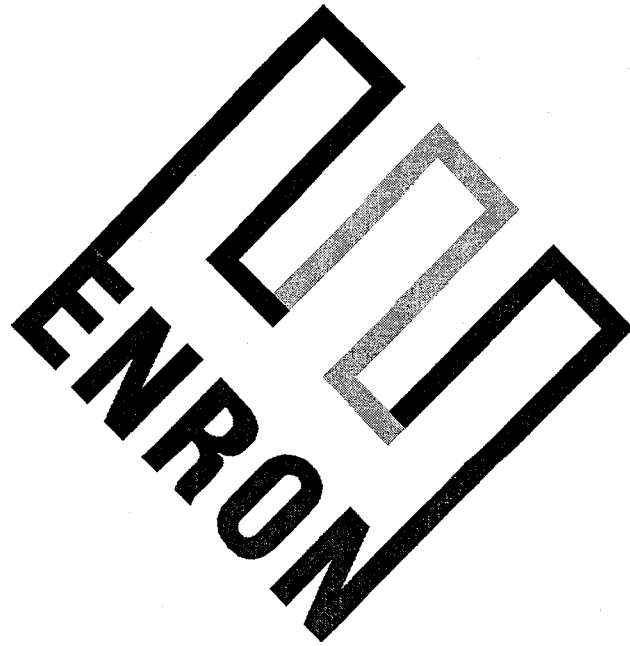


# Enron's eBusiness Initiatives & Customer Needs



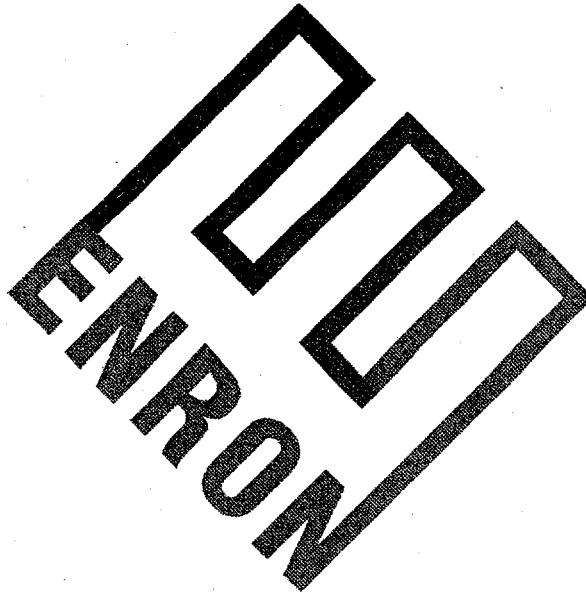
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# **Global Technology Update on eCommerce Activities**

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**2000 - 2002**  
**OPERATING & STRATEGIC PLAN**

**Presentation to Board of Directors**

EC004388728

**ENRON**  
**OPERATING & STRATEGIC PLAN**  
**EXECUTIVE SUMMARY**

(In Millions, except as noted)

<b>Executive Summary</b> 1999 - 2000
---

	1999	2000	00 vs 99 Growth
<b>Net Income:</b>			
Energy Businesses	\$ 944	\$ 1,180	25%
Enron Communications	11	(36)	
	955	1,144	20%
Recurring	(64)	-	
Non-Recurring	\$ 891	\$ 1,144	28%
<b>Fully Diluted Earnings per Share:</b>			
Energy Businesses	\$ 1.16	\$ 1.39	20%
Enron Communications	0.01	(0.04)	
	1.17	1.35	15%
Recurring	(0.08)	-	
Non-Recurring	\$ 1.09	\$ 1.35	23%
Average Shares Outstanding - Diluted	770	806	
Return on Equity	10.9%	11.5%	
Funds Flow	\$ 2,250	\$ 2,300	
Debt to Capital Ratio	39.6%	32.3%	



**ENRON**  
**OPERATING & STRATEGIC PLAN**  
**NET INCOME**

(Millions of Dollars, except as noted)

<b>Earnings</b> <b>1999 - 2000</b>
---------------------------------------

	1999	2000	00 vs 99 Growth
<b>Wholesale Energy Operations &amp; Services</b>	\$ 847	\$ 994	17%
<b>Transmission &amp; Distribution</b>	366	393	7%
<b>Enron Energy Services, net of minority interest</b>	(51)	47	n/m
<b>Enron Communications, Inc.</b>	11	(36)	n/m
<b>Exploration &amp; Production</b>	25	-	n/m
<b>Corporate and Other</b>	87	90	3%
<b>Financing Related</b>	(330)	(344)	4%
<b>RECURRING NET INCOME</b>	\$ 955	\$ 1,144	20%
 Recurring Effective Tax Rate	 14%	 22%	



**ENRON**  
**OPERATING & STRATEGIC PLAN**  
**WHOLESALE ENERGY OPERATIONS & SERVICES**

<b>Wholesale 1999 - 2000</b>
----------------------------------

(Millions of Dollars, except as noted)

	Net Income		
	1999	2000	Growth
North America	\$ 320	\$ 387	21%
Europe	124	168	35%
South America	73	150	105%
Caribbean, Middle East & LNG	27	55	104%
India	(2)	30	n/m
Asia, Pacific, Africa & China	-	(4)	n/m
Enron Global Finance	136	100	-26%
Enron Engineering & Construction	58	55	-5%
Structured Transactions & Other	111	53	-52%
<b>Total Wholesale Energy Operations &amp; Services</b>	<b>\$ 847</b>	<b>\$ 994</b>	17%





**ENRON**  
**OPERATING & STRATEGIC PLAN**  
**OPERATING COMPANY DETAIL**

(Millions of Dollars, except as noted)

<b>Earnings Detail</b>
<b>1999 - 2000</b>

	Net Income		
	1999	2000	Growth
<b>Transmission &amp; Distribution</b>			
Enron Gas Pipeline Group	\$ 238	\$ 263	11%
Portland General Group	128	130	2%
<b>Total Transmission &amp; Distribution</b>	<b>\$ 366</b>	<b>\$ 393</b>	7%
<b>Enron Energy Services, net of minority interest</b>	<b>\$ (51)</b>	<b>\$ 47</b>	n/m
<b>Enron Communications, Inc.</b>	<b>\$ 11</b>	<b>\$ (36)</b>	n/m



**ENRON**  
**OPERATING & STRATEGIC PLAN**  
**CORPORATE AND OTHER**

(Millions of Dollars, except as noted)

<b>Earnings Detail</b>
<b>1999 - 2000</b>

	Net Income		
	1999	2000	Growth
Azurix	\$ 24	\$ (1) *	n/m
Enron Renewable Energy Corp, net of minority interest	38	27	-29%
Clean Fuels	(16)	(9)	44%
Resco	5	-	n/m
Corporate expenses	(75)	(79)	5%
Amortization of prior period costs	(37)	(45)	22%
Structured Transactions & Other	148	169	14%
Overview	-	28	n/m
<b>Total Corporate and Other</b>	<b>\$ 87</b>	<b>\$ 90</b>	3%

\* After consideration of tax deduction on certain preferred shares, Azurix net income to Enron is \$48 million and \$23 million for 1999 and 2000, respectively.



**ENRON  
OPERATING & STRATEGIC PLAN**

**EARNINGS BY QUARTER**

(Millions of Dollars, except as noted)

<b>Earnings by Quarter 1999 - 2000</b>
--

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total Year	
	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
<b>NET INCOME:</b>										
Energy Businesses	\$ 245	\$ 321	\$ 236	\$ 269	\$ 226	\$ 275	\$ 237	\$ 315	\$ 944	\$ 1,180
Enron Communications	9	(9)	(14)	(9)	(3)	(9)	19	(9)	11	(36)
Recurring	254	312	222	260	223	266	256	306	955	1,144
Non-recurring	(131)	-	-	-	67	-	-	-	(64)	-
<b>TOTAL NET INCOME</b>	<b>\$ 123</b>	<b>\$ 312</b>	<b>\$ 222</b>	<b>\$ 260</b>	<b>\$ 290</b>	<b>\$ 266</b>	<b>\$ 256</b>	<b>\$ 306</b>	<b>\$ 891</b>	<b>\$ 1,144</b>
<b>DILUTED EPS</b>										
Energy Businesses	\$ 0.34	\$ 0.39	\$ 0.29	\$ 0.32	\$ 0.26	\$ 0.32	\$ 0.28	\$ 0.36	\$ 1.16	\$ 1.39
Enron Communications	0.01	(0.01)	(0.02)	(0.01)	-	(0.01)	0.02	(0.01)	0.01	(0.04)
Recurring	0.35	0.38	0.27	0.31	0.26	0.31	0.30	0.35	1.17	1.35
Non-recurring	(0.18)	-	-	-	0.09	-	-	-	(0.08)	-
<b>TOTAL DILUTED EPS</b>	<b>\$ 0.17</b>	<b>\$ 0.38</b>	<b>\$ 0.27</b>	<b>\$ 0.31</b>	<b>\$ 0.35</b>	<b>\$ 0.31</b>	<b>\$ 0.30</b>	<b>\$ 0.35</b>	<b>\$ 1.09</b>	<b>\$ 1.35</b>
Avg. shares outstanding - Diluted	745	787	772	794	781	817	780	825	770	806
<b>2000 VS 1999 GROWTH - EPS from Recurring Earnings</b>		<b>8%</b>		<b>14%</b>		<b>18%</b>		<b>18%</b>		<b>15%</b>



**ENRON**  
**OPERATING & STRATEGIC PLAN**  
**INCOME SUMMARY**

(In Millions, except as noted)

