Enron Corp.

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Ratings:	Security Class	DCR	Latest Change	Prior	Moody's/S&P
	Senior Debt	**BBB+**	04/1994	BBB	Baa2/BBB+
	TOPrS / Preferred Stock	**BBB-**	04/1994	BB+	Baa3/BBB
	Commercial Paper	**D-2**	09/1995	NR	P-2/A-2
Rating Watch:		**No**			*/No

Rating Rationale

ENE's credit protection measures are expected to improve in the medium term as a result of an improved balance sheet and the realization of cash flows from key investments, including, international projects, natural gas pipeline expansion and energy services.

- The inclusion of the strong, stable, regulated cash flows of ENE's transportation and distribution business— 40% of EBIT, which includes Portland General (rated 'A+' senior unsecured), as well its four major interstate pipelines— help to offset its higher-business-risk ventures. Improved financial measures will help offset the increased operating risks associated with the company's aggressive growth strategy. ENE has modestly improved its capital structure over the last several years and continues to be focused and committed on improving its credit profile. ENE has clearly demonstrated this commitment and issued more than $1.5 billion in new common equity over the last 18 months to maintain and improve its leverage ratio
- ENE continues to maintain a high level of capital investment activity. To finance these investments, ENE utilizes innovative financial engineering techniques. Such tools include various securitization techniques, debt backed by contingent equity issuances, and the more traditional, highly leveraged, nonrecourse project financing. Despite the high level of capital needs that stem from ENE's aggressive growth strategy, the majority of its investments are rated at least low investment grade on a stand-alone basis; this includes some sovereign environments where the foreign currency rating is less than investment grade. Although somewhat muted by the greater inherent uncertainty with international investments, these investments coupled with its low risk, stable cash flow T&D assets, lends additional comfort to ENE's stable consolidated credit profile.
- While the company has a significant amount of non-recourse off-balance-sheet obligations, ENE has expressed a commitment to provide a limited contribution to these projects in times of stress. This structure represents a credit positive as it limits the amount of off-balance adjustments for less than 50% owned, highly levered investments. Aside from financial risks, the company's equity investments in a number of energy infrastructure projects around the world continue to represent risks for the company, including political, currency and performance risks. ENE minimizes such risks through a variety of risk-allocation methods. Management will remain challenged by the risks inherent in international operations. These risks were highlighted as ENE booked non-cash, foreign currency translation adjustment, related to Brazil, reducing equity by approximately $600MM.
- Through Wholesale Energy Operations and Services, the company commands a market leading position in both electric and gas marketing, as well as risk management services in both North America and international markets. ENE's market dominance represents a credit positive as its brand equity in these markets has translated to tremendous EBIT growth over the last several years. A critically important corollary to this point is strict internal controls and oversight for the energy marketing and risk management activities, which helps limit the company's significant exposure to the volatile energy and financial derivative markets. Counterparty risk management also represents a critical skill set given ENE's burgeoning origination business. Credit reserves have marginally declined over the last few years, but so has ENE's exposure to sub-investment grade credits. Positively, ENE has yet to book a credit loss in its electric trading operations, despite a tremendous increase in volumes/volatility.

Liquidity/Debt Structure

ENE maintains substantial liquidity through bank facilities and its commercial paper program. In February, the company accessed the capital markets with an equity offering that raised more than $820MM of equity capital, using the proceeds to repay debt. Ongoing capital market needs can be anticipated as the company pursues an aggressive capital investment program.

Recent Developments

ENE's sale of Enron Oil and Gas Co. (EOG) is a credit neutral event for ENE. Consolidated cash flow and debt levels will be reduced when EOG's approximately $450MM cash flow run rate and $1.07BN of total debt are removed from ENE's consolidated financials. After adjusting for the reduction to ENE's cash flow, the debt associated with EOG and the expectation that the $823MM in cash received by ENE from EOG is applied toward debt reduction at ENE, the impact on ENE's consolidated credit measures is neutral to slightly positive. Additionally, ENE's low-cost basis in EOG will result in an undisclosed, non-cash, non-recurring gain from the share exchange agreement, which will help bolster the equity component of ENE's balance sheet.

Rating Issues

Controlling the risks associated with evolving markets; significant scope of the company's trading and risk management operations results in the assumption of counterparty credit risk; net counterparty exposure is monitored on a daily basis and has established loss reserves and limits; commodity volatility is an additional factor; significant use of off-balance sheet and contingent obligations.

Fundamentals

ENE is an integrated energy company, with exploration, production, processing, transportation and electricity, and natural gas marketing. The company's strategy in pursuing overseas opportunities is to capitalize on its expertise as an operator, while balancing its domestic operations.

