UTILITY RESTRUCTURING RESEARCH

April 22, 1999

BancBoston Robertson Stephens

ENRON CORPORATION

(ENE $66-11/16)

Leading the Charge as the Electric Utility Industry Restructures

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Rating: Buy

Change in...	Yes/No	Was	Is
EPS 1998:	Actual		$2.01
EPS 1999E:	No		$2.35
EPS 2000E:	No		$2.70

52-Week Range:	$71-41
Shares Outstanding (MM):	372.0
Market Cap ($MM):	$24,808
Average Daily Volume (000):	1,231.0
12/98 Book Value/Share:	$18.95
1998 ROE:	11.1%
1998 IBIT Margin:	5.1%
Tot. Debt /Cap as of 12/98:	24.8%
12/98 Net Cash/Share:	$0.30
Dividend/Yield:	1.5%
3 Year Sec Growth Rate:	15%

FY December		1998	1999 E	2000E
EPS:	1Q	$0.65	$0.68	
	2Q	$0.42	$0.50	
	3Q	$0.47	$0.57	
	4Q	$0.48	$0.60	
	Year	$2.01	$2.35	$2.70
	P/E	—	28.4x	24.7x

Revs (MM):	1998	1999 E	2000E
1Q	$5,682	$7,632	
2Q	$6,557	$10,877	
3Q	$11,320	$12,411	
4Q	$7,702	$10,726	
Year	$31,260	$41,645	$46,982
Mkt Val/ Rev	—	0.6x	0.5x

- **Enron is moving aggressively to capitalize on opportunities created as the U.S. and Europe deregulate the electric utility industry and open this massive industry to competition.** Enron's wholesale electricity trading volume in the U.S. is up almost sevenfold since 1996. In Europe, where the deregulation of the market lags the U.S. by about two years, Enron's trading volumes grew fourfold in 1998 versus 1997, albeit from a small base. Enron's expansion into the retail electric market in the U.S. is accelerating and this business unit, after two years of investment, should reach break-even by year end.

- **In Europe, Asia, and Latin America, Enron has invested $6.7 billion in large energy infrastructure projects (gas pipelines and power plants) that will be completed and enter service in 1999 and the year 2000.** Many of these projects originated in the global trend toward privatization of the energy infrastructure. This trend will continue to generate new opportunities for Enron in the years to come.

- This stock has been on a tear—up 59% since touching $42 last August—but remains, in our view, the best surrogate to play the restructuring of the energy industry. Our conclusion is to buy the shares of this stock on weakness. Appreciation potential stems in part from Enron's investments in energy services, water, and telecommunications. These investments generate limited or no earnings flow today, and, hence, go largely unrewarded by investors; maturation of these investments will create earnings upside potential in 2000 and 2001.

The Company

Headquartered in Houston, Texas, Enron is an integrated energy company. Its operations span the production of natural gas and oil; the transmission and distribution of natural gas; the generation, transmission, and distribution of electricity; wholesale trading of energy in all forms; and retail sales of energy and of services associated with retail energy use. Approximately 80% of Enron's revenues are derived from its domestic businesses; its international operations are principally in Europe, South America, and Asia. In 1998, the company reported revenues of $31.3 billion and net income of approximately $700 million.

Investment Thesis

Enron is a large, complex, and changing company. Yet, we believe the key elements of Enron's strategy may be reduced to a few simple propositions:

- Enron seeks to take advantage of structural shifts in domestic and international markets—principally, energy markets, although the company has recently entered the water and telecommunications businesses—that unlock opportunities to achieve better-than-market growth rates and returns.
    - In the U.S., the restructuring of the electric utility industry, along with other forces at work, is shifting the point of value creation away from producers of energy, toward consumers of energy. With raw energy in ample supply and generating assets increasingly fungible, it becomes harder and harder to make money as a producer. By contrast, lack of competition due to decades of regulation has left opportunities to add value at the consumer level unrealized.
    - Abroad, continued development of the energy infrastructure in Asia and South America is creating opportunities to develop integrated production, processing, and distribution capabilities that unlock value throughout the vertical chain. In Europe, deregulation of the electric utility industry is opening opportunities in wholesale trading and, ultimately, retail services, that parallel the opportunities emerging in the United States.
- Enron uses ownership of regulated businesses to "go to school" on markets that are about to undergo structural change. Ownership of these businesses—Portland General Electric and Wessex Water are examples—allows Enron to systematically identify and evaluate opportunities that may arise as an industry restructures.
- Finally, Enron is creating a corporate culture that rewards risk taking. We believe this corporate culture has migrated significantly away from the traditional culture of the energy industry, toward a

more forward-thinking, motivated, and ambitious culture—in short, a higher-beta culture.

We view Enron as the premier, large-cap play on the restructuring of the energy industry. In our view, the opportunities created by this restructuring, both domestic and international, are more than enough to motivate a Buy rating on this stock. We are cautiously positive on the prospects for Azurix, Enron's new venture in the water industry, and for its budding venture in telecommunications.

Investment Risks

Among the risks faced by Enron are possible losses stemming from any unhedged commodity price exposure in its oil, gas, and energy trading operations. The electricity market is exceptionally volatile: A Federal Energy Regulatory Commission report noted that during June 25 and 26, 1998, spot prices for electricity in the Midwest rose from $25 per megawatt hour to as much as $2,600 per megawatt hour, and reached as high as $7,500 per megawatt hour at one point. As noted in our discussion below of Risk Management, we believe Enron has in place the hedges, protocols, and oversight to manage its exposure to fluctuations in commodity prices. Additional risks may lie in the "lumpiness" of Enron's large energy infrastructure projects (where project delays might affect results) and in the possibility that the pace of utility deregulation in the U.S. and Europe may be slower than expected; thus, delaying Enron's returns on its investment in trading and retail energy services. Lastly, Enron is making a substantial investment in developing a retail energy services business. This is a new business with an as yet unproven business model; while we are very positive on the prospects of this enterprise, Enron must execute effectively to translate this promise into returns for investors.

Key Driving Force: The Restructuring of the Utility Industry

In our November 20, 1998 report "Rejoice Re: Juice" (since updated and republished as "Rejoice Re: Juice Redux," April 12, 1999), we laid out our thesis on the restructuring of the electric utility industry. Our key points are as follows:

- **Utility analysts have generally focused on the bearish aspects of utility deregulation:** the negative impact on shareholder values of less-than-full recovery of sunk investment in utility plant and equipment (the "stranded cost" problem); the prospect of falling prices in a competitive market and the resulting squeeze on margins and profitability.

- **We like the bullish side of the story.** If the fundamental laws of economics still hold—and we think they do—falling prices for electricity will stimulate demand and catalyze the emergence of new technologies and devices that use electricity. For the power industry itself, we believe competition will reshape the infrastructure of the industry, bringing new entrants and spurring innovation.

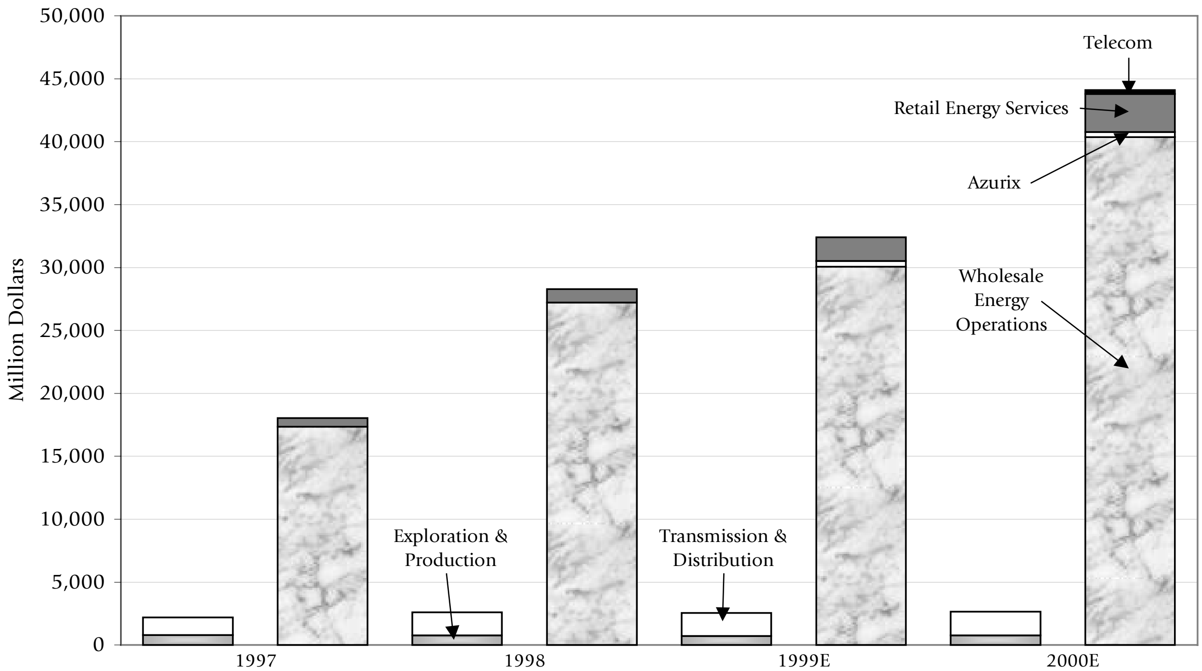
- **We believe investors should focus, not on utilities, but on the new entrants and on companies that will bring new technologies and services to the market.** History has shown that the winners in deregulation have not been an industry's incumbents, but lean and aggressive newcomers (Southwest in the airline industry, MCI in telecommunications) and providers of goods and services to the industry that benefit from industry growth and from its appetite for new technologies (Boeing in airlines, Tellabs in telecommunications).
- **We believe the opportunity is huge.** The utility industry is the most capital-intensive industry in the United States. It generates over $200 billion in revenues annually and consumes over one third of all energy used in the United States. Even a modest tweak to this industry will have significant impacts on the energy industry and on the economy as a whole.

Enron's Current Business

We think of Enron's current business as comprising two structural groupings:

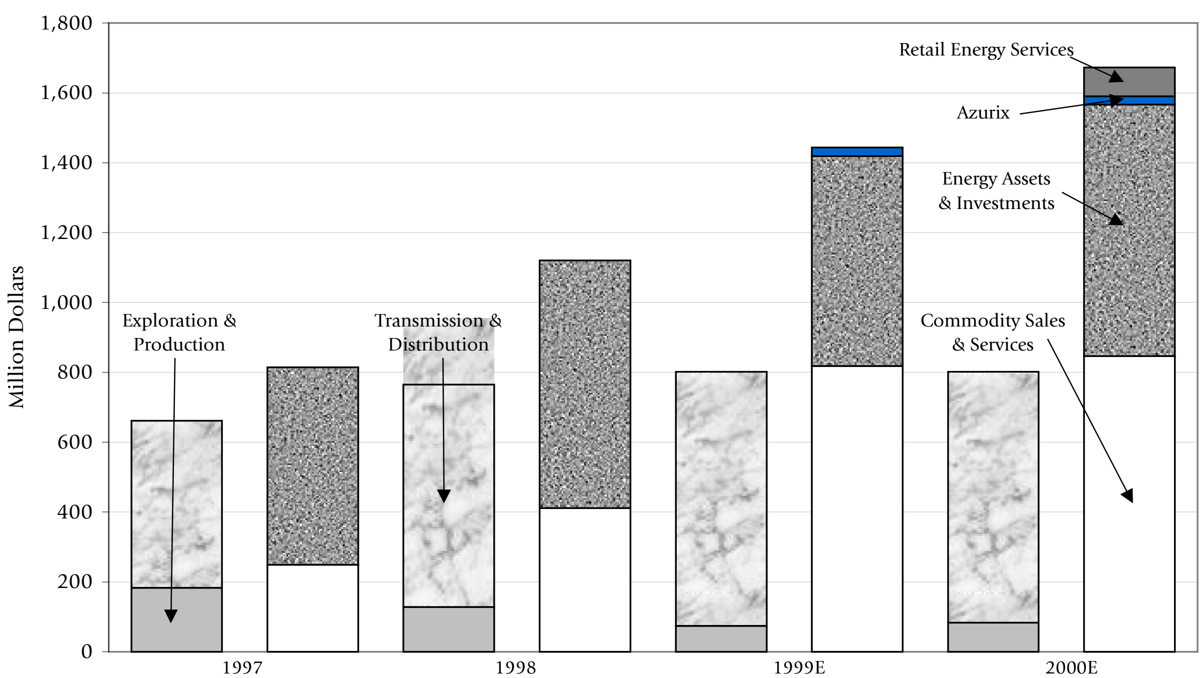
- The **flywheel businesses** are Enron Oil and Gas Company (EOG), Gas Pipeline Group, and Portland General Electric. These businesses combined contributed 8.4% of Enron's revenues in 1998, down from 10.8% in 1997; and 40.6% of Enron's IBIT in 1998, versus 44.8% in 1997. With the exception of EOG, these are stable, regulated businesses. As indicated above, the strategic importance of the Gas Pipeline Group and Portland General Electric may be twofold, in their predictable and substantial cash flow and in their ability to provide Enron with a window on industries that are in the midst of, or verging on, significant change.
- The **growth businesses** include Enron Capital and Trade, Enron International, Enron Energy Services, and the new businesses, Enron Renewable Energy, Enron Communications, and Azurix. These businesses combined contributed 91.6% of the company's 1998 revenues, up from 89.2% in 1997; and 59.4% of Enron's IBIT, up from 55.2% in 1997. In absolute terms, revenues from the growth businesses grew 56.9% from 1997 to 1998, and IBIT was up 37.6%.