<b>Income Summary</b> 1999, 2000, 01 & 02
--

	1999	2000	00 vs 99 Growth	2001	01 vs 00 Growth	2002	02 vs 01 Growth
<b>Net Income:</b>							
Energy Businesses	\$ 944	\$ 1,180	25%	\$ 1,363	16%	\$ 1,594	17%
Enron Communications	11	(36)	n/m	10	n/m	40	300%
Recurring	955	1,144	20%	1,373	20%	1,634	19%
Non-Recurring	(64)	-		-		-	
	\$ 891	\$ 1,144		\$ 1,373		\$ 1,634	
<b>Fully Diluted Earnings per Share:</b>							
Energy Businesses	\$ 1.16	\$ 1.39	20%	\$ 1.54	11%	\$ 1.74	13%
Enron Communications	0.01	(0.04)	n/m	0.01	n/m	0.05	285%
Recurring	1.17	1.35	15%	1.55	15%	1.79	15%
Non-Recurring	(0.08)	-		-		-	
	\$ 1.09	\$ 1.35		\$ 1.55		\$ 1.79	
<b>Average Shares Outstanding - Diluted</b>	770	806		844		878	



**ENRON  
OPERATING & STRATEGIC PLAN  
NET INCOME**

(Millions of Dollars, except as noted)

<b>Earnings 1999, 2000, 2001 &amp; 2002</b>
---

	<u>1999</u>	<u>2000</u>	<u>00 vs 99 Growth</u>	<u>2001</u>	<u>01 vs 00 Growth</u>	<u>2002</u>	<u>01 vs 02 Growth</u>
Wholesale Energy Operations & Services	\$ 847	\$ 994	17%	\$ 1,282	29%	\$ 1,513	18%
Transmission & Distribution	366	393	7%	271	-31% *	279	3%
Enron Energy Services, net of minority interest	(51)	47	n/m	73	55%	110	51%
Enron Communications, Inc.	11	(36)	n/m	10	n/m	40	300%
Exploration & Production	25	-	n/m	-	n/m	-	n/m
Corporate and Other	87	90	3%	72	-20%	61	-15%
Financing Related	<u>(330)</u>	<u>(344)</u>	4%	<u>(335)</u>	-3% *	<u>(369)</u>	10%
<b>RECURRING NET INCOME</b>	<u><u>\$ 955</u></u>	<u><u>\$ 1,144</u></u>	20%	<u><u>\$ 1,373</u></u>	20%	<u><u>\$ 1,634</u></u>	19%
Recurring Effective Tax Rate	14%	22%		25%		27%	

\* Reflects sale of Portland General Group.



**ENRON**  
**OPERATING & STRATEGIC PLAN**  
**DEBT ROLL-FORWARD**

(Millions of Dollars)

<b>Cash Flow</b> <b>1999 - 2000</b>
--

Sources / (Uses) of Funds	1999	2000
<b>Opening Debt Balance</b>	<b>\$ (7,357)</b>	<b>\$ (8,200)</b>
<b>Cash From Operating Activities</b>		
Funds Flow From Operations	2,250	2,300
Changes in Working Capital	(922)	40
	<b>1,328</b>	<b>2,340</b>
<b>Cash From Investing</b>	<b>(3,781)</b>	<b>(2,054)</b>
<b>Cash From Financing</b>		
Dividends Paid	(454)	(450)
Stock Issuance	1,625	-
Other Financing Activities	(516)	(424)
	<b>655</b>	<b>(874)</b>
<b>(Increase)/Decrease in Debt</b>	<b>(1,798)</b>	<b>(588)</b>
<b>Debt of Previously Consolidated Subsidiaries</b>	<b>955</b>	<b>2,600 *</b>
<b>Ending Debt Balance</b>	<b>\$ (8,200)</b>	<b>\$ (6,188)</b>
<b>Interest Expense</b>		
Net Interest Expense	\$ 680	\$ 653
Capitalized Interest	54	22
Lease Interest	132	85
	<b>\$ 866</b>	<b>\$ 760</b>
<b>Funds Flow / Interest Coverage</b>	<b>3.60</b>	<b>4.03</b>

\* Assumes Portland General sold December 2000, proceeds used to retire debt



**ENRON**  
**2000 OPERATING PLAN**  
**CASH FLOW**

(Millions of Dollars)

**2000**  
**Cash Flow**

	US	Wholesale Europe	Int.	Trans & Distrib.	EES	Communi- cations	Corp & Other	TOTAL
<b>Cash Flow From Operations</b>								
Income from Operations	\$ 387	\$ 168	\$ 439	\$ 393	\$ 47	\$ (36)	\$ (254)	\$ 1,144
Depreciation Expense	75	39	93	252	40	58	161	718
Other Funds Flow	14	64	84	(28)	(17)	(111)	432	438
<b>Total Funds Flow</b>	<b>476</b>	<b>271</b>	<b>616</b>	<b>617</b>	<b>70</b>	<b>(89)</b>	<b>339</b>	<b>2,300</b>
<b>Changes in Working Capital</b>	<b>144</b>	<b>131</b>	<b>(77)</b>	<b>(78)</b>	<b>9</b>	<b>86</b>	<b>(175)</b>	<b>40</b>
<b>Cash from Operations</b>	<b>620</b>	<b>402</b>	<b>539</b>	<b>539</b>	<b>79</b>	<b>(3)</b>	<b>164</b>	<b>2,340</b>
<b>Cash Flow From Investing</b>								
Proceeds from Sales	209	-	794	183	-	-	121	1,307
Investing Activities	(613)	(569)	(814)	(309)	(295)	(425)	(336)	(3,361)
<b>Total Investing</b>	<b>(404)</b>	<b>(569)</b>	<b>(20)</b>	<b>(126)</b>	<b>(295)</b>	<b>(425)</b>	<b>(215)</b>	<b>(2,054)</b>
<b>Cash Flow From Financing</b>								
Dividends	-	(2)	-	(2)	-	-	(446)	(450)
Other Financing Activities	(23)	-	-	(386)	-	-	(15)	(424)
<b>Total Financing</b>	<b>(23)</b>	<b>(2)</b>	<b>-</b>	<b>(388)</b>	<b>-</b>	<b>-</b>	<b>(461)</b>	<b>(874)</b>
<b>(Increase)/Decrease in Debt</b>	<b>\$ 193</b>	<b>\$ (169)</b>	<b>\$ 519</b>	<b>\$ 25</b>	<b>\$ (216)</b>	<b>\$ (428)</b>	<b>\$ (512)</b>	<b>\$ (588)</b>



**ENRON**  
**2000 OPERATING PLAN**  
**1999 & 2000 STRATEGIC INVESTING ACTIVITIES**

(Millions of Dollars)

**Strategic  
Investing**

	Wholesale			Trans & Distrib.	EES	Commun- ications	Corp & Other	TOTAL
	US	Europe	Int.					
<b>2000 Strategic Investing</b>								
Electric Generation	\$ (421)	\$ (444)	\$ (292)	\$ (30)	\$ -	\$ -	\$ (20)	\$ (1,207)
Pipelines & Transmission	(48)	(44)	(98)	(122)	-	-	-	(312)
Distribution Assets	-	-	(182)	(96)	-	-	(7)	(285)
Consumption/Demand	-	-	-	-	(248)	-	-	(248)
Technology & Infrastructure	(20)	(15)	(3)	(20)	(41)	-	-	(99)
Other Investing	(124)	(66)	(239)	(41)	(6)	(425)	(309)	(1,210)
<b>Total Investments</b>	<b>(613)</b>	<b>(569)</b>	<b>(814)</b>	<b>(309)</b>	<b>(295)</b>	<b>(425)</b>	<b>(336)</b>	<b>(3,361)</b>
<b>Proceeds on Sale of Assets</b>	<b>209</b>	<b>-</b>	<b>794</b>	<b>183</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>1,307</b>
<b>Investment Activities</b>	<b>\$ (404)</b>	<b>\$ (569)</b>	<b>\$ (20)</b>	<b>\$ (126)</b>	<b>\$ (295)</b>	<b>\$ (425)</b>	<b>\$ (215)</b>	<b>\$ (2,054)</b>
<b>1999 Strategic Investing</b>								
Electric Generation	\$ (691)	\$ -	\$ (692)	\$ (20)	\$ -	\$ -	\$ (51)	\$ (1,454)
Pipelines & Transmission	(200)	(42)	(32)	(173)	-	-	-	(447)
Distribution Assets	-	-	(641)	(96)	-	-	-	(737)
Consumption/Demand	-	-	-	-	(65)	-	-	(65)
Technology & Infrastructure	(22)	(49)	(15)	-	(45)	-	-	(131)
Other Investing	(53)	(17)	(43)	(58)	-	(333)	(986)	(1,490)
<b>Total Investments</b>	<b>(966)</b>	<b>(108)</b>	<b>(1,423)</b>	<b>(347)</b>	<b>(110)</b>	<b>(333)</b>	<b>(1,037)</b>	<b>(4,324)</b>
<b>Proceeds on Sale of Assets</b>	<b>1</b>	<b>-</b>	<b>11</b>	<b>294</b>	<b>10</b>	<b>-</b>	<b>227</b>	<b>543</b>
<b>Investment Activities</b>	<b>\$ (965)</b>	<b>\$ (108)</b>	<b>\$ (1,412)</b>	<b>\$ (53)</b>	<b>\$ (100)</b>	<b>\$ (333)</b>	<b>\$ (810)</b>	<b>\$ (3,781)</b>





**ENRON**  
**OPERATING & STRATEGIC PLAN**  
**CAPITALIZATION TABLE & CREDIT RATIOS**

**Capitalization**  
**1999 - 2000**

(Millions of Dollars, except as noted)

	1999	2000
<b>Obligations</b>		
Balance Sheet Debt	\$ 8,200	\$ 6,188 *
Guarantees (10%)	97	97
Residual Value Guarantees	489	489
<b>Total Obligations</b>	<b>\$ 8,786</b>	<b>\$ 6,774</b>
<b>Equity</b>		
Minority Interest	\$ 1,822	\$ 1,480
Perpetual Preferred Stock	1,001	971
Shareholders' Equity	9,540	10,310
<b>Total Equity Investments</b>	<b>\$ 12,363</b>	<b>\$ 12,761</b>
<b>Selected Ratios</b>		
Debt to Capital	39.9%	32.7%
Total Obligations to Total Capital	41.5%	34.7%
Funds Flow / Interest	3.60	4.03
Pre-Tax Interest Coverage	2.50	2.78
Funds Flow to Obligations	25.6%	34.0%

\* Assumes Portland General sold December 2000, proceeds used to retire debt



**ENRON  
OPERATING & STRATEGIC PLAN  
MAJOR ASSUMPTIONS**

**Assumptions**

**ENRON NORTH AMERICA**

- \* Significant earnings growth in origination businesses including benefits from a new focus on downstream industrials and Qualified Facility restructurings.
- \* Cash plan assumes net price risk management assets will be monetized and turbine acquisition program will be financed off balance sheet.
- \* Power markets continue to deregulate .