*DCR does not track Moody's rating watch

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($ in Millions Except As Noted)

Fundamental Ratios	12 Months Ended 6/1999	6/1998	1998	1997	1996	1995	1994
EBIT/Int Exp(x)	2.2	2.9	2.5	2.6	3.5	2.5	3.3
EBITDA/Int Exp(x)	3.6	4.3	4.0	4.1	5.2	4.0	4.9
EBITDA/Int Exp(adj)(x)	3.4	3.8	3.8	3.8	4.7	3.6	4.4
EBITDA/Total Debt(%)	25.5	31.8	28.8	25.0	39.4	35.3	42.5
EBITDA/Total Debt(adj)(%)	23.4	25.6	25.9	22.5	32.5	28.5	34.1
Average Interest Cost(%)	8.0	9.0	7.7	7.8	8.0	8.9	9.4
Return on Common Equity(%)	10.2	13.3	10.8	11.7	12.1	12.9	15.5
Common Dividend Payout(%)	55.5	59.4	60.3	65.1	49.5	50.4	52.7
Internal Cash/Cap. Ex.(%)	68.0	35.4	64.4	41.5	88.8	NA	34.7
Cap. Ex./Depreciation(%)	210.3	195.4	230.4	235.5	180.4	169.2	149.8
Profitability							
Revenues	36,326	23,917	31,260	20,273	13,289	9,189	8,984
% Change from Prior Year	51.9	50.7	54.2	52.5	44.6	2.3	12.7
Operating & Maintenance Exp.	2,876	1,948	2,473	1,508	1,510	1,297	1,207
% of Revenues	7.9	8.1	7.9	7.4	11.4	14.1	13.4
EBITDA	2,292	2,223	2,205	1,654	1,438	1,130	1,348
% of Revenues	6.3	9.3	7.1	8.2	10.8	12.3	15.0
% Change from Prior Year	3.1	138.4	33.3	15.0	27.3	-16.2	20.4
Depreciation & Amortization Exp	906	723	827	600	474	432	441
EBIT	1,386	1,500	1,378	1,054	964	698	907
% of Revenues	3.8	6.3	4.4	5.2	7.3	7.6	10.1
% Change from Prior Year	-7.6	23.6	30.7	9.3	38.1	-23.0	37.0
Interest Expense	636	516	550	401	274	284	273
Net Income Bef. Extraord. Items.	788	662	686	544	568	504	438
Cash Flow							
Net Operating Cash Flow	1,733	893	1,640	940	1,040	-15	461
Dividends	-437	-393	-414	-354	-281	-254	-231
Capital Expenditures	-1,905	-1,413	-1,905	-1,413	-855	-731	-661
Free Cash Flow	-609	-913	-679	-827	-96	-1,000	-431
Net Other Investment Cash Flow	-2,662	-1,633	-2,060	-1,023	-375	744	101
Net Change in Debt	926	1,342	875	1,674	282	269	144
Net Change in Equity	1,620	513	888	-50	322	-45	188
Net Financing Activity	2,546	1,855	1,763	1,624	604	224	332
Capital Structure							
Short Term Debt	0	0	299	365	304	137	367
Long Term Debt	8,979	6,989	7,357	6,251	3,349	3,065	2,805
Total Debt	8,979	6,989	7,656	6,616	3,653	3,202	3,172
Off Balance Sheet Debt & Equiv.	1,039	2,086	1,039	912	912	912	912
Adjusted Total Debt	10,018	9,075	8,695	7,528	4,565	4,114	4,084
Preferred Equity	4,607	2,214	1,002	993	592	377	377
Common Equity	8,835	6,655	9,191	6,765	4,478	3,714	3,170
Total Capital	23,460	17,944	18,888	15,286	9,635	8,205	7,631
% Change from Prior Year	30.7	53.0	23.6	58.7	17.4	7.5	0.6
Adjusted Total Debt/Total Capital(%)	42.7	50.6	46.0	49.3	47.4	50.1	53.5
Preferred Equity/Total Capital(%)	19.6	12.3	5.3	6.5	6.1	4.6	4.9
Common Equity/Total Capital(%)	37.7	37.1	48.7	44.3	46.5	45.3	41.5
Other Data							
Total Retail Gas Sales(TBtu)	NA	NA	NA	NA	NA	NA	NA
% Change in Gas Sales	NA	NA	NA	NA	NA	NA	NA
Total Throughput(TBtu)	NA	NA	NA	NA	NA	NA	NA
% Change in Throughput	NA	NA	NA	NA	NA	NA	NA
% Colder (Warmer) Than Normal	NA	NA	NA	NA	NA	NA	NA
Ratings History (Senior Debt)							
DCR	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+
Moody's	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2	Baa2
Standard & Poor's	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB

Debt Maturities	
1999	541
2000	413
2001	666
2002	182
2003	656

Financing Alternatives	Used	Unused
Principal Bank Facilities ($MM)		
Committed Lines	149	1,,521
Uncommitted Lines	0	335