Figure 1: ENRON REVENUE GROWTH: FLYWHEEL VERSUS GROWTH BUSINESSES



Source: Company reports and BancBoston Robertson Stephens estimates.

Figure 2: ENRON IBIT GROWTH: FLYWHEEL VERSUS GROWTH BUSINESSES



Source: Company reports and BancBoston Robertson Stephens estimates.

The Flywheels

Enron Oil and Gas

Enron owns approximately 53.5% of Enron Oil and Gas, an exploration and production company with its principal operations in the United States, Canada, Trinidad, and India. The company announced in a 13D filing on December 15, 1998 that it had received an unsolicited offer for its stake in EOG. At current share prices, Enron's investment in EOG would fetch approximately $1.6 billion.

Of the businesses in Enron's portfolio, EOG has historically demanded the most capital. In the four years from 1994 to 1998, Enron estimates that EOG required capital investment of $2.3 billion, fully 50% of all capital expenditures by Enron during this period. This capital intensity, coupled with a low return on investment and a soft outlook for oil and gas prices, would, in our view, tempt Enron to sell its EOG interest and redeploy that capital in faster growing businesses that are more strategic to the company's future. Thus, we would expect Enron to divest this asset, or some portion of it, this year.

The one arena in which EOG's assets may prove strategically valuable to Enron is in selected international markets where there is the potential to develop vertically integrated production and delivery projects. In China, for example, Enron is in the preliminary stages of evaluating the potential of a gas field that could lead, if proven, to the construction of a distribution pipeline and, thinking even further down the road, to projects to develop gas-fired power plants along the pipeline. Given this potential strategic value, Enron may try to retain selected ownership stakes in the international assets while selling the domestic and non-strategic international assets.

Gas Pipeline Group

Enron owns outright two natural gas pipeline companies, Northern Natural Gas Company and Transwestern Pipeline Company. In addition, it owns 50% of Florida Gas Transmission Company and an 11.8% stake in Northern Border Partners, L.P., which owns a 70% interest in the Northern Border Pipeline system. Taken altogether, these pipelines are 32,000 miles in extent, with peak capacities totaling 9.7 billion cubic feet/day.

Enron's pipelines are subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). Gas transmission rates are regulated, and we estimate that 80-90% of the revenues of the Gas Pipeline Group are demand charges, which are paid by customers irrespective of their gas usage and are designed to cover the pipeline's fixed costs of operation, including a rate of return on capital. Thus, the revenues and cash flow of the Pipeline Group are highly predictable.

Two significant expansion projects are underway in the Pipeline Group. The most important of these is in Florida, where Enron will extend its supply into Southwest Florida. This extension is anchored by an agreement to bring gas to a 1,400 MW repowered Florida Power and Light plant in Fort Myers. Construction on this project is expected to begin spring 2000, with in-service by May 2001 and a total investment of $350 million. The second project extends the Northern Border pipeline to serve the Chicago market, and, in a second phase, extends the pipeline further to reach the northern Indiana market. The Chicago portion of this project was completed late 1998; the Indiana portion is expected to be in service in late 2000.

Portland General Electric

Enron acquired Portland General Electric (PGE) on July 1, 1997 in a stock-for-stock transaction valued at $1.9 billion. PGE is an electric utility serving the northwest corner of Oregon, including the cities of Portland and Salem. The utility serves just over 700,000 retail customers and reported revenues of $1.2 billion in 1998.

In late 1997, PGE filed a proposal with the Oregon Public Utility Commission to implement a "Customer Choice" program. This program would effectively open PGE's market to competition from other generating companies. PGE would sell its generating assets, while maintaining the transmission and distribution system as a regulated monopoly.

The Growth Businesses

Wholesale Energy Operations and Services

Wholesale Energy Operations and Services is comprised principally of Enron's energy trading activities in North America and Europe, the company's unregulated electric generating assets in North America and Europe, and the energy infrastructure projects that Enron has completed or has under development in South America and Asia. These operations and assets represent the largest source of revenues and IBIT for Enron, generating 86% of revenues and 61% of IBIT in 1998. They are also among the fastest growing businesses at Enron, with revenues up 54% from 1997 to 1998, and IBIT up 48%. With the restructuring of the utility industry picking up momentum in the U.S., the European market liberalizing about two years after the U.S., and a portfolio of infrastructure projects amounting to $6.7 billion of investment that will enter service between 1999 and 2000, we expect Wholesale Energy Operations and Services to continue to drive Enron's near-term earnings growth.

Enron Capital and Trade—North America

In **North America**, Enron Capital and Trade's (ECT's) business is riding the crest of the utility restructuring wave. Electricity volumes traded tripled from 1996 to 1997, and doubled again in 1998. To capitalize further on the upheaval in the industry triggered by deregulation, Enron has bought and is building generating assets in markets that offer significant upside: the New York City market area, where in-bound constraints create a transmission-locked market; and the Midwest, where peak prices in June 1998 reached as high as $2,600 per MWh from the $25 per MWh level due to a confluence of factors including generating plant downtime, transmission constraints, and record high loads due to unseasonably high temperatures.

Enron has three peaking plants under construction totaling 1,300 MW. It is our understanding that Enron may sell the output of these plants, located in Mississippi (two plants) and Tennessee, to TVA or third-party buyers, and that TVA has a commitment to take a portion of the output at a specified price. This arrangement would appear to limit the downside exposure of Enron's investment in these plants, while creating significant upside should the Midwest experience a price spike similar to the June 1998 events. Enron has said that it believes the IRR on these projects may approach 80%-plus.

Enron Europe
In **Europe**, we would characterize the market as moving toward the model emerging in the domestic market—where wholesale and retail trading and energy services versus production will offer the greatest profit leverage—but lagging behind the U.S. in stage by several years. Much as it did in the U.S. through its purchase of Portland General Electric, Enron has opened a window on the European electricity market through a number of power production investments. These include the Teesside 1,725 megawatt plant in the U.K., in which Enron has a 31% stake, and the Bitterfeld, Germany 125 megawatt plant, in which Enron owns a 50% share. In addition to these, Enron has under development a 790 megawatt plant in Sutton Bridge, U.K. (25% owned by Enron), a 551 megawatt plant in Sardinia, Italy (45% owned), and a 478 megawatt plant near Istanbul, Turkey (50% owned). Both the Sutton Bridge and Istanbul projects will begin commercial operation in 1999; the Sardinia project is slated for commercial operation in early 2000.

As these projects move into their commercial phase, Enron's focus in Europe is shifting to trading and services. Enron now has trading and marketing offices in ten countries (including six marketing offices opened in 1998) and grew its staff in Europe from 425 to more than 700 over the past year. The EU Directive on open access to the electricity market took effect February 1999. This Directive mandates competitive access to approximately 25% of the EU market.

Enron International
Enron holds an extensive portfolio of investments in international projects. These investments take advantage of the varying stages and pace of energy industry privatization and deregulation in each market served. In Latin America and Asia, the markets are at an earlier stage in their maturation, offering opportunities to leverage investment in the energy infrastructure from production through delivery of energy, in the form of gas or electricity, to the ultimate customer.

Latin America
Enron has under development a very large, integrated energy project in South America that accesses gas reserves in Bolivia via an Enron pipeline; the project will use the gas to generate electricity at a 480 megawatt combined cycle plant in Brazil, and distribute electricity in the Sao Paulo region of Brazil through a 47% owned electric utility. This project represents a capital commitment of approximately $2.8 billion by Enron and will position the company to be a leading supplier of both gas and electricity to Brazil, as well as establishing the platform for other projects, such as additional power plants, that will leverage this investment over time.

Asia
In India, Enron has just completed the first phase of the Dabhol Power Plant, a 826 megawatt combined cycle plant serving Bombay and its environs. A second phase will add a parallel 1,624 megawatt unit, with commercial operation expected in 2001.

Enron Energy Services
Enron Energy Services was formed in late 1996 to act as Enron's direct sales and services arm dealing with end-use energy customers. The deregulation of the electric utility industry is opening these customers, after almost 100 years of regulation and monopoly supply, to competing energy providers. Enron, as an

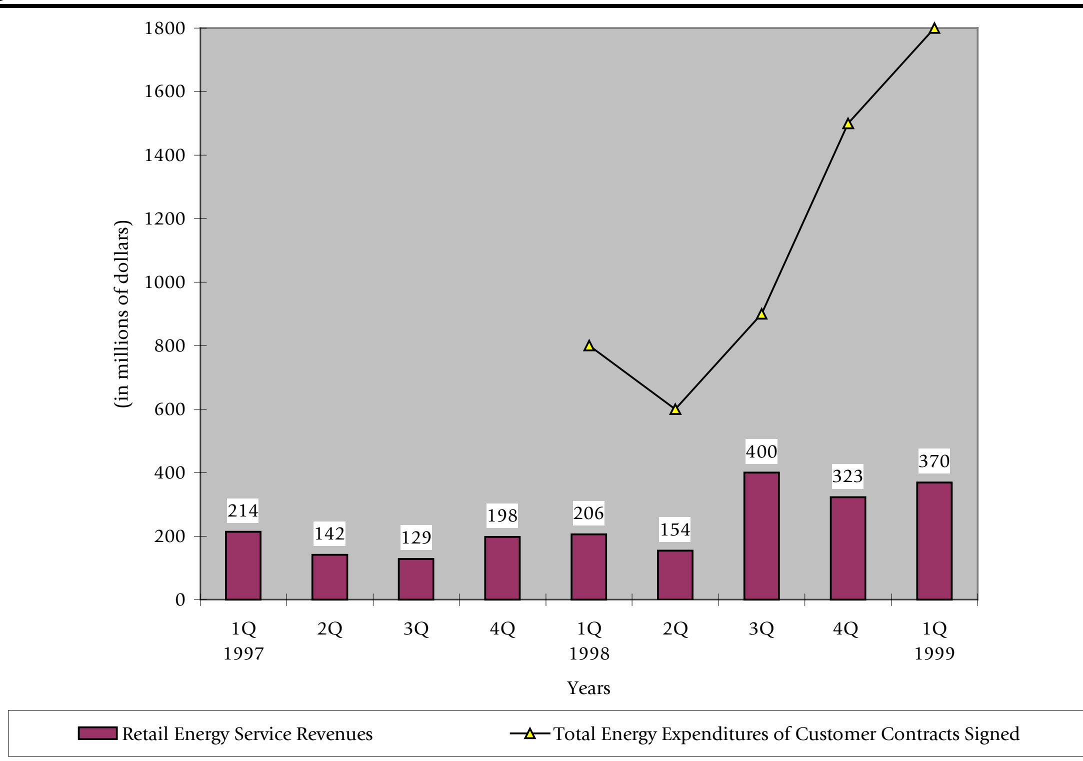
early entrant to this business, is vying with such firms as PG&E Energy Services, Duke Energy Services, and a newcomer, New Energy Ventures, to become one of a handful of energy services companies serving the $200-billion market for electricity.

There is no consensus yet on the business model that will best fit the emerging retail market for electricity. The two competitors with which we are most familiar—Enron and New Energy Ventures—are focusing, for now, on light industrial and commercial customers where economic incentives to minimize energy costs may be more acute than with residential customers. (See listing of key customers in Figure 4 on the next page.) Their service offering typically includes the following elements:

- The energy commodity (natural gas and electricity).
- Services, including maintenance of on-site heating and cooling equipment.
- Investment in energy-saving appliances and equipment.