**ENRON EUROPE**

- \* Significant earnings expected from Continental Europe as deregulated markets further develop.
- \* Moratorium on gas-fired Power Generation is likely to exist for two or more years. Government retains high degree of flexibility/discretion as to end date.

**ENRON SOUTH AMERICA**

- \* Build profitable trading and origination business and begin development of a retail business.
- \* Develop two power plants in Brazil and one in Bolivia.
- \* Monetize assets to generate earnings and cash flow.



**ENRON  
OPERATING & STRATEGIC PLAN  
MAJOR ASSUMPTIONS**

**Assumptions**

**ENRON CARIBBEAN, MIDDLE EAST & LNG**

- \* Move from a collection of assets to integrated interconnected businesses in the Caribbean.
- \* Close Venezuela LNG project.
- \* Assumes several acquisitions in Central America.

**ENRON INDIA & SOUTH ASIA**

- \* Plan includes sell down of 20% of Metgas.
- \* Develop communications and retail businesses.
- \* Availability rebates due to outages of Dabhol.

**ENRON ASIA, PACIFIC, AFRICA & CHINA**

- \* Develop Enron Japan - Full array of Enron Products and Services.
- \* Complete SK-Enron acquisitions in South Korea.
- \* Accelerate trading activity in Australia.
- \* Shift China strategy to minimize short term cost.

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**ENRON  
OPERATING & STRATEGIC PLAN  
MAJOR ASSUMPTIONS**

**Assumptions**

**GAS PIPELINE GROUP**

- \* Create new products and services for Northern Natural Gas to maximize pricing.
- \* Transwestern Pipeline West capacity assumed to be fully subscribed, offsetting lower demand in East.
- \* Transportation volumes (Bbtu/day) -

	1999	2000
Northern Natural Gas	3,869	3,770
Transwestern	1,460	1,470
Florida Gas	1,429	1,463
Northern Border	2,375	2,385

**PORTLAND GENERAL GROUP**

- \* Included in plan for full year in 2000.
- \* Sale of Colstrip assumed to occur in first quarter of 2000.
- \* No change to general base rates in any of the plan years.
- \* Portland General Electric operating statistics -

	1999	2000
Retail Customers (Thousands)	719	736
Retail Sales (Thousand MWh)	19,330	20,007



**ENRON  
OPERATING & STRATEGIC PLAN  
MAJOR ASSUMPTIONS**

**Assumptions**

**ENRON ENERGY SERVICES**

- \* Expand retail business in Europe with significant margin contribution.
- \* Increase Total Contract Value originations from \$5.5 billion in 1999 to \$11 billion in 2000.
- \* Bundled deals will continue to be the major contributor to earnings.

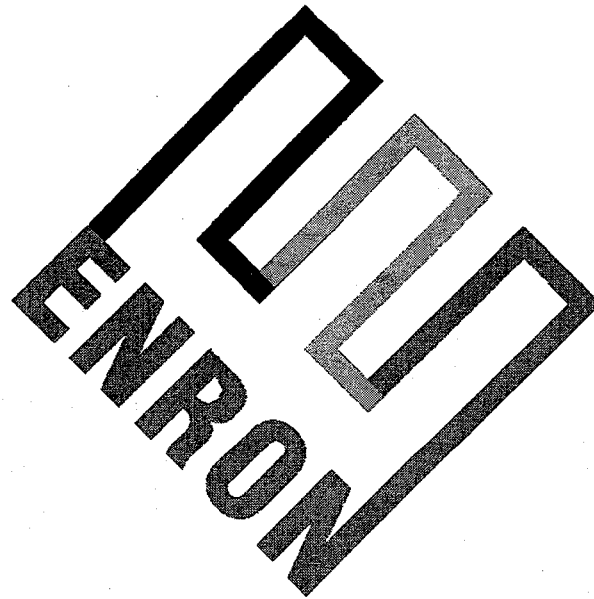
**ENRON COMMUNICATIONS**

- \* Continued investments to expand the Enron Intelligent Network reach.
- \* Broadband Services, positioning Enron as the delivery platform for broadband content.
- \* Create a bandwidth management business capturing significant market share.

**CORPORATE & OTHER EXPENSES**

- \* Assumes an effective tax rate of 22% in 1999, 25% in 2000 and 27% in 2001.
- \* Assumes no equity issuances in 2000.
- \* Includes overviews in 2000 plan of -
  - \$45 million pre-tax (\$28 million after tax) income
  - \$400 million funds flow





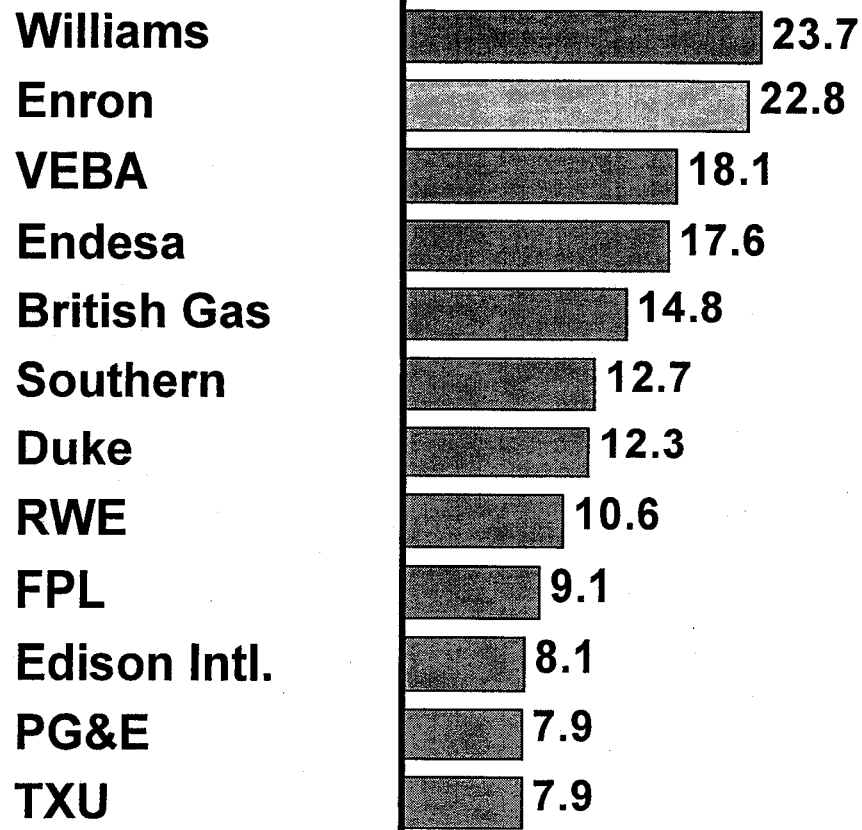
# Company Overview

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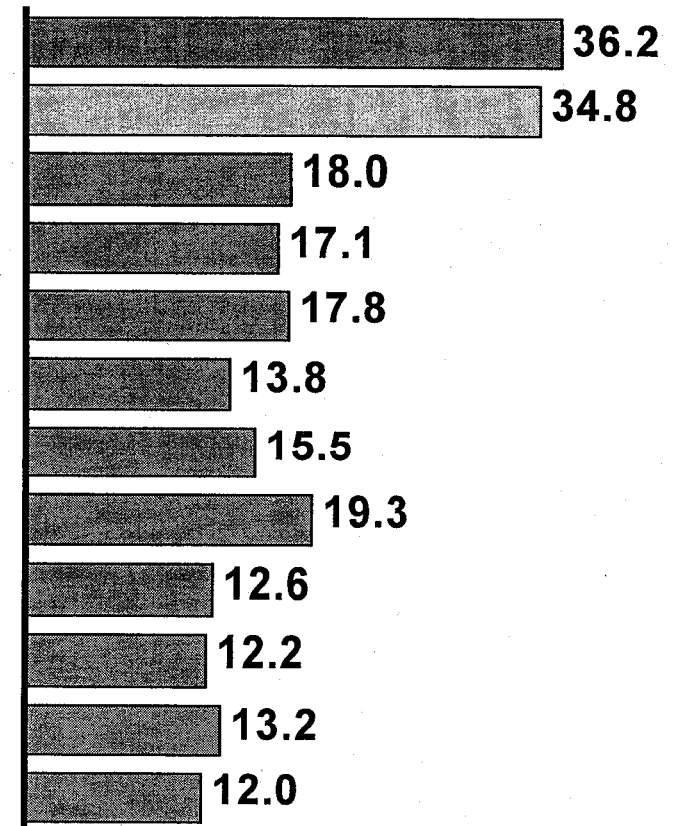
#10