Enron has experienced dramatic growth in its retail energy business since its formation in 1996. Revenues in this segment reached $1.1 billion in 1998 and we estimate that they may hit approximately $2.0 billion this year. Potential revenues of signed contracts now total $17 billion, with the company on a pace to sign contracts with potential revenues of $8 billion this year. After cumulative losses totaling approximately $250 million to date, the company projects breakeven for the retail energy business in Q4:99.

Figure 3: GROWTH IN RETAIL ENERGY SERVICES



Source: Company reports and BancBoston Robertson Stephens.

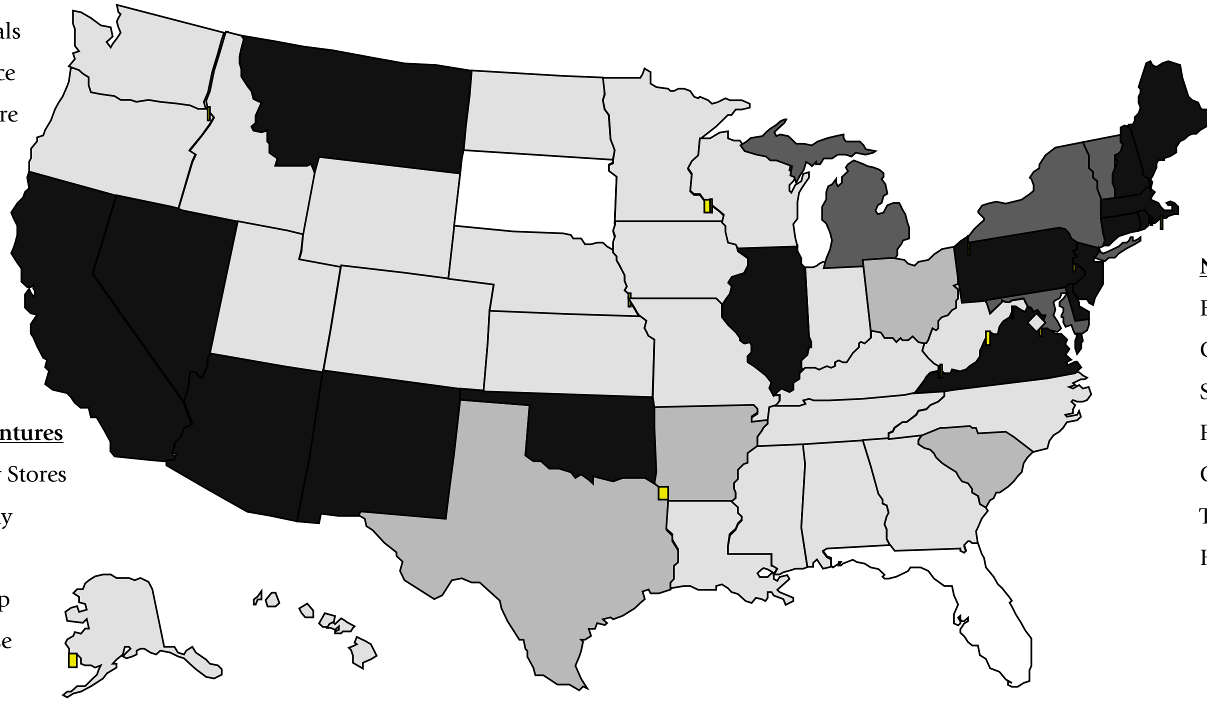
Figure 4: STATUS OF STATE ELECTRIC UTILITY DEREGULATION ACTIVITY AS OF APRIL 1, 1999

Enron

Cisco
Genentech
Lockheed
TRW
University of California
Applied Materials
US Postal Service
Kaiser Healthcare
Sun
Raychem
S.F. Giants

New Energy Ventures

Ralph's Grocery Stores
Robinsons - May
Dreyers
Taubman Group
Dept. of Defense
Hughes Aircraft



Enron

General Cable
Ocean Spray
World Color Press
Archdiocese of Chicago
Others Not Disclosed

New Energy Ventures

Bell Atlantic
CBS
Sears
Federated Dept. Stores
Con Agra
Toys "R" Us
Home Depot

- Restructuring Legislation Enacted[1]
- Comprehensive Regulatory Order Issued [2]
- Legislation/Orders Pending [3]
- Commission or Legislative Investigation Ongoing [4]
- No Ongoing Significant Activity [5]

[1] Arizona, California, Connecticut, Delaware, Illinois, Maine, Massachusetts, Montana, Nevada, New Hampshire, New Jersey, New Mexico, Oklahoma, Pennsylvania, Rhode Island, and Virginia

[2] Maryland, Michigan, New York, and Vermont

[3] Arkansas, Ohio, South Carolina, Texas

[4] Alabama, Alaska, Colorado, District of Columbia, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, Oregon, Tennessee, Utah, Washington, West Virginia, Wisconsin, and Wyoming

[5] Florida and South Dakota

Source: Energy Information Administration, company reports, and BancBoston Robertson Stephens.

New Businesses

Enron has made significant market-entry investments in two new businesses. These are water, through its acquisition of Wessex Water in 1998 for approximately $2.2 billion and the formation of a new subsidiary, Azurix, under Rebecca Mark's direction; and telecommunications, through the buildout of a 15,000-mile fiber optic network to serve the business telecommunications market. In addition to these, Enron has numerous smaller investments in businesses that may benefit from the restructuring of the utility industry.

Azurix

In November 1998, Enron's 50%-owned Azurix subsidiary closed on the acquisition of Wessex Water, one of ten regional water companies providing water and wastewater treatment services in the United Kingdom. Wessex serves the southwestern region of the U.K. and has 1.1 million water customers and 2.5 million wastewater customers. According to Wessex, statistics published by the Office of Water Services show that Wessex Water Services is, overall, the most efficient water and sewage company in England and Wales.

Wessex generates revenues of approximately $425 million per year, split approximately 1/3-2/3 between water and wastewater treatment. Operating profit of approximately $220 million is split about 1/4-3/4 between the two operating units. Included in the wastewater treatment business is a small Swiss-based company, SC Technology, which designs and sells a sludge drying process. This business generates about $15 million in annual revenues.

While apparently a departure from Enron's core businesses in energy production, distribution, and trading, Enron's publicly stated rationale for the Wessex acquisition highlighted the following similarities: an industry undergoing significant structural change both in the U.S. and abroad (privatization); a capital-intensive business in which projects are large, lumpy, and complex, typically involving multiple constituencies, hence, requiring sophisticated project development skills; and lastly, a market—water—that by its very nature would seem to be a basic and fundamental societal need, yet a market in which the worldwide infrastructure is inadequate and expected to require massive investment in the future.

Two others acquisitions followed the Wessex deal. In June 1998, Enron, as part of a consortium, purchased a 70% stake in Obras Sanitarias de Mendoza SA in Argentina for $150 million. In January 1999, the company announced that it had acquired a 49.9% ownership of the water utility serving Cancun, Mexico, for a purchase price of $13.5 million. The stated goal is to continue to grow Azurix's business, via further acquisitions in the international arena and through project development and investment domestically.

In March, Enron announced that it would take Azurix public, selling $350 million in new shares to the public to finance Azurix's further expansion. An additional $400 million of shares would be sold by Atlantic Water Trust, the 50-50 partnership between Enron and Marlin Water Trust that owns Azurix. The likely result of these transactions is that Enron's ownership in Azurix will be diluted, but until the terms of the IPO are settled, we cannot say how much. The company indicates that Azurix's results will not be consolidated by Enron post IPO, but recorded as minority interest.

Communications

Enron has built out 4,500 miles of a projected 15,000 mile fiber optic network. Net investment to date in this network is approximately $50 million—as Enron has built out the network, it has sold capacity to third parties to reduce its net investment while retaining capacity for its own commercial use. As with Enron Energy Services and Azurix, we would expect Enron to seek means of recapitalizing its investment in Enron Communications, possibly through a sale of equity.

Dereg Investments

Over the past several years, Enron has systematically sought to invest in companies, both public and private, that will benefit from the restructuring of the utility industry. The results of this effort are listed in Figure 5.

Figure 5: ENRON'S UTILITY DEREG INVESTMENTS

Company	Business	Investment
Catalytica Combustion Systems, subsidiary of Catalytica (CTAL)	Commercializing technology that limits formation of nitrous oxides in gas turbines	12/97, $30 million for 15% interest in company, plus 3-year option to purchase an additional 5% for $14.4 million
Quanta Services (PWR)	Electric power and telecommunications infrastructure contracting	10/98, $50 million convertible subordinated notes, convertible into Quanta common at $13.75/share
Zond Corporation	Wind power	1/97, outright purchase, no terms disclosed

Source: Company reports and BancBoston Robertson Stephens.

Enron Oil and Gas was a 50% owner of Solarex, the world's second-largest solar cell manufacturer, from 1995 through April of 1999, when BP Amoco acquired Enron's 50% for $45 million.

Enron's Positioning: Moving Toward the Customer

In regulated markets, monopolist sellers provide what buyers want; in open markets, competing sellers vie to redefine what buyers want. There is no fundamental urgency on our part, as buyers, to redefine our needs to force innovation. We buy innovative products when they are dangled before us, but, as consumers, we rarely have the means or the motivation to develop innovative products ourselves. Do consumers even feel unmet needs, inchoate material dissatisfactions (apart, that is, from basic biological yearnings)? So, ironically, it would seem that buyers get only what they want in regulated markets; and it is in competitive markets that this is not enough, as competing suppliers find new ways to entice buyers.

The utility industry is a $200-billion market that has been regulated for almost its entire existence; thus, it is a market in which competitive forces have never been at work to define the demand side. This suggests to us that an enormous well—a backlog, if you will—of potential demand-side innovation exists. Certainly, companies that make appliances and other devices that use electricity, functioning in competitive environments, have had incentives to innovate. But, in our view, deregulation of the supply of electricity will add a new dimension to this innovation. Let's try an analogy. What if the oil industry, including the downstream petrochemical industry, were a regulated monopoly: would we today have the same proliferation of petrochemical compounds that has enabled, in turn, our huge and diverse array of applications of these compounds in drugs, plastics, elastomers, sealants, etc.?

We are perhaps making too philosophical a point here. But, our conclusion, based on this logic, is that power marketers, power retailers, become the locus of value creation in a competitive power market. They are the ones vying for the customers, with all the incentives in the world to find the next "hot" thing. They are, in essence, defining demand. We would argue that Enron's strategy appears to reflect agreement with our conclusion: broadly, shedding production assets as they become commoditized (Enron Oil and Gas); building a retail presence as the locus of value creation migrates toward the customer.

Management: A Growth-Oriented Culture

The management at Enron strikes us as atypical for the energy industry, certainly atypical for the utility industry, in its aggressiveness and willingness to take risks. This is not a criticism, but, rather, an endorsement. Through its proactive MBA and associate hiring programs, Enron has systematically worked to assemble a team of highly motivated, activist managers. We think this culture is well suited to the high-growth opportunities targeted by Enron and gives the company an advantage relative to its less aggressively managed competitors.

Risk Management

A high-beta corporate culture brings with it exposure to risk. At Enron, risk is managed in two key ways. First, the company has a professional staff of about 125 persons devoted to the on-going quantification and evaluation of the business risk, by unit, by geography, and by project. (This unit reports directly to the CEO and to the audit committee of the board.) Second, Enron hedges certain key risks to maintain its overall risk profile within acceptable limits. These hedges principally cover the company's exposure to fluctuations in commodity prices. 100% of the firm's share in EOG's exposure to gas price fluctuations has been hedged for 1999 and 85% of the firm's oil price exposure.

Valuation

The valuation of Enron poses a substantial challenge to the analyst. The tendency has been to approach the valuation exercise on a break-up, or sum-of-the-parts, basis, given the diversity of Enron's asset mix. As illustrated in Figure 6, we have adopted this approach with a *reductio ad absurdem* spin, backing into a residual value for Enron's Wholesale Energy Operations and Services business unit by deducting all other business unit values from Enron's market capitalization. The implicit value for Wholesale Energy Operations and Services, at Enron's current market price, is approximately $8.1 billion. Thus, **the growth engine at Enron, which is contributing 66% of incremental IBIT, 1999 versus 1998 (our estimates), is valued at a 6.5x estimated 1999 IBIT—lower than any of Enron's other business units save Portland General Electric.**

Figure 6: VALUATION BY BUSINESS UNIT *(in millions, except per share data)*

Business Unit	1999E IBIT	Value	Multiple of IBIT	Basis
Enron Oil and Gas	$74	$1,555	21.0	Market
Portland General Electric	$329	$1,866	5.7	Estimated PGE 1999 net income times forward multiple of 12.1 based on 6 utility comps
Natural Gas Pipeline Group	$399	$2,750	6.9	Estimated GPG 1999 net income times forward multiple of 12.5 based on 4 gas pipeline comps
Retail Energy Services	$(85)	$5,300	NM	Estimated 1999 revenues times forward multiple of 2.8 based on $1.9 billion valuation as of late 1997
Communications	—	$3,750	NM	Estimated 2000 revenues times forward multiples of carrier comps
Azurix	$25	$1,490	—	Trailing EBITDA times acquisition multiple paid by Vivendi for US Filter
Wholesale Energy Operations and Services	$1,239	*$8,097*	*6.5*	
Total	$1,981	$24,808	12.5	

Source: Company reports and BancBoston Robertson Stephens estimates.

Note that our analysis places a conservative valuation on Azurix, driven principally by our use of U.S. Filter as the comp. U.S. Filter is largely an equipment and systems maker, rather than, as Azurix is, a project owner and operator. Our analysis also probably underestimates the value of the Retail Energy Services business, insofar as we are using a multiple established 18 months ago. Today's multiple would reflect the progress this business has made over these months, the better visibility on the emerging deregulated market, and the resulting reductions in business and market risks.

Let us, for the sake of argument, assume that we could attract new investors to Enron with the prospect of a short-term 20% gain in Enron's stock price to $80. To achieve this gain, we simply must move the multiple on Enron's growth business from its current 6.5x forward IBIT to 10.5x estimated forward IBIT. This, in our view, is not such a stretch; hence, we feel comfortable recommending this stock at current levels.

Figure 7: ENRON CORPORATION—ASSUMPTIONS FOR EARNINGS MODEL

FY December	1996	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1997 Year	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1998 Year	1999E Q1A	1999E Q2	1999E Q3	1999E Q4	1999E Year	2000E
ENRON OIL & GAS																	
Wellhead Delivery Volume Year Over Year % Change						6.8%	6.7%	4.4%	15.4%	15.8%	10.7%	11.2%	5.0%	5.0%	5.0%	6.4%	5.0%
Natural Gas as % of Total Deliveries	85.9%	87.0%	88.2%	84.9%	84.7%	86.2%	86.4%	85.5%	83.6%	84.4%	85.0%	86.5%	85.0%	85.0%	85.0%	85.4%	85.0%
Crude Oil/Condensate as % of Total Deliveries	12.2%	12.0%	10.2%	11.7%	12.5%	11.6%	12.8%	12.7%	13.6%	12.7%	13.0%	13.3%	13.0%	13.0%	13.0%	12.9%	13.0%
Natural Gas Liquids as % of Total Deliveries	1.6%	2.4%	1.9%	2.5%	2.1%	2.3%	2.2%	2.0%	2.0%	1.9%	2.0%	1.6%	2.0%	2.0%	2.0%	1.9%	2.0%
Price of Natural Gas ($ per Mcf)	1.78	2.38	1.70	1.84	2.37	2.07	1.86	1.87	1.67	1.73	1.78	1.53	1.55	1.55	1.55	1.55	1.85
Price of Crude Oil/Condensate ($ per Mcf)	20.60	21.76	18.31	18.81	18.40	19.30	14.64	13.01	12.13	11.31	12.66	10.76	11.00	11.25	11.25	11.07	1.25
Price of Natural Gas Liquid ($ per Mcf)	-	-	-	-	11.21	10.85	8.48	-	-	6.77	6.70	7.34	7.35	7.35	7.35	7.35	7.50
Margin Assumptions as % of Revenues																	
Corporate Hedging Activities	0.0%	0.0%	0.0%	0.0%	(3.5)%	(1.0)%	3.0%	0.0%	0.0%	4.4%	2.4%	14.5%	2.5%	2.5%	2.5%	5.2%	2.5%
Operating Expenses	24.9%	30.0%	29.1%	29.0%	24.3%	27.1%	28.0%	28.5%	27.1%	28.4%	27.8%	39.0%	30.0%	29.5%	29.0%	31.6%	30.0%
Oil & Gas Exploration Expenses	12.3%	12.2%	14.0%	11.4%	14.8%	13.2%	17.0%	14.5%	17.1%	13.2%	15.4%	15.7%	15.5%	15.0%	15.0%	15.3%	15.0%
Depreciation, Depletion & Amortization	34.6%	35.0%	40.1%	37.3%	32.2%	35.9%	36.0%	40.8%	42.2%	42.2%	40.0%	51.6%	45.0%	44.0%	43.0%	45.7%	44.0%
Other Income, net	(0.7)%	0.6%	0.6%	0.0%	(1.7)%	(0.3)%	(0.5)%	0.0%	(1.0)%	(1.0)%	(0.6)%	(0.6)%	0.0%	0.0%	0.0%	(0.1)%	0.0%
TRANSPORTATION & DISTRIBUTION																	
Gas Pipeline Group																	
Gross Margin as % of Total Revenue	58.9%	63.2%	52.7%	54.8%	60.6%	58.2%	62.1%	52.3%	53.9%	57.6%	56.7%	#DIV/0!	57.5%	57.5%	57.5%	78.7%	57.5%
Year Over Year Volume % Change																	
Northern Natural Gas						(4.7)%	(6.9)%	(5.0)%	(6.7)%	(5.7)%	(6.1)%	1.5%	-3.0%	-3.0%	-3.0%	1.5%	0.0%
Additional Volume from Expansion Projects (Bbtu)													88	88	88	263	-
Transwestern Pipeline						5.6%	33.3%	15.7%	7.6%	0.7%	13.6%	(8.2)%	7.0%	7.0%	7.0%	3.0%	5.0%
Additional Volume from Expansion Projects (Bbtu)													-	-	-	-	-
Florida Gas Transmission						3.5%	(4.3)%	(7.8)%	(1.0)%	7.1%	0.0%	4.9%	2.0%	2.0%	2.0%	0.8%	2.0%
Additional Volume from Expansion Projects (Bbtu)													-	-	-	-	-
Northern Border Pipeline						(0.1)%	(0.9)%	(2.7)%	(1.0)%	(2.1)%	(1.7)%	35.1%	(1.5)%	(1.5)%	(1.5)%	38.8%	0.0%
Additional Volume from Expansion Projects (Bbtu)													175	175	175	525	-
Transportation Rate ($ per Bbtu)																	
Northern Natural Gas	0.30	0.31	0.27	0.28	0.33	0.31	0.37	0.28	0.30	0.33	0.32	-	0.30	0.30	0.30	0.23	0.30
Transwestern Pipeline	0.36	0.31	0.27	0.28	0.26	0.28	0.23	0.24	0.25	0.27	0.28	-	0.28	0.28	0.28	0.21	0.28
Florida Gas Transmission	0.69	0.74	0.59	0.57	0.64	0.63	0.71	0.65	0.56	0.64	0.63	-	0.65	0.55	0.60	0.45	0.63
Northern Border Pipeline	0.32	0.28	0.28	0.25	0.28	0.27	0.29	0.31	0.31	0.31	0.30	-	0.31	0.31	0.31	0.23	0.31
Margin Assumptions																	
Operating Expenses	25.9%	22.4%	28.8%	29.5%	28.8%	27.1%	22.3%	26.0%	25.5%	24.5%	24.5%	#DIV/0!	24.0%	26.0%	25.0%		25.0%
Depreciation and Amortization	5.4%	5.5%	6.1%	6.1%	6.5%	6.0%	5.2%	6.5%	6.4%	6.9%	6.2%	#DIV/0!	6.0%	6.0%	6.0%		6.0%
Equity in Earnings	2.9%	3.1%	3.0%	4.2%	3.8%	3.5%	3.6%	3.4%	3.0%	1.4%	2.8%	#DIV/0!	3.0%	3.0%	3.0%		3.0%
Other Income, net	3.6%	3.1%	6.8%	3.8%	0.0%	3.3%	2.6%	4.2%	0.7%	1.4%	2.2%	#DIV/0!	2.5%	2.5%	2.5%		2.5%
Portland General																	
Retail Customers Year Over Year % Change						2.5%	2.4%	2.5%	2.5%	2.8%	2.8%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Residential Customers as % of Total	40.3%	44.3%	35.1%	32.2%	41.0%	38.4%	44.9%	35.9%	33.1%	43.7%	40.7%	45.2%	38.0%	34.0%	45.0%	40.7%	40.0%
Commercial Customers as % of Total	37.5%	35.4%	38.9%	42.4%	36.9%	38.3%	35.8%	38.0%	42.4%	36.7%	38.9%	35.1%	38.0%	42.4%	36.7%	37.9%	40.0%
Industrial Customers as % of Total	22.3%	20.3%	26.0%	25.3%	22.1%	23.3%	19.3%	26.1%	24.5%	19.6%	20.4%	19.7%	24.0%	23.6%	18.3%	21.3%	20.0%
Annual kWh per Retail Customer	26.3	28.8	24.6	25.3	28.3	26.5	26.9	24.5	25.2	26.7	24.8	29.3	27.0	26.0	28.0	27.6	28.0
Wholesale Customers as % of Total	36.7%	57.0%	62.5%	66.5%	51.7%	60.0%	43.6%	36.0%	37.9%	32.3%	38.4%	20.5%	22.0%	25.0%	25.0%	23.1%	25.0%
Average Billed Revenue (cents/kWh)																	
Residential	6.05	5.45	5.68	5.71	5.57	5.60	5.91	6.40	6.45	5.75	6.07	-	6.00	6.00	6.00	4.50	5.50
Commercial	5.45	5.07	5.14	5.01	5.10	5.08	5.07	5.15	5.20	4.94	5.09	-	5.10	5.10	5.10	3.83	4.80
Industrial	3.82	3.36	3.46	3.45	3.25	3.38	3.43	3.18	4.34	3.86	3.69	-	3.70	3.70	3.70	2.78	3.50
Wholesale	1.83	1.81	1.44	2.10	2.03	1.85	1.82	1.72	2.61	2.59	2.15	-	2.50	2.50	2.50	1.88	2.45
Margin Assumptions																	
Purchased Power & Fuel	28.5%	42.7%	41.7%	57.3%	46.7%	47.4%	38.8%	34.9%	37.1%	39.4%	37.7%	33.4%	34.0%	35.0%	33.0%	33.8%	34.0%
Operating Expenses	27.1%	18.2%	24.1%	17.9%	23.6%	20.8%	23.8%	29.0%	27.1%	19.9%	24.7%	23.4%	23.5%	23.5%	23.0%	23.3%	23.0%
Depreciation & Amortization	14.0%	10.6%	12.7%	11.7%	12.8%	11.9%	13.8%	16.7%	16.8%	14.4%	15.3%	15.4%	15.5%	15.5%	15.0%	15.3%	15.0%
Other Income, net	0.5%	0.0%	0.3%	0.0%	0.6%	0.2%	0.9%	3.7%	2.9%	(0.6)%	1.6%	3.0%	0.0%	0.0%	0.0%	0.8%	0.0%

Source: Company reports and BancBoston Robertson Stephens estimates.