# Enron's Stock Has Outpaced EPNG Industry

Total return to  
shareholders (TRS)  
(1/90-9/99)  
Percent CAGR



P/E ratio (1999E)



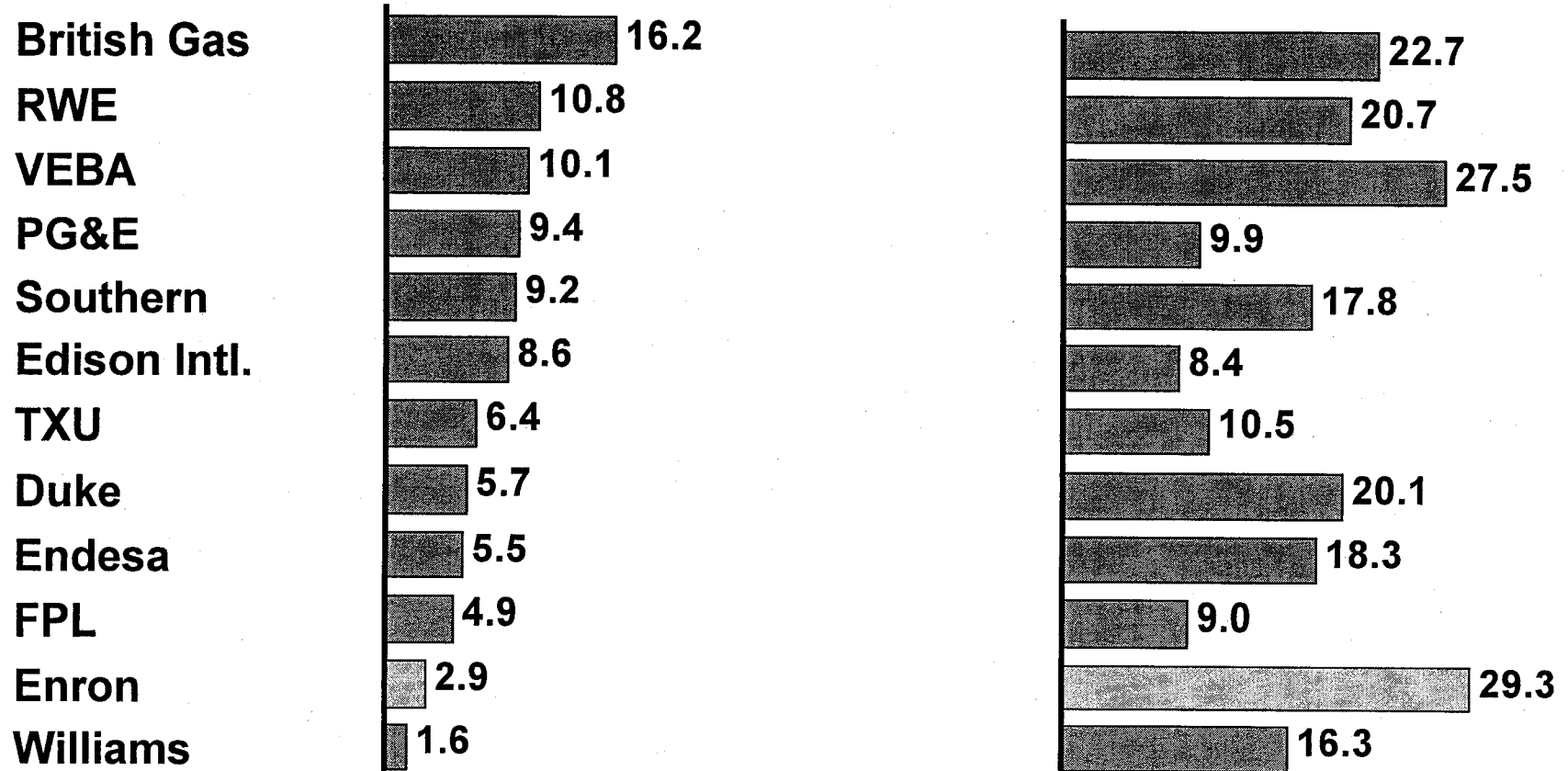
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# Market Cap Has Risen To Number One

\$ Billions

Market value of equity  
(1/90)

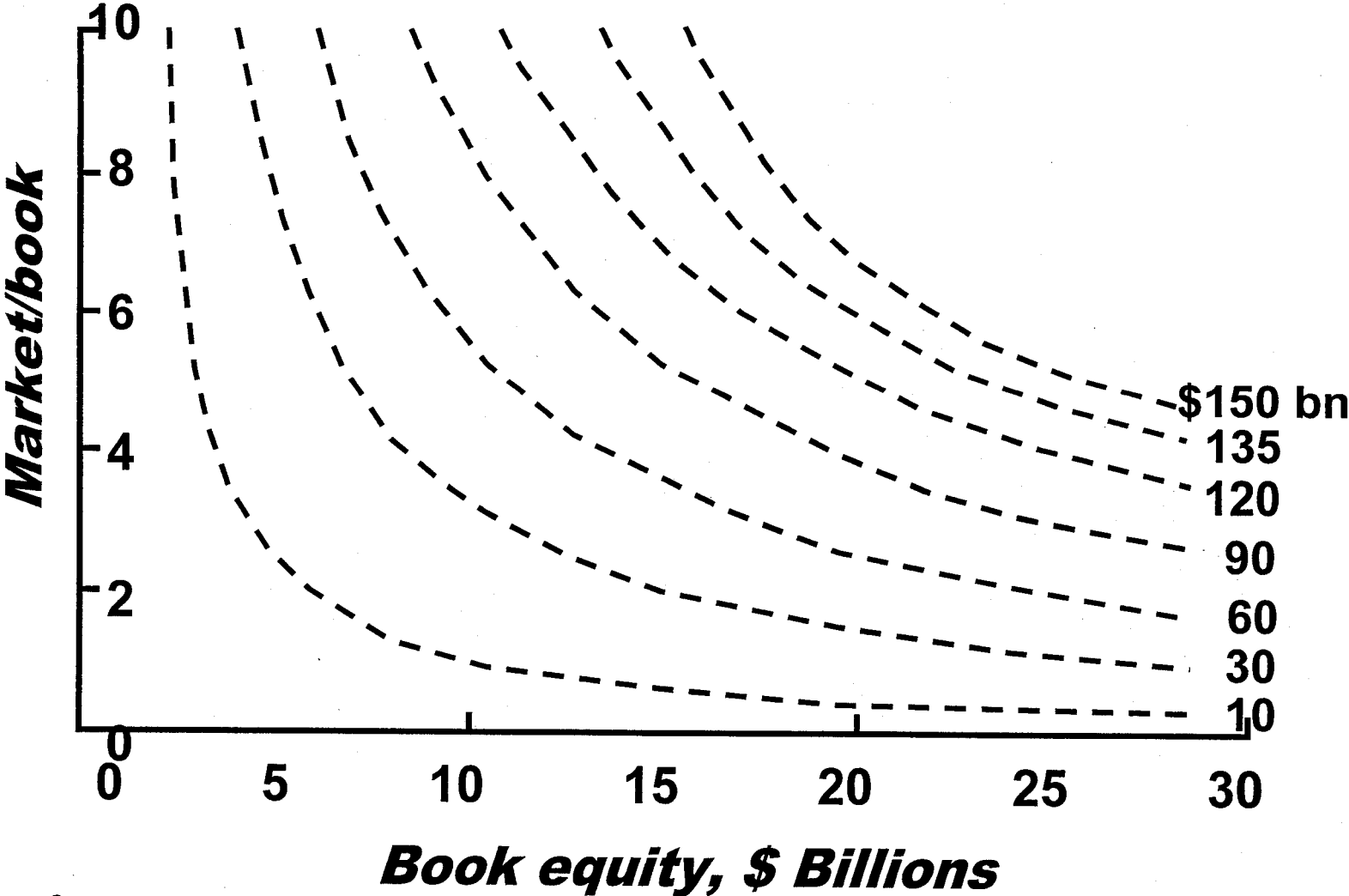
Market value of equity  
(9/99)