(Continued)

Figure 7: ENRON CORPORATION—ASSUMPTIONS FOR EARNINGS MODEL

FY December	1996	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1997 Year	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1998 Year	1999E Q1A	1999E Q2	1999E Q3	1999E Q4	1999E Year	2000E
WHOLESALE ENERGY OPERATIONS																	
Total IBIT Year Over Year % Change						40.3%	49.1%	85.4%	60.1%	9.2%	48.0%	28.5%	28.0%	26.0%	45.0%	27.2%	25.0%
Energy Assets IBIT Year Over Year % Change						114.8%	184.9%	69.7%	(15.8)%	(17.6)%	25.5%	(9.9)%	5.0%	5.0%	5.0%	1.3%	20.0%
Unallocated Expenses	(145)	(28)	(31)	(39)	(62)	(160)	(31)	(40)	(35)	(46)	(152)	(40)	(52)	(56)	(39)	(188)	(195)
IBIT as a Percentage of Revenues	4.1%	3.5%	4.7%	3.5%	3.6%	3.6%	5.3%	4.2%	2.7%	3.0%	3.5%	4.9%	3.0%	3.0%	3.1%	#DIV/0!	3.4%
Physical Volumes Year Over Year % Change																	
Gas:																	
United States						9.4%	(15.5)%	(8.6)%	5.8%	7.7%	(3.1)%	24.9%	10.0%	5.0%	5.0%	11.2%	0.0%
Canada						61.0%	36.5%	55.2%	55.4%	66.4%	54.0%	37.5%	40.0%	40.0%	40.0%	39.4%	40.0%
Europe						128.4%	144.6%	85.7%	57.2%	87.9%	88.3%	59.3%	60.0%	60.0%	60.0%	59.8%	60.0%
Other						0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Transport Volumes						(15.4)%	117.4%	(8.2)%	41.0%	4.5%	21.5%	23.6%	20.0%	20.0%	20.0%	20.9%	10.0%
Oil						115.6%	164.9%	458.1%	279.5%	415.0%	329.0%	110.9%	150.0%	150.0%	150.0%	140.2%	150.0%
Liquids						(16.8)%	(47.6)%	(49.1)%	(24.0)%	(23.7)%	(38.2)%	(11.3)%	(35.0)%	(35.0)%	(35.0)%	(29.1)%	(35.0)%
Electricity						218.9%	123.4%	125.7%	125.2%	64.5%	109.7%	16.1%	50.0%	55.0%	75.0%	49.0%	50.0%
Dollars IBIT per Bbtu	77	92	6	12	46	38	63	10	49	41	41	84	60	48	44	59	55
WESSEX																	
Effect of P(o) Cut																	17.5%
Year Over Year % Turnover Change	5.1%					5.7%					4.6%					4.0%	5.0%
Percent of Turnover																	
Operational Costs	35.7%					33.3%					32.2%					31.5%	31.0%
Depreciation	15.9%					11.4%					11.9%					12.0%	12.0%
Infrastructure Renewal Charge	0.0%					4.2%					4.1%					4.0%	4.0%
Exchange Rate	$1.60					$1.60					$1.70					$1.62	$1.62
ENRON COMMUNICATIONS																	
Revenue Year Over Year Change																	
IBIT as a Percentage of Segment Revenues																	
RETAIL ENERGY SERVICES																	
Year Over Year Change in Revenues						33.1%	(8.88)%	8.5%	210.1%	63.1%	57.0%	89.7%	150.0%	40.0%	80.0%	76.9%	60.0%
IBIT as a Percentage of Revenues	0.0%	(6.54)%	(17.61)%	(19.38)%	(21.72)%	(15.67)%	(13.85)%	(27.92)%	(5.75)%	(8.05)%	(11.10)%	(8.38)%	(6.00)%	(4.00)%	(1.50)%	(4.49)%	2.7%

Source: Company reports and BancBoston Robertson Stephens estimates.

Figure 8: ENRON CORPORATION—QUARTERLY SALES & EARNINGS MODEL *(in millions, except per share data)*

		1997					1998					1999E					
FY December	**1996**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1A**	**Q2**	**Q3**	**Q4**	**Year**	**2000E**
Revenues, Net of Intercompany																	
Core Businesses																	
Exploration and Production	647	210	168	188	223	789	231	176	186	190	750	203	162	187	192	700	759
Transportation and Distribution																	
Gas Pipeline Group	702	201	137	143	175	656	188	141	145	167	637	182	166	159	165	671	696
Portland General	-	-	-	386	360	746	320	271	280	327	1,196	299	280	276	309	1,164	1,179
Wholesale Energy Operations and Services	11,413	4,713	2,786	4,954	4,891	17,344	4,872	5,774	10,225	6,484	27,220	6,595	9,713	11,053	9,302	36,663	40,356
Corporate and Other	14	6	18	6	25	55	(135)	41	84	211	385	(17)	58	62	65	168	253
Revenues - Core Businesses	**12,776**	**5,130**	**3,109**	**5,677**	**5,674**	**19,590**	**5,476**	**6,403**	**10,920**	**7,379**	**30,188**	**7,262**	**10,380**	**11,738**	**10,032**	**39,412**	**43,243**
Azurix	-	-	-	-	-	-	-	-	-	-	-	-	112	112	112	450	405
Enron Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
Retail Energy Services	513	214	142	129	198	683	206	154	400	323	1,072	370	385	560	581	1,896	3,034
Total Revenues	**13,289**	**5,344**	**3,251**	**5,806**	**5,872**	**20,273**	**5,682**	**6,557**	**11,320**	**7,702**	**31,260**	**7,632**	**10,877**	**12,411**	**10,726**	**41,645**	**46,982**
IBIT (Loss)																	
Core Businesses																	
Exploration and Production	200	42	30	49	62	183	43	29	25	31	128	12	15	22	25	74	83
Transportation and Distribution																	
Gas Pipeline Group	416	135	73	71	85	364	126	72	69	84	351	126	95	86	92	399	388
Portland General		-	-	51	63	114	79	62	61	84	286	92	76	72	90	329	330
Wholesale Energy Operations and Services	466	167	130	173	184	654	249	241	277	201	968	320	291	332	288	1,231	1,372
Corporate and Other	(22)	(3)	19	(8)	(39)	(31)	1	(16)	(4)	26	7	14	-	-	-	14	-
IBIT from Core Businesses	**1,060**	**341**	**252**	**336**	**355**	**1,284**	**498**	**388**	**428**	**426**	**1,740**	**564**	**478**	**511**	**495**	**2,047**	**2,173**
Azurix		-	-	-	-	-	-	-	-	-	-	-	6	6	6	25	24
Enron Communications		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail Energy Services																	
Results		(14)	(25)	(25)	(43)	(107)	(27)	(43)	(23)	(26)	(119)	(31)	(23)	(22)	(9)	(85)	82
Gain on Sale of 7% Interest		-	-	-	61	61	-	-	-	-	-	-	-	-	-	-	
Non-Recurring Items	178	102	(775)	-	-	(673)	-	-	-	(39)	(39)	-	-	-	-	-	-
Total IBIT	**1,238**	**429**	**(548)**	**311**	**373**	**565**	**471**	**345**	**405**	**361**	**1,582**	**533**	**461**	**495**	**492**	**1,981**	**2,279**
Interest and Related Charges, net	274	70	79	122	130	401	133	131	134	152	550	175	165	165	155	660	700
Dividends on Company-Obligated Preferred Securities	34	15	16	19	19	69	19	20	19	19	77	19	20	20	20	79	80
Minority Interests	75	19	17	22	22	80	25	19	16	17	77	33	40	40	35	148	150
Income Tax Provision (Benefit)	271	103	(240)	14	33	(90)	80	30	68	(3)	175	53	42	49	51	195	297
Tax Rate	*31.7%*	*31.7%*	*36.4%*	*9.5%*	*16.3%*	*-600.0%*	*27.2%*	*17.1%*	*28.8%*	*-1.7%*	*19.9%*	*17.3%*	*18.0%*	*18.0%*	*18.0%*	*17.8%*	*22.0%*
Net Income (Loss)	584	222	(420)	134	169	105	214	145	168	176	703	253	194	221	231	899	1,052
Non-recurring Effect of Accounting Changes												(131)					
Preferred Stock Dividend	16	4	4	5	4	17	4	5	4	4	17	4	5	4	4	17	17
Earning (Loss) on Common Stock	**568**	**218**	**(424)**	**129**	**165**	**88**	**210**	**140**	**164**	**172**	**686**	**118**	**189**	**217**	**227**	**751**	**1,035**
Earnings (loss) per share (diluted)																	
Basic	2.31	0.88	(1.71)	0.44	0.55	0.32	0.69	0.44	0.50	0.52	2.14						
Diluted																	
Core Businesses	1.82	0.60	0.44	0.51	0.43	1.98	0.71	0.50	0.52	0.53	2.25	0.74					
Retail Energy Services																	
Results	-	(0.03)	(0.06)	(0.05)	(0.09)	(0.24)	(0.06)	(0.08)	(0.05)	(0.05)	(0.24)	(0.06)					
Gain on Sale of 7% Interest	-	-	-	-	0.19	0.21	-	-	-	-	-						
Before Non-recurring Items												0.68	0.50	0.57	0.60	2.35	2.70
Non-recurring Items	0.34	0.24	(2.09)	(0.04)	-	(1.63)	-	-	-	0.01	0.01	(0.35)					
Reported	2.16	0.81	(1.71)	0.42	0.53	0.32	0.65	0.42	0.47	0.48	2.01	0.32	0.50	0.57	0.60	1.99	2.70
Average shares outstanding (diluted)	**270.1**	**272.5**	**248.4**	**316.6**	**322.0**	**295.0**	**329.8**	**346.3**	**356.3**	**358.0**	**348.0**	**372.0**	**379.0**	**379.0**	**380.0**	**377.5**	**383.8**

Source: Company reports and BancBoston Robertson Stephens estimates.

(Continued)

Figure 8: ENRON CORPORATION—QUARTERLY SALES & EARNINGS MODEL *(in millions, except per share data)* *(Continued)*

		1997					1998					1999E					
FY December	**1996**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1A**	**Q2**	**Q3**	**Q4**	**Year**	**2000E**
Depreciation, Depletion and Amortization																	
Core Businesses																	
Exploration and Production	251	63	69	72	74	278	72	73	84	86	315	82	75	88	92	337	364
Transportation and Distribution																	
Gas Pipeline Group	66	18	16	16	19	69	16	17	17	20	70	17	17	17	17	68	72
Portland General		-	-	45	46	91	44	45	47	47	183	46	43	43	46	179	180
Wholesale Energy Operations	138	37	33	26	37	133	39	38	52	66	195	-	97	111	47	254	1,614
Corporate and Other	19	5	6	8	3	22	6	8	7	12	33	-	3	3	4	10	14
Retail Energy Services	-	1	1	2	3	7	5	9	8	9	31	-	13	20	20	53	106
Total	**474**	**124**	**125**	**169**	**182**	**600**	**182**	**190**	**215**	**240**	**827**	**-**	**249**	**281**	**226**	**757**	**2,351**
PERCENT OF SEGMENT REVENUES																	
Depreciation																	
Exploration and Production	38.8%	30.0%	41.1%	38.3%	33.2%	35.2%	31.2%	41.5%	45.2%	45.3%	42.0%	40.4%	46.0%	47.0%	48.0%	45.3%	48.0%
Transportation and Distribution																	
Gas Pipeline Group	9.4%	9.0%	11.7%	11.2%	10.9%	10.5%	8.5%	12.1%	11.7%	12.0%	11.0%	9.3%	10.5%	10.5%	10.5%	10.2%	10.3%
Portland General				11.7%	12.8%	12.2%	13.8%	16.6%	16.8%	14.4%	15.3%	15.4%	15.5%	15.5%	15.0%	15.3%	15.3%
Wholesale Energy Operations	1.2%	0.8%	1.2%	0.5%	0.8%	0.8%	0.8%	0.7%	0.5%	1.0%	0.7%	0.0%	1.0%	1.0%	0.5%	0.6%	4.0%
Corporate and Other	135.7%	83.3%	33.3%	133.3%	12.0%	40.0%	-4.4%	19.5%	8.3%	5.7%	8.6%	0.0%	5.5%	5.5%	5.7%	4.2%	5.5%
Retail Energy Services	0.0%	0.5%	0.7%	1.6%	1.5%	1.0%	2.4%	5.8%	2.0%	2.8%	2.9%	0.0%	3.5%	3.5%	3.5%	2.6%	3.5%
Total	3.6%	2.3%	3.8%	2.9%	3.1%	3.0%	3.2%	2.9%	1.9%	3.1%	2.6%	0.0%	2.3%	2.3%	2.1%	1.7%	5.0%
PERCENT OF TOTAL REVENUES																	
Segment Revenues																	
Exploration and Production	4.9%	3.9%	5.2%	3.2%	3.8%	3.9%	4.1%	2.7%	1.6%	2.5%	2.4%	2.7%	1.5%	1.5%	1.8%	1.7%	1.6%
Transportation and Distribution																	
Gas Pipeline Group	5.3%	3.8%	4.2%	2.5%	3.0%	3.2%	3.3%	2.2%	1.3%	2.2%	2.0%	2.4%	1.5%	1.3%	1.5%	1.6%	1.5%
Portland General	0.0%	0.0%	0.0%	6.6%	6.1%	3.7%	5.6%	4.1%	2.5%	4.2%	3.8%	3.9%	2.6%	2.2%	2.9%	2.8%	2.5%
Wholesale Energy Operations and Services	85.9%	88.2%	85.7%	85.3%	83.3%	85.6%	85.7%	88.1%	90.3%	84.2%	87.1%	86.4%	89.3%	89.1%	86.7%	88.0%	85.9%
Corporate and Other	0.1%	0.1%	0.6%	0.1%	0.4%	0.3%	-2.4%	0.6%	0.7%	2.7%	1.2%	-0.2%	0.5%	0.5%	0.6%	0.4%	0.5%
Revenues - Core Businesses	**96.1%**	**96.0%**	**95.6%**	**97.8%**	**96.6%**	**96.6%**	**96.4%**	**97.7%**	**96.5%**	**95.8%**	**96.6%**	**95.2%**	**95.4%**	**94.6%**	**93.5%**	**94.6%**	**92.0%**
Retail Energy Services	3.9%	4.0%	4.4%	2.2%	3.4%	3.4%	3.6%	2.3%	3.5%	4.2%	3.4%	4.8%	3.5%	4.5%	5.4%	4.6%	6.5%
Segment IBIT																	
Exploration and Production	1.5%	0.8%	0.9%	0.8%	1.1%	0.9%	0.8%	0.4%	0.2%	0.4%	0.4%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%
Transportation and Distribution																	
Gas Pipeline Group	3.1%	2.5%	2.2%	1.2%	1.4%	1.8%	2.2%	1.1%	0.6%	1.1%	1.1%	1.7%	0.9%	0.7%	0.9%	1.0%	0.8%
Portland General	0.0%	0.0%	0.0%	0.9%	1.1%	0.6%	1.4%	0.9%	0.5%	1.1%	0.9%	1.2%	0.7%	0.6%	0.8%	0.8%	0.7%
Wholesale Energy Operations and Services	3.5%	3.1%	4.0%	3.0%	3.1%	3.2%	4.4%	3.7%	2.4%	2.6%	3.1%	4.2%	2.7%	2.7%	2.7%	3.0%	2.9%
Corporate and Other	(0.17)%	(0.06)%	0.6%	(0.14)%	(0.66)%	(0.15)%	0.0%	(0.24)%	0.0%	0.3%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
IBIT from Core Businesses	8.0%	6.4%	7.8%	5.8%	6.0%	6.3%	8.8%	5.9%	3.8%	5.5%	5.6%	7.4%	4.4%	4.1%	4.6%	4.9%	4.6%
Retail Energy Services																	
Results	0.0%	(0.26)%	(0.77)%	(0.43)%	(0.73)%	(0.53)%	(0.48)%	(0.66)%	(0.20)%	(0.34)%	(0.38)%	(0.41)%	(0.21)%	(0.18)%	(0.08)%	(0.20)%	0.2%
Total IBIT	9.3%	8.0%	(16.86)%	5.4%	6.4%	2.8%	8.3%	5.3%	3.6%	4.7%	5.1%	7.0%	4.2%	4.0%	4.6%	4.8%	4.9%
YEAR OVER YEAR CHANGE																	
Revenues - Core Businesses						53.3%											
Total Revenues						52.6%											
IBIT from Core Businesses						21.1%											
Total IBIT						(54.36)%											
Net Income, Before Preferred Dividends and Non-recurring						(82.02)%											

Source: Company reports and BancBoston Robertson Stephens estimates.

Figure 9: ENRON OIL & GAS—QUARTERLY MODEL *(in millions)*

		1997					1998					1999E					
FY December	**1996**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1A**	**Q2**	**Q3**	**Q4**	**Year**	**2000E**
Net Operating Revenues	**726**	**180**	**172**	**193**	**230**	**775**	**200**	**179**	**199**	**204**	**788**	**159**	**162**	**187**	**192**	**700**	**759**
Corporate Hedging Activities					(8)	(8)	6			9	19	23	4	5	5	37	19
Operating Expenses	181	54	50	56	56	210	56	51	54	58	219	62	49	55	56	222	228
Oil & Gas Exploration Expenses	89	22	24	22	34	102	34	26	34	27	121	25	25	28	29	107	114
Depreciation, Depletion & Amortization	251	63	69	72	74	278	72	73	84	86	315	82	73	82	82	320	334
Other Income, net	(5)	1	1	-	(4)	(2)	(1)	-	(2)	(2)	(5)	(1)	-	-	-	(1)	-
IBIT	**200**	**42**	**30**	**49**	**62**	**183**	**43**	**29**	**25**	**31**	**128**	**12**	**15**	**22**	**25**	**74**	**83**
Percent of Revenues																	
Corporate Hedging Activities	0.0%	0.0%	0.0%	0.0%	(3.5)%	(1.0)%	3.0%	0.0%	0.0%	4.4%	2.4%	14.5%	2.5%	2.5%	2.5%	5.2%	2.5%
Operating Expenses	24.9%	30.0%	29.1%	29.0%	24.3%	27.1%	28.0%	28.5%	27.1%	28.4%	27.8%	39.0%	30.0%	29.5%	29.0%	31.6%	30.0%
Oil & Gas Exploration Expenses	12.3%	12.2%	14.0%	11.4%	14.8%	13.2%	17.0%	14.5%	17.1%	13.2%	15.4%	15.7%	15.5%	15.0%	15.0%	15.3%	15.0%
Depreciation, Depletion & Amortization	34.6%	35.0%	40.1%	37.3%	32.2%	35.9%	36.0%	40.8%	42.2%	42.2%	40.0%	51.6%	45.0%	44.0%	43.0%	45.7%	44.0%
Other Income, net	(0.7)%	0.6%	0.6%	0.0%	(1.7)%	(0.3)%	-0.5%	0.0%	(1.0)%	(1.0)%	(0.6)%	(0.6)%	0.0%	0.0%	0.0%	(0.1)%	0.0%
IBIT	27.5%	23.3%	17.4%	25.4%	27.0%	23.6%	21.5%	16.2%	12.6%	15.2%	16.2%	7.5%	9.5%	11.5%	13.0%	10.5%	11.0%
Year Over Year Change																	
Net Operating Revenues						6.7%	11.1%	4.1%	3.1%	(11.3)%	1.7%	(20.5)%	(9.2)%	(5.9)%	(6.0)%	(11.1)%	8.3%
Operating Expenses						16.0%	3.7%	2.0%	(3.6)%	3.6%	4.3%	10.7%	(4.4)%	2.3%	(4.2)%	1.2%	2.7%
Oil & Gas Exploration Expenses						14.6%	54.5%	8.3%	54.5%	(20.6)%	18.6%	(26.5)%	(3.1)%	(17.4)%	6.5%	(11.5)%	6.3%
Depreciation, Depletion & Amortization						10.8%	14.3%	5.8%	16.7%	16.2%	13.3%	13.9%	0.2%	(1.9)%	(4.2)%	1.6%	4.3%
IBIT						(8.5)%	2.4%	(3.3)%	(49.0)%	(50.0)%	(30.1)%	(72.1)%	(46.8)%	(13.8)%	(19.6)%	(42.3)%	12.9%

Source: Company reports and BancBoston Robertson Stephens estimates. *(Continued)*

Figure 9: ENRON OIL & GAS—QUARTERLY MODEL *(in millions)* *(Continued)*

		1997					1998					1999E					
FY December	1996	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	2000E
Wellhead Delivery Volumes																	
Total Deliveries (Bcfe/year))	352.6	89.2	92.7	96.4	98.3	376.6	95.2	96.8	111.2	113.8	417.0	105.9	101.6	116.8	119.5	443.8	466.0
Year over year percent change						*6.8%*	*6.7%*	*4.4%*	*15.4%*	*15.8%*	*10.7%*	*11.2%*	*5.0%*	*5.0%*	*5.0%*	*6.4%*	*5.0%*
Natural Gas Volumes (MMcf/d)																	
United States	608	643	689	639	656	657	644	624	692	722	671	677					
Canada	98	95	92	109	110	101	101	98	106	116	105	104					
North America	706	738	781	748	766	758	745	722	798	838	776	781					
Trinidad	124	112	114	115	108	113	109	132	163	153	139	152					
India	-	-	1	34	38	18	47	53	58	62	56	71					
Total	830	850	896	897	912	889	901	907	1,019	1,053	971	1,004	947	1,088	1,113	1,038	1,085
As percent of Total Deliveries	*85.9%*	*87.0%*	*88.2%*	*84.9%*	*84.7%*	*86.2%*	*86.4%*	*85.5%*	*83.6%*	*84.4%*	*85.0%*	*86.5%*	*85.0%*	*85.0%*	*85.0%*	*85.4%*	*85.0%*
REVENUES													**134**	**154**	**157**	**445**	**733**
Average Natural Gas Prices ($/Mcf)																	
United States	$2.04	$2.71	$1.87	$2.02	$2.71	$2.32	$2.01	$2.04	$1.82	$1.88	$1.93	$1.62					
Canada	1.15	1.71	1.25	1.23	1.55	1.43	1.39	1.41	1.28	1.53	1.40	1.39					
North America					2.55	2.20				1.83	1.86	1.58					
Trinidad	1.00	1.04	1.04	1.04	1.05	1.05	1.09	1.08	1.03	1.04	1.06	1.06					
India	-	-	2.97	2.93	2.66	2.79	2.70	2.57	2.34	2.14	2.41	1.96					
Total Composite	1.78	2.38	1.70	1.84	2.37	2.07	1.86	1.87	1.67	1.73	1.78	1.53	1.55	1.55	1.55	1.55	1.85
Crude Oil/Condensate Volumes (MBbl/d)																	
United States	9.2	10.7	11.2	12.3	12.5	11.7	12.6	12.2	16.6	14.4	14.0	13.1					
Canada	2.4	2.4	2.4	2.5	3.0	2.5	2.7	2.5	2.8	2.7	2.6	2.7					
North America	11.6	13.1	13.6	14.8	15.5	14.2	15.3	14.7	19.4	17.1	16.6	15.8					
Trinidad	5.2	3.7	3.5	3.4	3.0	3.4	2.8	2.9	3.1	3.0	3.0	2.8					
India	2.8	2.8	-	2.4	3.9	2.3	4.2	4.8	5.1	6.4	5.1	7.1					
Total	19.6	19.6	17.2	20.6	22.4	19.9	22.3	22.4	27.6	26.5	24.7	25.7	25.8	29.6	30.3	27.9	29.6
Total (Mcfe)	110.0	110.0	96.5	115.6	125.7	111.7	125.2	125.7	154.9	148.7	138.6	144.2	144.8	166.3	170.2	156.4	166.0
As percent of Total Deliveries	*12.2%*	*12.0%*	*10.2%*	*11.7%*	*12.5%*	*11.6%*	*12.8%*	*12.7%*	*13.6%*	*12.7%*	*13.0%*	*13.3%*	*13.0%*	*13.0%*	*13.0%*	*12.9%*	*13.0%*
REVENUES													**26**	**30**	**31**	**87**	**13**
Average Crude Oil/Condensate Prices ($/Bbl)																	
United States	$21.88	$22.33	$19.42	$19.19	$18.65	$19.81	$14.68	$13.10	$12.54	$11.40	$12.84	$11.31					
Canada	18.01	18.04	16.49	17.39	16.83	17.16	13.97	11.47	11.53	10.31	11.82	11.75					
North America Composite					18.30	19.33				11.23	12.67	11.39					
Trinidad	19.76	21.56	16.09	18.81	17.97	18.68	14.03	13.31	11.37	10.51	12.26	9.63					
India	20.17	22.99	-	18.21	19.08	20.05	15.33	13.41	11.59	11.88	12.86	9.79					
Total Composite	20.60	21.76	18.31	18.81	18.40	19.30	14.64	13.01	12.13	11.31	12.66	10.76	11.00	11.25	11.25	11.07	1.25
Natural Gas Liquids Volumes (MBbl/d)																	
United States	1.3	2.6	2.2	2.9	2.7	2.6	2.7	2.5	3.0	3.0	2.9	2.6					
Canada	1.2	1.3	1.0	1.5	1.1	1.3	1.1	1.1	1.0	1.0	1.0	0.4					
Total	2.5	3.9	3.2	4.4	3.8	3.9	3.8	3.6	4.0	4.0	3.9	3.0	4.0	4.6	4.7	4.0	4.5
Total (Mcfe)	14.0	21.9	18.0	24.7	21.3	21.9	21.3	20.2	22.4	22.4	21.9	16.8	22.3	25.6	26.2	22.7	25.5
As percent of Total Deliveries	*1.6%*	*2.4%*	*1.9%*	*2.5%*	*2.1%*	*2.3%*	*2.2%*	*2.0%*	*2.0%*	*1.9%*	*2.0%*	*1.6%*	*2.0%*	*2.0%*	*2.0%*	*1.9%*	*2.0%*
REVENUES													**3**	**3**	**3**	**9**	**12**
Average Natural Gas Liquids Prices ($/Bbl)																	
United States					$ 13.42	$ 12.76	9.49			$7.62	$8.38	7.69					
Canada					8.99	8.94	5.96			5.92	5.02	5.00				1.25	
Composite	-	-	-	-	11.21	10.85	8.48	-	-	6.77	6.70	7.34	7.35	7.35	7.35	7.35	7.50

Source: Company reports and BancBoston Robertson Stephens estimates.