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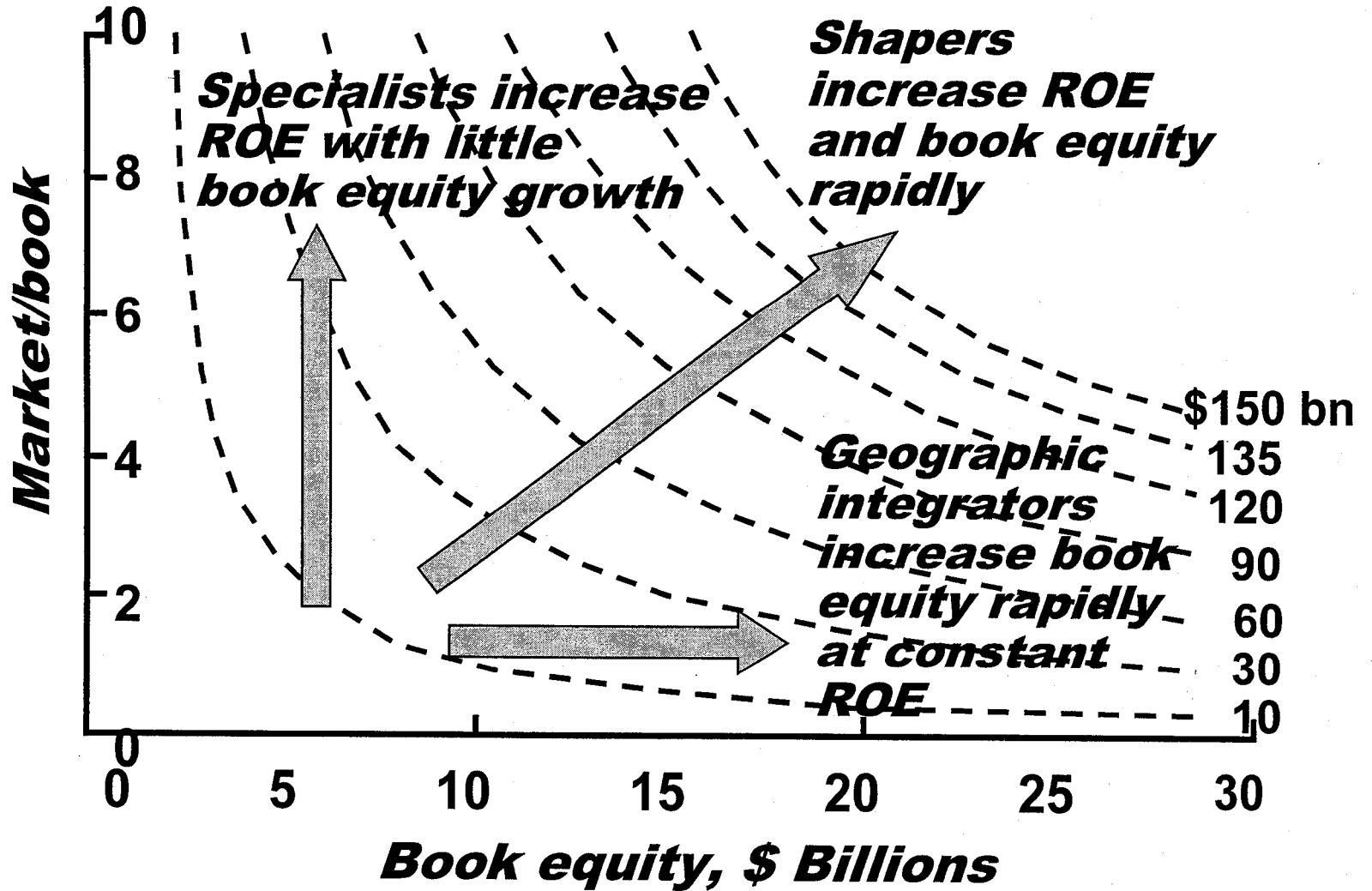


# Strategic Control Map



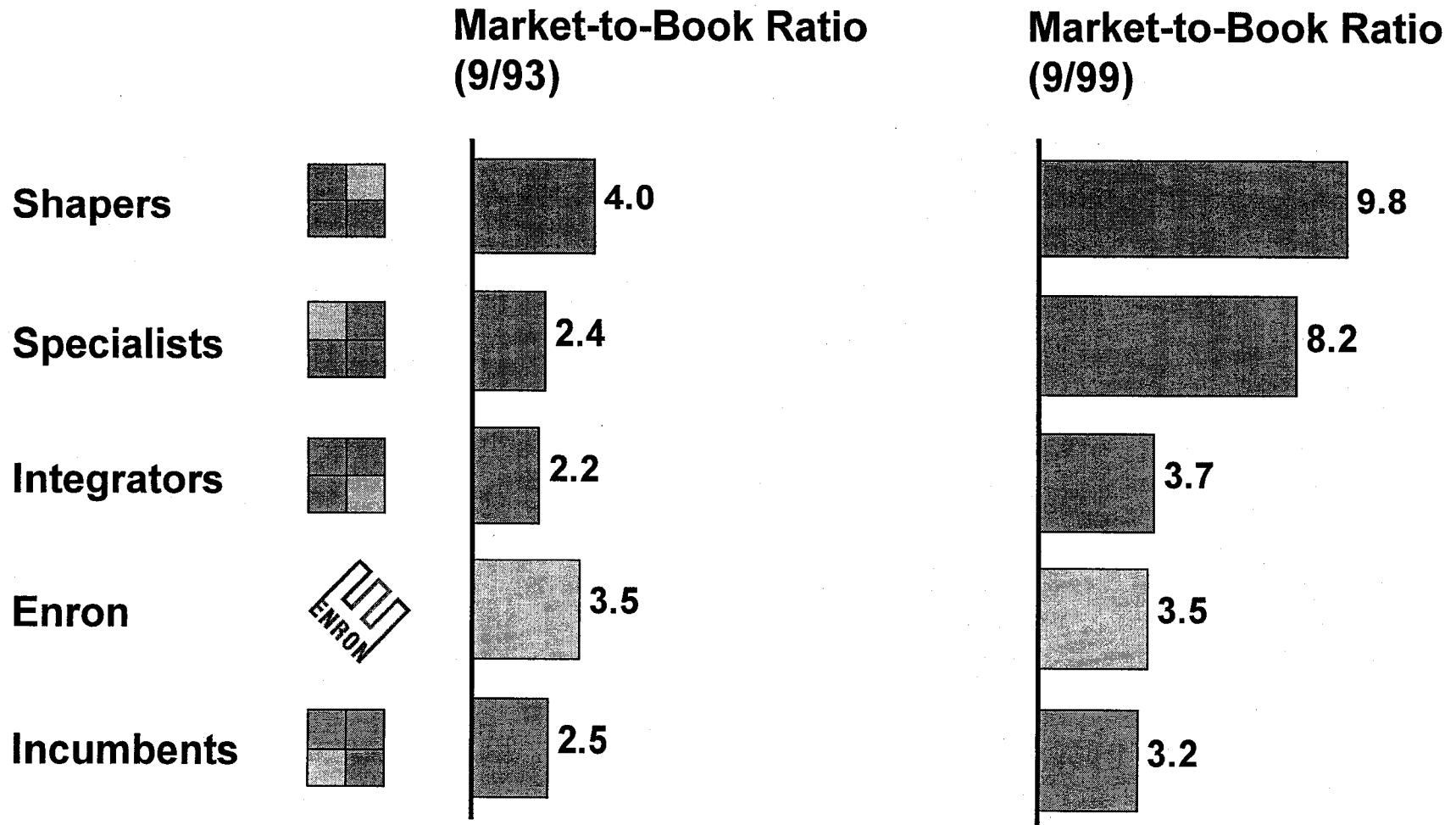
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# Strategic Control Map



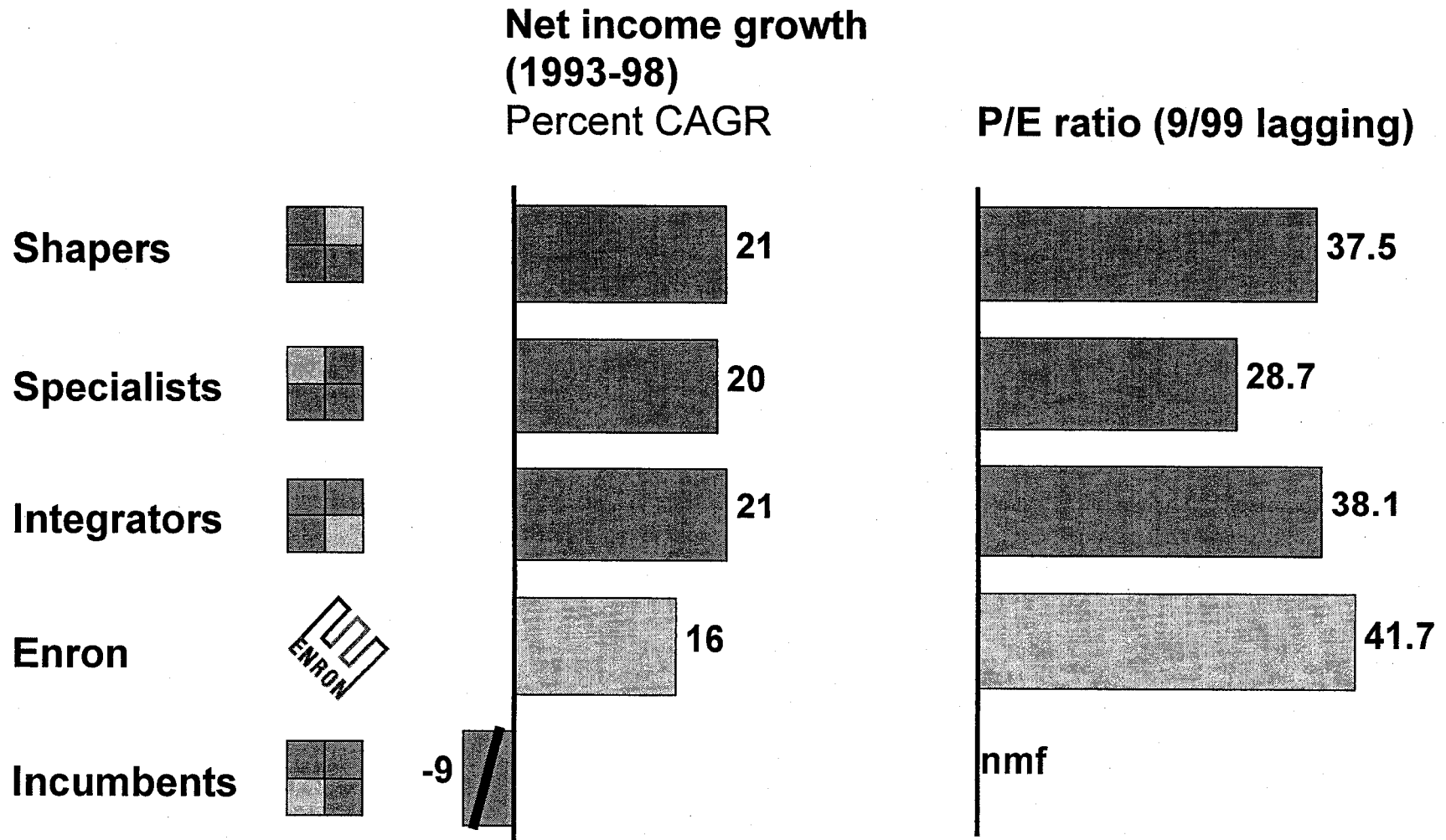
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# Market-to-book Performance Lags