Figure 10: TRANSMISSION AND DISTRIBUTION GROUP—QUARTERLY MODEL *(in millions)*

FY December	1996	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1997 Year	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1998 Year	1999E Q1A	1999E Q2	1999E Q3	1999E Q4	1999E Year	2000E
GAS PIPELINE GROUP																	
Total Revenue of Constituents	**1,221**	**326**	**264**	**261**	**292**	**1,143**	**309**	**262**	**267**	**290**	**1,128**	**-**	**289**	**277**	**287**	**853**	**1,211**
Gross Margin	**719**	**206**	**139**	**143**	**177**	**665**	**192**	**137**	**144**	**167**	**640**	**181**	**166**	**159**	**165**	**671**	**696**
As a percentage of total constituents revenue	*58.9%*	*63.2%*	*52.7%*	*54.8%*	*60.6%*	*58.2%*	*62.1%*	*52.3%*	*53.9%*	*57.6%*	*56.7%*	*#DIV/0!*	*57.5%*	*57.5%*	*57.5%*	*78.7%*	*57.5%*
Operating Expenses	316	73	76	77	84	310	69	68	68	71	276	61	69	72	72	274	303
Depreciation and Amortization	66	18	16	16	19	69	16	17	17	20	70	17	17	17	17	68	73
Equity in Earnings	35	10	8	11	11	40	11	9	8	4	32	8	9	8	9	34	36
Other Income, net	44	10	18	10	-	38	8	11	2	4	25	15	7	7	7	36	30
IBIT excluding non-recurring assets	**416**	**135**	**73**	**71**	**85**	**364**	**126**	**72**	**69**	**84**	**351**	**126**	**95**	**86**	**92**	**399**	**388**
Non-recurring Item:																	
Gain on sales of liquids assets	90	102	-	-	-	102	-	-	-	-	-	-	-	-	-	-	-
IBIT	**524**	**237**	**73**	**71**	**85**	**466**	**126**	**72**	**69**	**84**	**351**	**126**	**95**	**86**	**92**	**399**	**388**
Percent of Revenues																	
Operating Expenses	25.9%	22.4%	28.8%	29.5%	28.8%	27.1%	22.3%	26.0%	25.5%	24.5%	24.5%	#DIV/0!	24.0%	26.0%	25.0%	32.1%	25.0%
Depreciation and Amortization	5.4%	5.5%	6.1%	6.1%	6.5%	6.0%	5.2%	6.5%	6.4%	6.9%	6.2%	#DIV/0!	6.0%	6.0%	6.0%	8.0%	6.0%
Equity in Earnings	2.9%	3.1%	3.0%	4.2%	3.8%	3.5%	3.6%	3.4%	3.0%	1.4%	2.8%	#DIV/0!	3.0%	3.0%	3.0%	3.9%	3.0%
Other Income, net	3.6%	3.1%	6.8%	3.8%	0.0%	3.3%	2.6%	4.2%	0.7%	1.4%	2.2%	#DIV/0!	2.5%	2.5%	2.5%	4.3%	2.5%
IBIT excluding non-recurring assets	34.1%	41.4%	27.7%	27.2%	29.1%	31.8%	40.8%	27.5%	25.8%	29.0%	31.1%	#DIV/0!	50.3%	50.3%	50.3%	46.8%	50.3%
IBIT	42.9%	72.7%	27.7%	27.2%	29.1%	40.8%	40.8%	27.5%	25.8%	29.0%	31.1%	#DIV/0!	50.3%	50.3%	50.3%	46.8%	50.3%
Year Over Year Change																	
Net Revenues						(7.5)%	(6.8)%	(1.4)%	0.7%	(5.6)%	(3.8)%	(5.7)%	21.3%	10.7%	(1.3)%	4.9%	3.7%
Operating Expenses						(1.9)%	(5.5)%	(10.5)%	(11.7)%	(15.5)%	(11.0)%	(11.6)%	2.0%	6.0%	0.9%	(0.7)%	10.5%
Depreciation and Amortization						4.5%	(11.1)%	6.3%	6.3%	5.3%	1.4%	6.3%	2.0%	(2.1)%	(14.0)%	(2.6)%	6.6%
Equity in Earnings						14.3%	10.0%	12.5%	(27.3)%	(63.6)%	(20.0)%	(27.3)%	(3.7)%	4.0%	115.0%	5.0%	8.2%
Other Income, net						(13.6)%	(20.0)%	(38.9)%	(80.0)%		(34.2)%	87.5%	(34.3)%	246.7%	79.2%	45.3%	(16.6)%
IBIT excluding non-recurring assets						(12.5)%	(6.7)%	(1.4)%	(2.8)%	(1.2)%	(3.6)%	0.0%	32.4%	24.6%	9.2%	13.7%	(2.9)%
Non-recurring Item:																	
Gain on sales of liquids assets						13.3%											
IBIT						(11.1)%	(46.8)%	(1.4)%	(2.8)%	(1.2)%	(24.7)%	0.0%	32.4%	24.6%	9.2%	13.7%	207.6%

Source: Company reports and BancBoston Robertson Stephens estimates. *(Continued)*

Figure 10: TRANSMISSION AND DISTRIBUTION GROUP—QUARTERLY MODEL *(in millions)* *(Continued)*

		1997					1998					1999E					
FY December	**1996**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1A**	**Q2**	**Q3**	**Q4**	**Year**	**2000E**
NORTHERN NATURAL GAS																	
Total Revenues	507	160	101	108	139	508	150	98	105	127	480		108	106	118	331	448
Net Margin	441	136	89	92	123	440	133	86	93	121	432						
Volumes transported (Bbtu/d)	4,577	4,809	4,085	4,063	4,507	4,364	4,476	3,879	3,792	4,252	4,098	4,544	3,852	3,768	4,214	4,095	4,095
Year over Year Percent Change						*(4.7)%*	*(6.9)%*	*(5.0)%*	*(6.7)%*	*(5.7)%*	*(6.1)%*	*1.5%*	*(3.0)%*	*(3.0)%*	*(3.0)%*	*1.5%*	*0.0%*
Additional Volume from Expansion Projects													88	88	88	263	-
Total Volume Transported	4,577	4,809	4,085	4,063	4,507	4,364	4,476	3,879	3,792	4,252	4,098	4,544	3,940	3,856	4,302	4,160	4,095
Average Transportation Rate (per MMBtu)	0.30	0.31	0.27	0.28	0.33	0.31	0.37	0.28	0.30	0.33	0.32		0.30	0.30	0.30	0.23	0.30
TRANSWESTERN PIPELINE																	
Total Revenues	180	38	37	37	36	148	35	37	37	36	145		47	43	41	130	164
Net Margin	176	38	37	37	36	148	35	37	37	36	145						
Volumes transported (Bbtu/d)	1,341	1,251	1,476	1,453	1,482	1,416	1,668	1,707	1,564	1,492	1,608	1,531	1,826	1,673	1,596	1,657	1,608
Year over Year Percent Change						*5.6%*	*33.3%*	*15.7%*	*7.6%*	*0.7%*	*13.6%*	*(8.2)%*	*7.0%*	*7.0%*	*7.0%*	*3.0%*	*5.0%*
Additional Volume from Expansion Projects												-	-	-	-	-	-
Total Volume Transported	1,341	1,251	1,476	1,453	1,482	1,416	1,668	1,707	1,564	1,492	1,608	1,531	1,826	1,673	1,596	1,657	1,608
Average Transportation Rate (per MMBtu)	0.36	0.31	0.27	0.28	0.26	0.28	0.23	0.24	0.25	0.27	0.28		0.28	0.28	0.28	0.21	0.28
FLORIDA GAS TRANSMISSION																	
Total Revenues	325	81	80	76	71	308	76	78	76	76	306		80	75	73	228	317
Net Margin	278	70	74	72	67	283	72	74	72	73	291						
Volumes transported (Bbtu/d)	1,296	1,221	1,440	1,486	1,217	1,341	1,168	1,328	1,471	1,303	1,341	1,225	1,355	1,500	1,329	1,352	1,379
Year over Year Percent Change						*3.5%*	*(4.3)%*	*(7.8)%*	*(1.0)%*	*7.1%*	*0.0%*	*4.9%*	*2.0%*	*2.0%*	*2.0%*	*0.8%*	*2.0%*
Additional Volume from Expansion Projects												-	-	-	-	-	-
Total Volume Transported	1,296	1,221	1,440	1,486	1,217	1,341	1,168	1,328	1,471	1,303	1,341	1,225	1,355	1,500	1,329	1,352	1,379
Average Transportation Rate (per MMBtu)	0.69	0.74	0.59	0.57	0.64	0.63	0.71	0.65	0.56	0.64	0.63		0.65	0.55	0.60	0.45	0.63
NORTHERN BORDER PIPELINE																	
Total Revenues	209	47	46	40	46	179	48	49	49	51	197		54	54	55	163	281
Net Margin	209	47	46	40	46	179	48	49	49	51	197						
Volumes transported (Bbtu/d)	1,801	1,856	1,785	1,740	1,820	1,800	1,839	1,737	1,723	1,781	1,770	2,485	1,738	1,724	1,782	1,932	2,486
Year over Year Percent Change						*(0.1)%*	*(0.9)%*	*(2.7)%*	*(1.0)%*	*(2.1)%*	*(1.7)%*	*35.1%*	*(1.5)%*	*(1.5)%*	*(1.5)%*	*38.8%*	*0.0%*
Additional Volume from Expansion Projects													175	175	175	525	-
Total Volume Transported	1,801	1,856	1,785	1,740	1,820	1,800	1,839	1,737	1,723	1,781	1,770	2,485	1,913	1,899	1,957	2,457	2,486
Rate per 100 Dekatherm Miles	0.040	0.037	0.037	0.037	0.037	0.037	0.037	0.037	0.037	0.037	0.037						
Calculated Average Transportation Rate (per MMBtu)	0.32	0.28	0.28	0.25	0.28	0.27	0.29	0.31	0.31	0.31	0.30		0.31	0.31	0.31	0.23	0.31

Source: Company reports and BancBoston Robertson Stephens estimates.

(Continued)

Figure 10: TRANSMISSION AND DISTRIBUTION GROUP—QUARTERLY MODEL *(in millions)* *(Continued)*