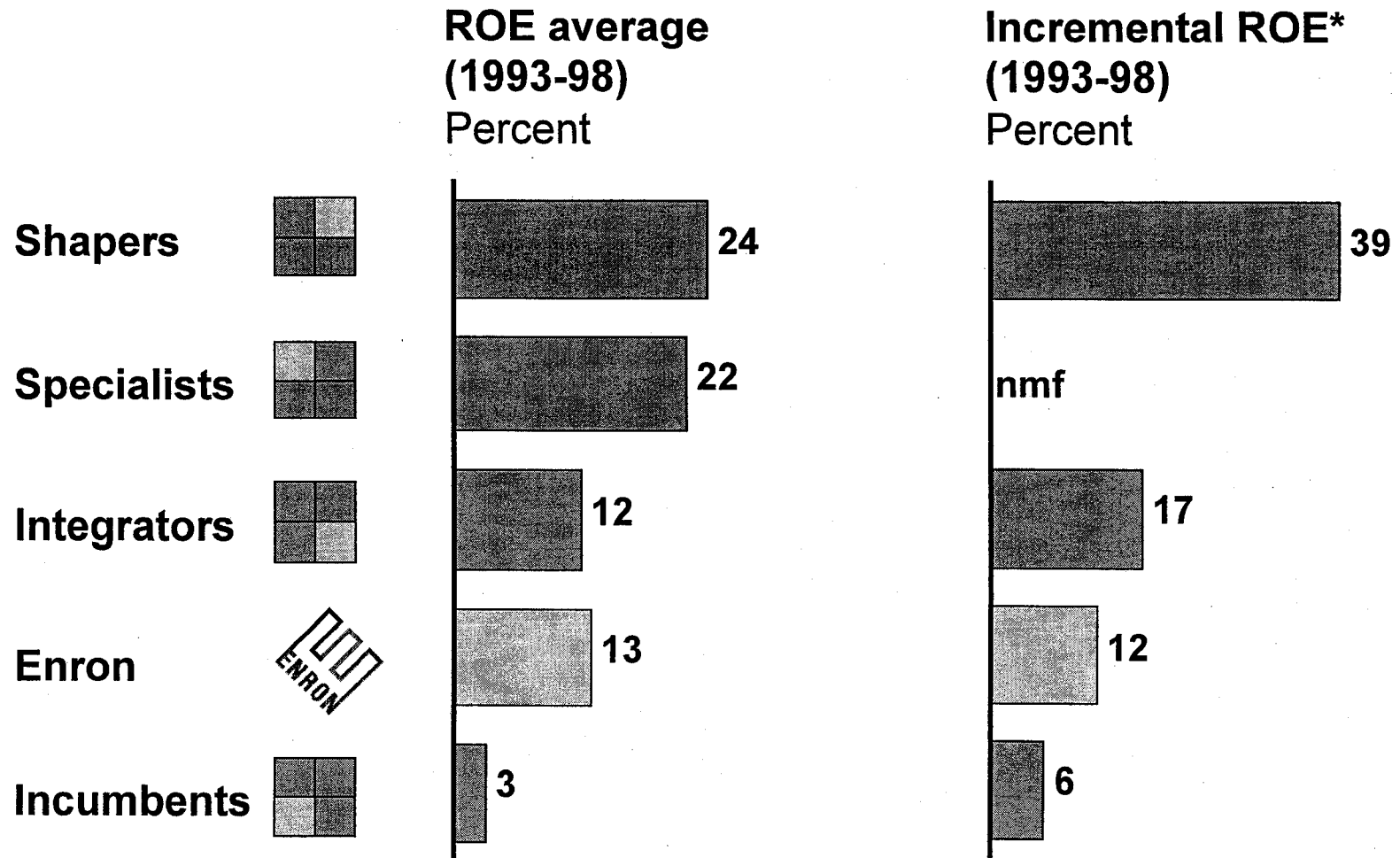
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# Earnings Growth And P/E Have Been Solid . . .



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# ... But ROE Has Been Low

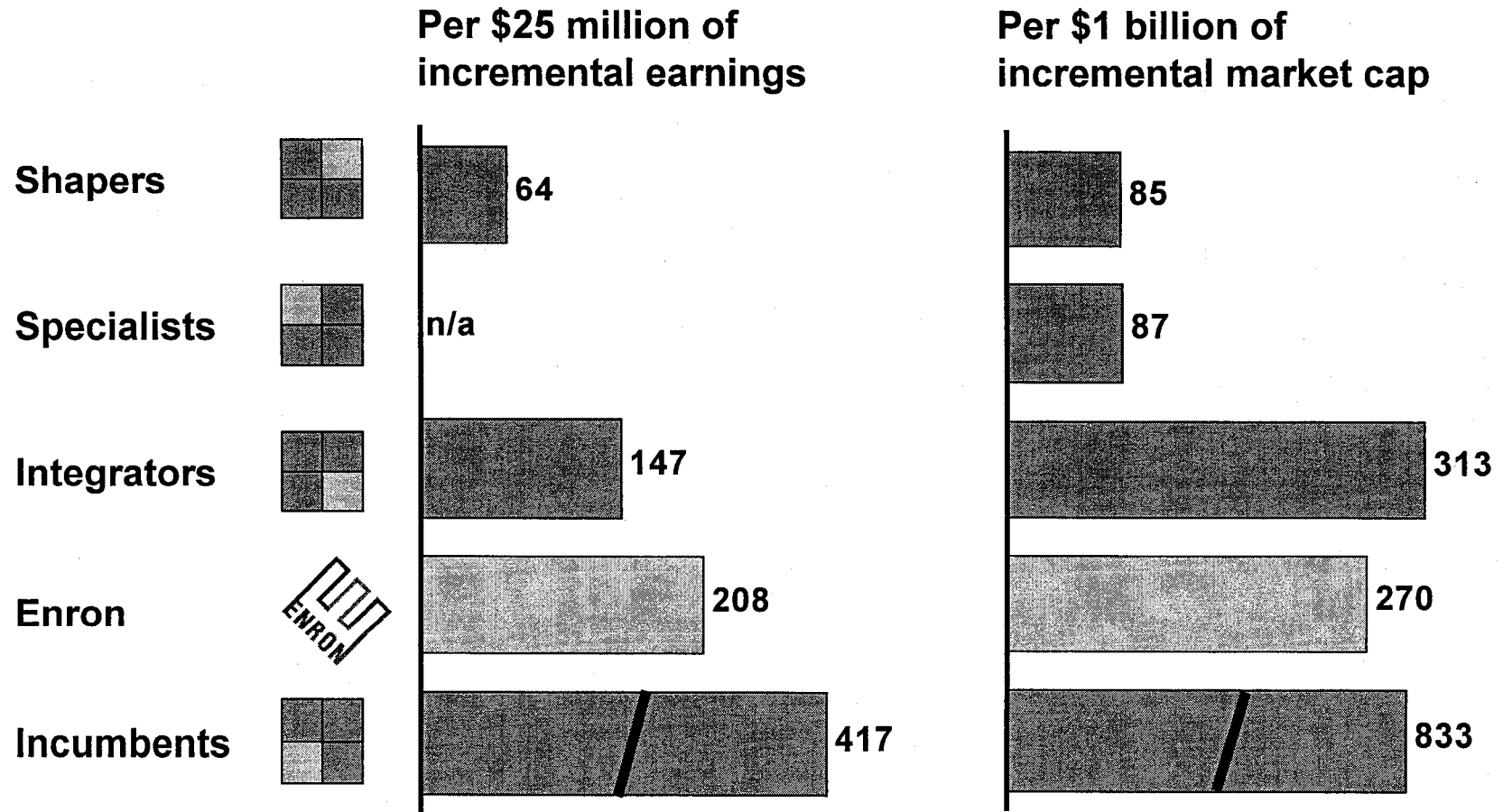


\* *Incremental net income ÷ incremental book equity*

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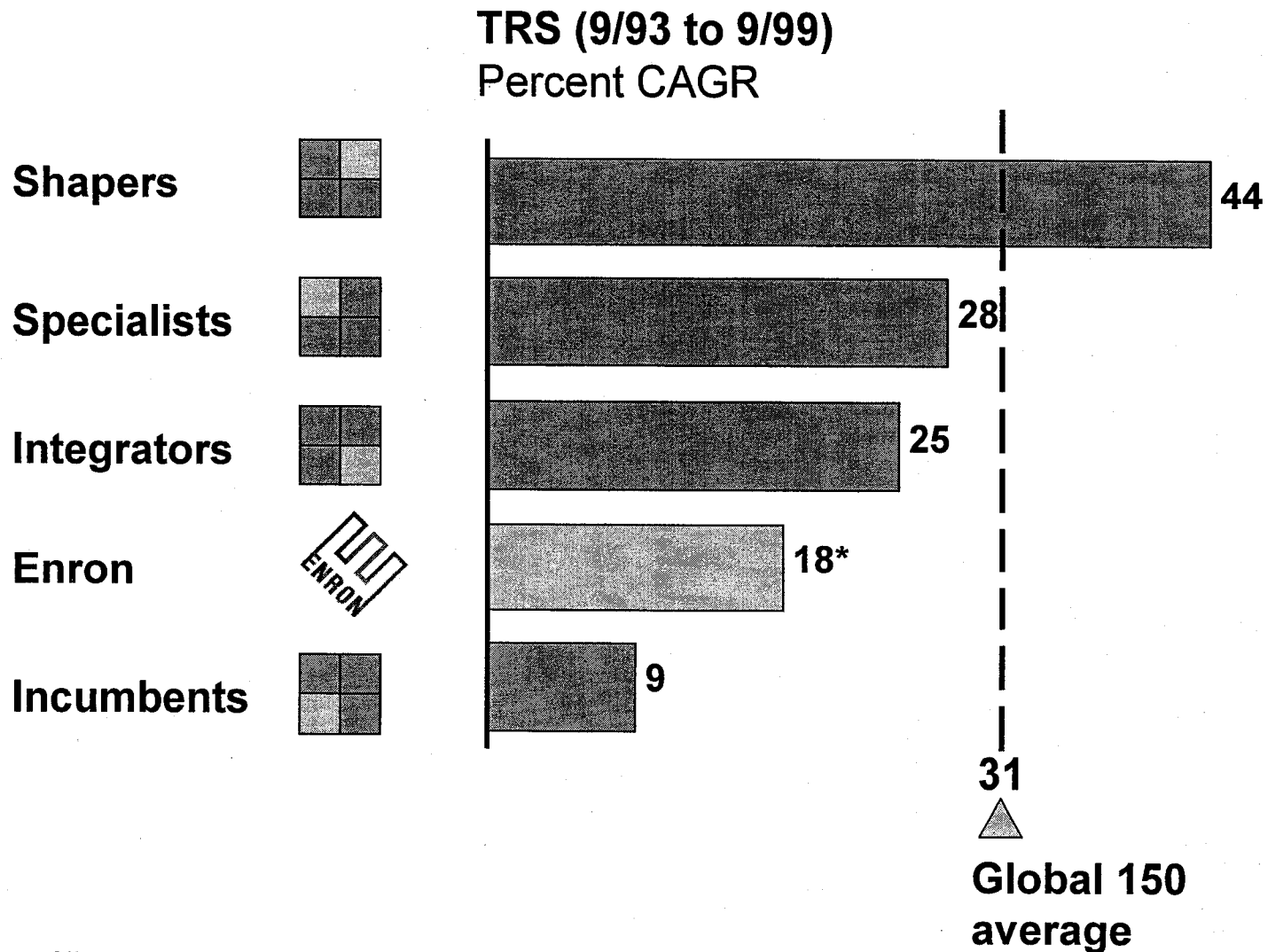
# Enron's Growth Has Been Highly Capital Intensive

\$ Million incremental equity



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# As A Result, Total Returns To Shareholders (TRS) Have Lagged



\* From 1/90 to 9/90 Enron's TRS was 23%

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# Disaggregating Enron's Portfolio

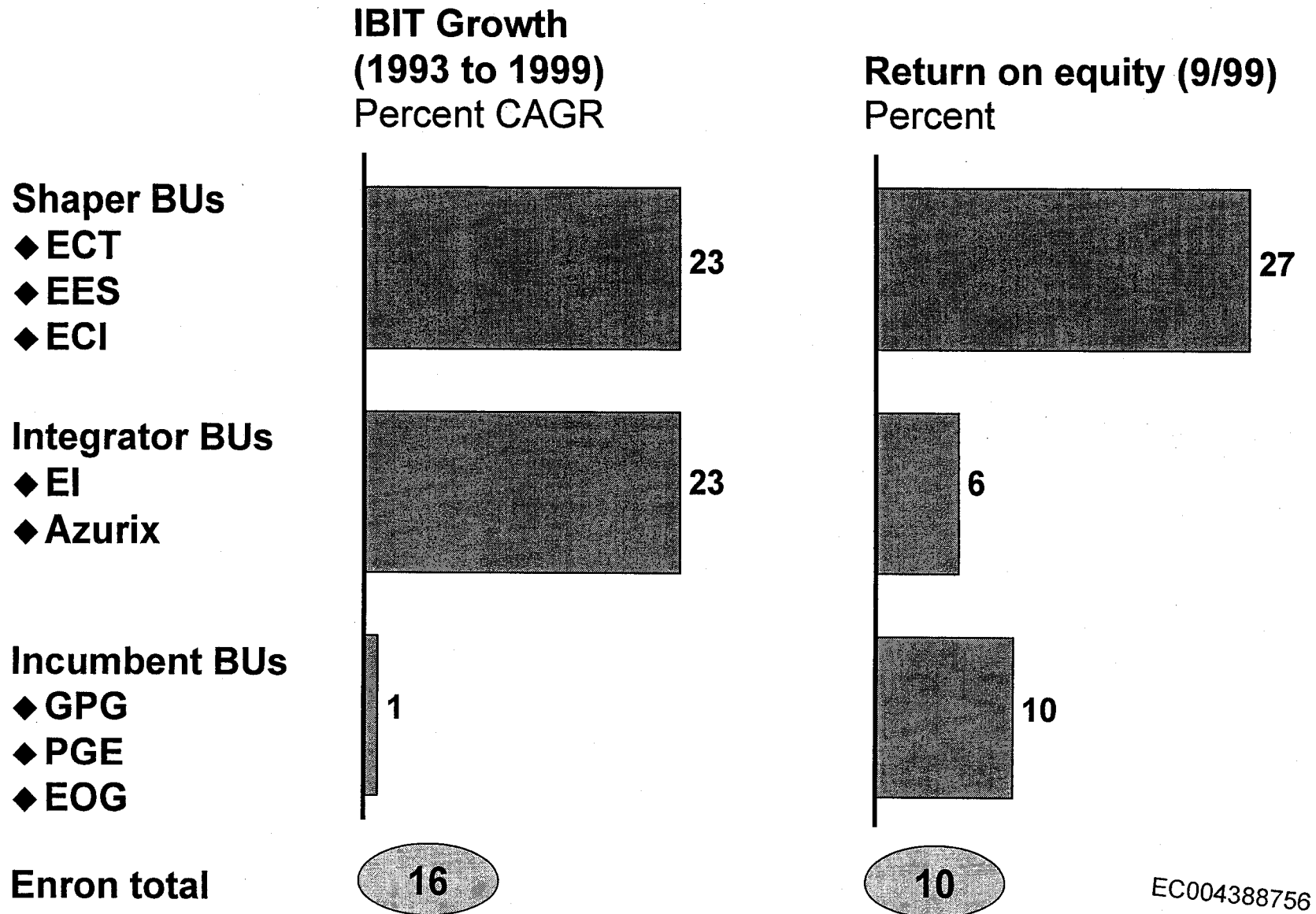
	<b>Growth rate</b>	<b>Capital Intensity</b>	<b>Enron Business Units</b>
<b>Shapers</b>	<b>High</b>	<b>Low</b>	<b>ECT EES ECI</b>
<b>Integrators</b>	<b>High</b>	<b>High*</b>	<b>EI Azurix</b>
<b>Incumbents</b>	<b>Low</b>	<b>High*</b>	<b>GPG PGE EOG Clean Fuels</b>

*\* High capital intensity is often required (e.g., regulated return industries; emerging economies which lack infrastructure/liquid markets)*

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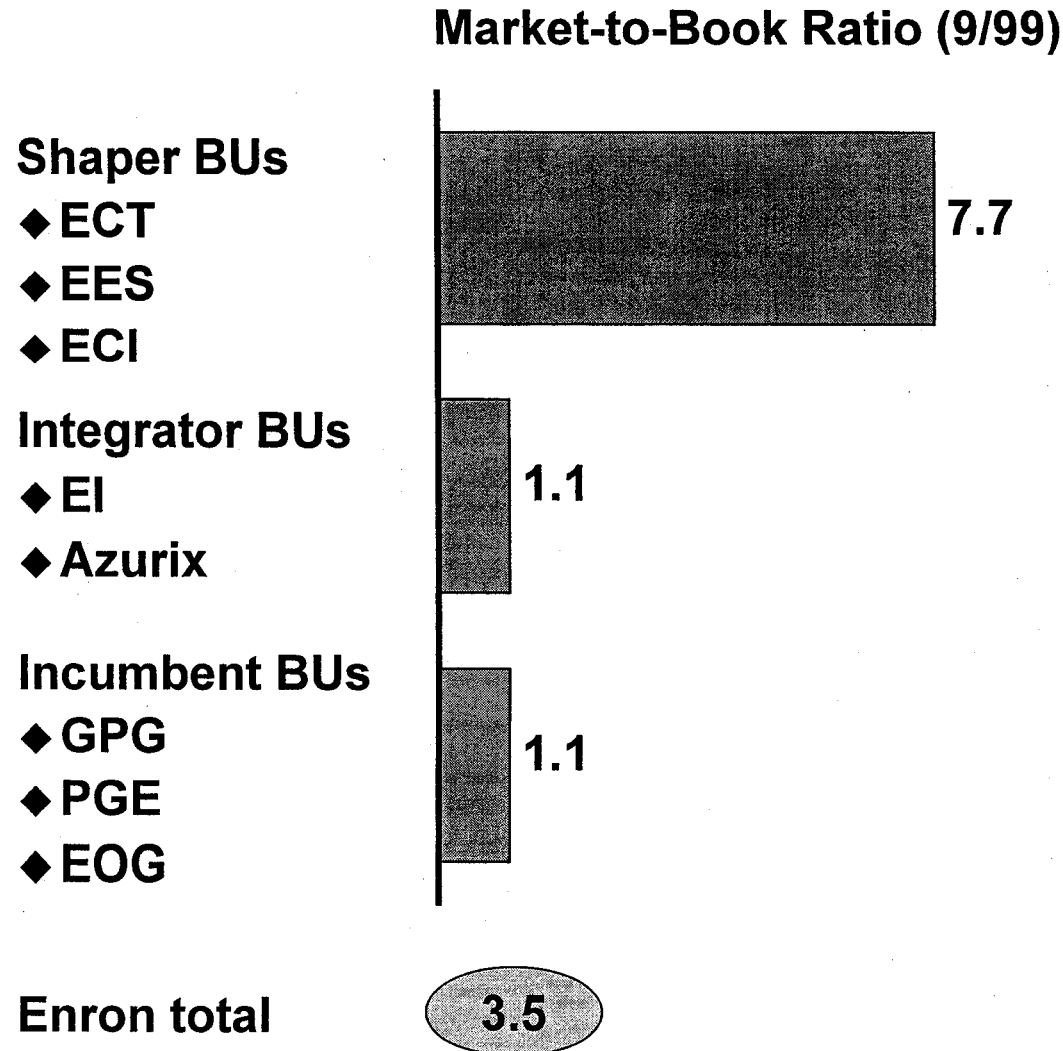


# “SHAPER” BUs Have Achieved Less Capital Intensive Growth...



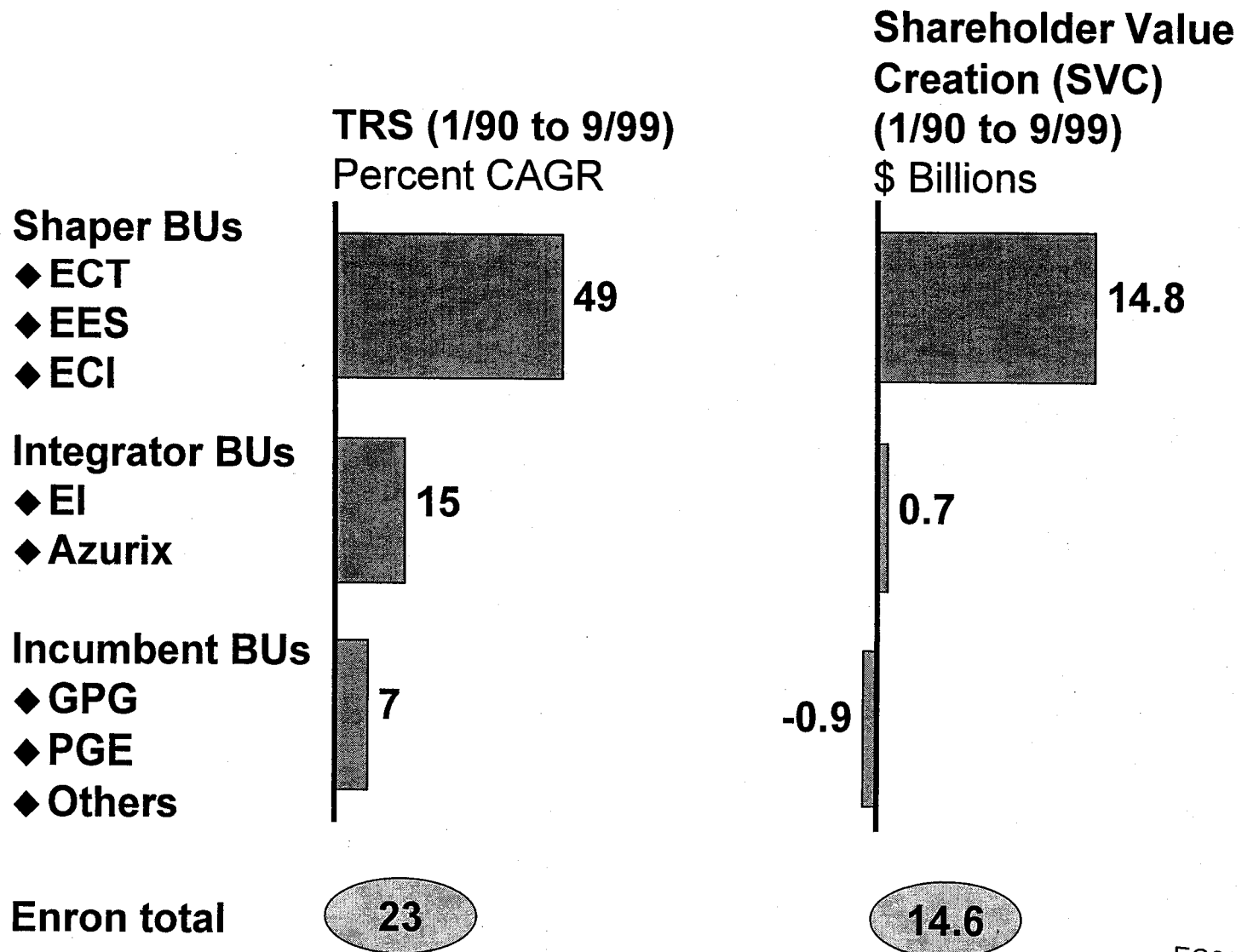
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# ... Resulting In Significantly Higher M/b Ratios ...



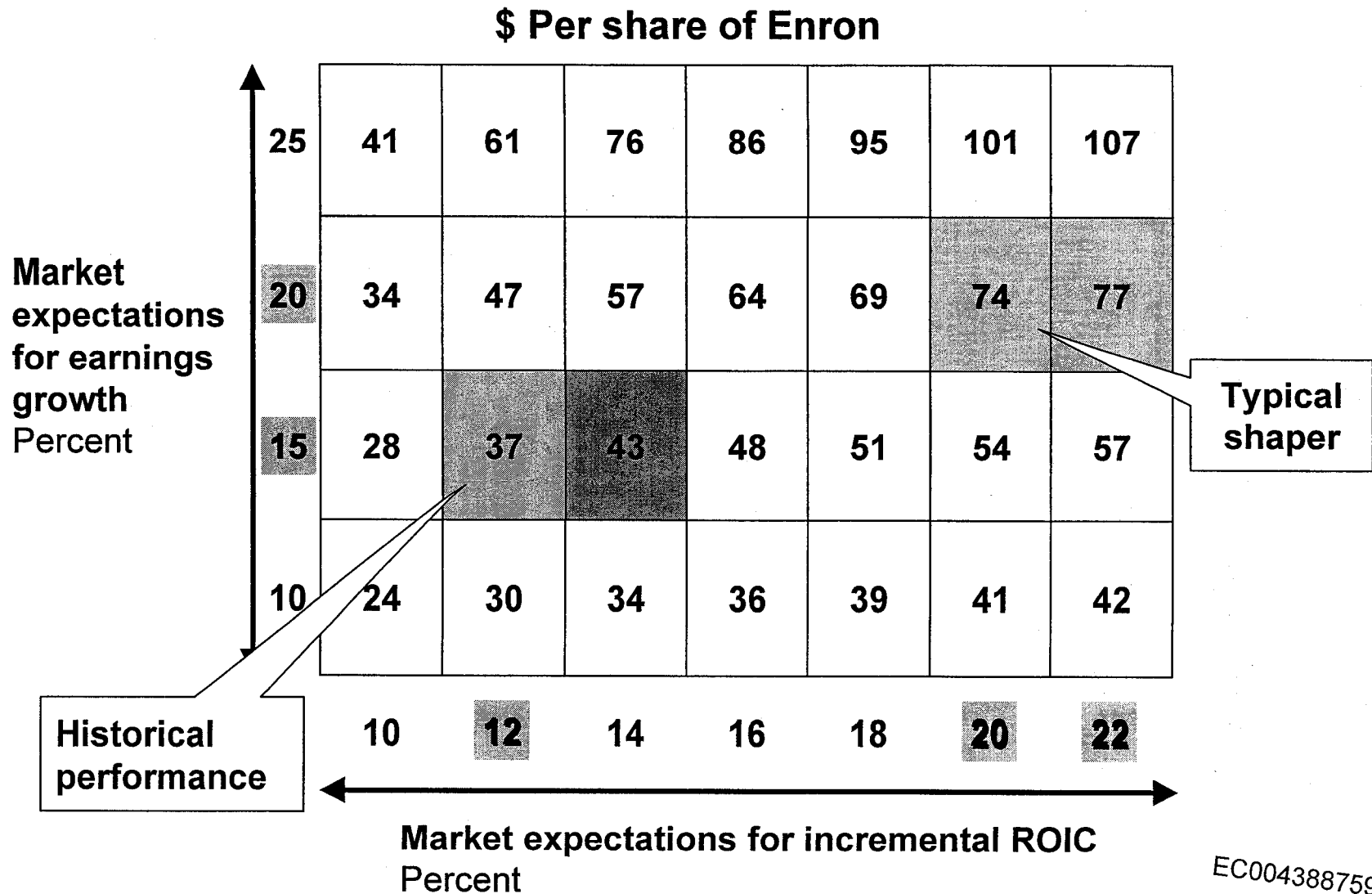
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# ... And Essentially All Of Enron's Shareholder Value Creation



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# Achieving Shaper-Like Expectations Could Create Significant Value



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**AGENDA ITEM 15(c)**  
**(SUGGESTED FORM OF RESOLUTION)**

RESOLVED, that a dividend of \$71.50 per share on the Mandatorily Convertible Junior Preferred Stock Series B of the Company (for an aggregate dividend payment of \$17,875,000), covering the dividend period from and including September 24, 1999 through the period ending December 31, 1999 be, and it hereby is, declared payable on January 9, 2000 to stockholders of record of said stock at the close of business on December 31, 1999.

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