		1997					1998					1999E					
FY December	**1996**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1A**	**Q2**	**Q3**	**Q4**	**Year**	**2000E**
PORTLAND GENERAL																	
Revenues																	
Residential	426	117	83	79	111	390	110	108	93	121	432		110	95	137	342	460
Commercial	357	87	83	92	91	353	84	82	94	85	345		94	101	95	290	402
Industrial	149	33	38	37	36	144	31	28	36	36	131		43	41	34	118	146
Accrued (Collected) Revenues	(26)	6	1	(7)	10	10	5	2	(27)	13	(7)	-	-	-	-	-	-
Retail Revenues	906	243	205	201	248	897	230	220	196	255	901	-	246	237	266	750	1,008
Wholesale	193	116	100	180	99	495	65	41	70	58	234		34	39	42	115	171
Other	10	9	2	5	13	29	25	8	14	14	61	-	-	-	-	-	-
Total Revenues	**1,109**	**368**	**307**	**386**	**360**	**1,421**	**320**	**269**	**280**	**327**	**1,196**	**299**	**280**	**276**	**309**	**1,164**	**1,179**
Purchased Power & Fuel	316	157	128	221	168	674	124	94	104	129	451	100	95	97	102	394	401
Operating Expenses	301	67	74	69	85	295	76	78	76	65	295	70	66	65	71	272	271
Depreciation & Amortization	155	39	39	45	46	169	44	45	47	47	183	46	43	43	46	179	177
Other Income, net	6	-	1	-	2	3	3	10	8	(2)	19	9	-	-	-	9	-
IBIT	**343**	**105**	**67**	**51**	**63**	**286**	**79**	**62**	**61**	**84**	**286**	**92**	**76**	**72**	**90**	**329**	**330**
Percent of Revenues																	
Purchased Power & Fuel	28.5%	42.7%	41.7%	57.3%	46.7%	47.4%	38.8%	34.9%	37.1%	39.4%	37.7%	33.4%	34.0%	35.0%	33.0%	33.8%	34.0%
Operating Expenses	27.1%	18.2%	24.1%	17.9%	23.6%	20.8%	23.8%	29.0%	27.1%	19.9%	24.7%	23.4%	23.5%	23.5%	23.0%	23.3%	23.0%
Depreciation & Amortization	14.0%	10.6%	12.7%	11.7%	12.8%	11.9%	13.8%	16.7%	16.8%	14.4%	15.3%	15.4%	15.5%	15.5%	15.0%	15.3%	15.0%
Other Income, net	0.5%	0.0%	0.3%	0.0%	0.6%	0.2%	0.9%	3.7%	2.9%	-0.6%	1.6%	3.0%	0.0%	0.0%	0.0%	0.8%	0.0%
IBIT	30.9%	28.5%	21.8%	13.2%	17.5%	20.1%	24.7%	23.0%	21.8%	25.7%	23.9%	30.8%	27.0%	26.0%	29.0%	28.3%	28.0%
Year Over Year Change																	
Revenues						28.1%	(13.0)%	(12.4)%	(27.5)%	(9.2)%	(15.8)%	(6.6)%	4.2%	(1.4)%	(5.6)%	(2.7)%	1.2%
Purchased Power & Fuel						113.3%	(21.0)%	(26.6)%	(52.9)%	(23.2)%	(33.1)%	(19.4)%	1.4%	(7.1)%	(21.0)%	(12.7)%	1.8%
Operating Expenses						(2.0)%	13.4%	5.4%	10.1%	(23.5)%	0.0%	(7.9)%	(15.5)%	(14.6)%	9.2%	(7.9)%	(0.2)%
Depreciation & Amortization						9.0%	12.8%	15.4%	4.4%	2.2%	8.3%	4.5%	(3.4)%	(8.9)%	(1.5)%	(2.4)%	(1.0)%
IBIT						(16.6)%	(24.8)%	(7.5)%	19.6%	33.3%	0.0%	16.5%	22.1%	17.7%	6.6%	15.0%	0.3%
Retail Customers (end of period, thousands)	668	672	677	681	685	685	688	694	698	704	704	708	715	719	725	725	747
Year over Year percent Change						*2.5%*	*2.4%*	*2.5%*	*2.5%*	*2.8%*	*2.8%*	*2.9%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Electricity Sales (thousand MWh)																	
Residential	7,073	2,142	1,462	1,391	1,988	6,983	2,076	1,524	1,454	2,052	7,101	2,342	1,834	1,589	2,284	8,048	8,365
Percent of Total Retail	*40.3%*	*44.3%*	*35.1%*	*32.2%*	*41.0%*	*38.4%*	*44.9%*	*35.9%*	*33.1%*	*43.7%*	*40.7%*	*45.2%*	*38.0%*	*34.0%*	*45.0%*	*40.7%*	*40.0%*
Commercial	6,577	1,711	1,623	1,831	1,787	6,952	1,654	1,613	1,861	1,725	6,781	1,816	1,834	1,981	1,864	7,495	8,365
Percent of Total Retail	*37.5%*	*35.4%*	*38.9%*	*42.4%*	*36.9%*	*38.3%*	*35.8%*	*38.0%*	*42.4%*	*36.7%*	*38.9%*	*35.1%*	*38.0%*	*42.4%*	*36.7%*	*37.9%*	*40.0%*
Industrial	3,909	983	1,086	1,093	1,073	4,235	891	1,106	1,074	921	3,562	1,020	1,157	1,103	928	4,208	4,182
Percent of Total Retail	*22.3%*	*20.3%*	*26.0%*	*25.3%*	*22.1%*	*23.3%*	*19.3%*	*26.1%*	*24.5%*	*19.6%*	*20.4%*	*19.7%*	*24.0%*	*23.6%*	*18.3%*	*21.3%*	*20.0%*
Total Retail	**17,559**	**4,836**	**4,171**	**4,315**	**4,848**	**18,170**	**4,621**	**4,243**	**4,389**	**4,698**	**17,444**	**5,178**	**4,825**	**4,673**	**5,076**	**19,752**	**20,912**
Annualized kWH's Per Retail Customer	*26.3*	*28.8*	*24.6*	*25.3*	*28.3*	*26.5*	*26.9*	*24.5*	*25.2*	*26.7*	*24.8*	*29.3*	*27.0*	*26.0*	*28.0*	*27.6*	*28.0*
Wholesale	**10,188**	**6,419**	**6,958**	**8,556**	**4,892**	**26,825**	**3,575**	**2,382**	**2,675**	**2,237**	**10,869**	**1,338**	**1,361**	**1,558**	**1,692**	**5,949**	**6,971**
Percent of Total Sales	*36.7%*	*57.0%*	*62.5%*	*66.5%*	*51.7%*	*60.0%*	*43.6%*	*36.0%*	*37.9%*	*32.3%*	*38.4%*	*20.5%*	*22.0%*	*25.0%*	*25.0%*	*23.1%*	*25.0%*
Total Sales	**27,747**	**11,255**	**11,129**	**12,871**	**9,470**	**44,725**	**8,196**	**6,625**	**7,064**	**6,935**	**28,313**	**6,516**	**6,186**	**6,231**	**6,768**	**25,701**	**27,883**
Average Billed Revenue (cents/KWh)																	
Residential	6.05	5.45	5.68	5.71	5.57	5.60	5.91	6.40	6.45	5.75	6.07		6.00	6.00	6.00	4.50	5.50
Commercial	5.45	5.07	5.14	5.01	5.10	5.08	5.07	5.15	5.20	4.94	5.09		5.10	5.10	5.10	3.83	4.80
Industrial	3.82	3.36	3.46	3.45	3.25	3.38	3.43	3.18	4.34	3.86	3.69		3.70	3.70	3.70	2.78	3.50
Total Retail	5.33	4.89	4.92	4.84	4.88	4.88	5.13	5.17	5.47	5.08	5.21						
Wholesale	1.83	1.81	1.44	2.10	2.03	1.85	1.82	1.72	2.61	2.59	2.15		2.50	2.50	2.50	1.88	2.45
Total Sales	4.00	3.13	2.76	3.02	3.45	3.09	3.68	3.89	4.34	4.27	4.03						

Source: Company reports and BancBoston Robertson Stephens estimates.

Figure 11: WHOLESALE ENERGY OPERATIONS AND SERVICES *(in millions)*

		1997					1998					1999E					
FY December	**1996**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1A**	**Q2**	**Q3**	**Q4**	**Year**	**2000E**
Total Revenues	**11,413**	**4,713**	**2,786**	**4,954**	**5,069**	**18,022**	**4,738**	**5,774**	**10,225**	**6,618**	**27,725**	**6,595**	**9,713**	**11,053**	**9,302**	**36,663**	**40,356**
Year over Year Change						*57.9%*	*0.5%*	*107.3%*	*106.4%*	*30.6%*	*53.8%*	*39.2%*	*68.2%*	*8.1%*	*40.6%*	*32.2%*	*10.1%*
IBIT																	
Commodity Sales and Services	348	142	9	22	76	249	129	23	152	107	411	224	193	220	181	818	846
Percent of Revenues	*3.0%*	*3.0%*	*0.3%*	*0.4%*	*1.5%*	*(28.4)%*	*2.7%*	*0.4%*	*1.5%*	*1.6%*	*1.5%*	*3.4%*	*1.5%*	*1.5%*	*1.5%*	*2.0%*	*1.5%*
Energy Assets and Investments	263	53	152	190	170	565	151	258	160	140	709	136	150	168	147	601	721
Percent of Revenues	*2.3%*	*1.1%*	*5.5%*	*3.8%*	*3.4%*	*3.1%*	*3.2%*	*4.5%*	*1.6%*	*2.1%*	*2.6%*	*2.1%*	*3.0%*	*3.0%*	*3.0%*	*2.8%*	*3.0%*
Year Over Year Percent Change						*114.8%*	*184.9%*	*69.7%*	*(15.8)%*	*(17.6)%*	*25.5%*	*(9.9)%*	*5.0%*	*5.0%*	*5.0%*	*1.3%*	*20.0%*
Unallocated Expenses	(145)	(28)	(31)	(39)	(62)	(160)	(31)	(40)	(35)	(46)	(152)	(40)	(52)	(56)	(39)	(188)	(195)
Percent of Revenues	*(1.3)%*	*(0.6)%*	*(1.1)%*	*(0.8)%*	*(1.2)%*	*(0.9)%*	*(0.7)%*	*(0.7)%*	*(0.3)%*	*(0.7)%*	*(0.5)%*	*(0.6)%*	*(0.5)%*	*(0.5)%*	*(0.5)%*	*(0.5)%*	*(0.5)%*
TOTAL IBIT ALL SEGMENTS	**466**	**167**	**130**	**173**	**184**	**654**	**249**	**241**	**277**	**201**	**968**	**320**	**291**	**332**	**288**	**1,231**	**1,372**
Percent of Revenues	*4.1%*	*3.5%*	*4.7%*	*3.5%*	*3.6%*	*3.6%*	*5.3%*	*4.2%*	*2.7%*	*3.0%*	*3.5%*	*4.9%*	*3.0%*	*3.0%*	*3.1%*	*3.4%*	*3.4%*
Year Over Year Percent Change						*40.3%*	*49.1%*	*85.4%*	*60.1%*	*9.2%*	*48.0%*	*28.5%*	*20.9%*	*19.7%*	*43.5%*	*27.2%*	*11.4%*
Commodity Sales and Services																	
Physical Volumes (Bbtue/d)																	
Gas:																	
United States	6,998	8,611	7,330	7,321	7,370	7,654	7,276	6,696	7,749	7,941	7,418	9,088	7,366	8,136	8,338	8,251	9,088
Canada	1,406	2,107	2,123	2,353	2,464	2,263	2,876	3,295	3,656	4,101	3,486	3,954	4,613	5,118	5,741	4,858	5,536
Europe	289	460	572	748	854	660	1,125	1,062	1,176	1,605	1,243	1,792	1,699	1,882	2,568	1,987	2,867
Other	-	-	-	-	-	-	1	5	4	4	8	7	5	4	4	8	7
Total	8,693	11,178	10,025	10,422	10,688	10,577	11,278	11,058	12,585	13,651	12,155	14,841	13,683	15,140	16,651	15,104	17,498
Transport Volumes	544	207	686	456	488	460	450	630	643	510	559	556	756	772	612	676	612
Total Gas Volumes	9,237	11,385	10,711	10,878	11,176	11,037	11,728	11,688	13,228	14,161	12,714	15,397	14,439	15,912	17,263	15,780	18,109
Oil	320	663	454	684	956	690	1,756	2,534	2,596	4,923	2,960	3,704	6,335	6,490	12,308	7,111	9,260
Liquids	1,187	1,248	1,080	858	768	987	654	550	652	586	610	580	358	424	381	433	377
Electricity	1,648	3,699	4,193	7,854	5,232	5,256	8,262	9,463	17,684	8,609	11,024	9,594	14,195	27,410	15,066	16,429	14,391
Total Physical Volumes (Bbtue/d)	12,392	16,995	16,438	20,274	18,132	17,970	22,400	24,235	34,160	28,279	27,308	29,275	35,326	50,236	45,018	39,752	42,137
Dollars IBIT per (Bbtue)	*77*	*92*	*6*	*12*	*46*	*38*	*63*	*10*	*49*	*41*	*41*	*84*	*60*	*48*	*44*	*59*	*55*
Electricity Volumes Marketed (Thousand MWh)																	
United States	60,150	33,242	28,141	72,338	48,125	191,746	74,272	86,075	162,527	78,969	401,843	85,962					
Europe and Other	-	50	18	19	13	100	82	40	165	242	529	384					
Total	60,150	33,292	38,159	72,257	48,138	191,846	74,354	86,115	162,692	79,211	402,372	86,346					
Financial Settlements (Notional)(Bbtue/d)	35,259	39,916	45,647	51,953	58,574	49,082	69,918	67,411	83,653	79,211	75,266	94,974					
Year Over Year Change																	
Physical Volumes (Bbtue/d)																	
Gas:																	
United States						9.4%	(15.50)%	(8.65)%	5.8%	7.7%	(3.08)%	24.9%	10.0%	5.0%	5.0%	11.2%	0.0%
Canada						61.0%	36.5%	55.2%	55.4%	66.4%	54.0%	37.5%	40.0%	40.0%	40.0%	39.4%	40.0%
Europe						128.4%	144.6%	85.7%	57.2%	87.9%	88.3%	59.3%	60.0%	60.0%	60.0%	59.8%	60.0%
Other																0.0%	
Total						21.7%	0.9%	10.3%	20.8%	27.7%	14.9%	31.6%	23.7%	20.3%	22.0%	24.4%	17.9%
Transport Volumes						(15.44)%	117.4%	(8.16)%	41.0%	4.5%	21.5%	23.6%	20.0%	20.0%	20.0%	20.9%	10.0%
Total Gas Volumes						19.5%	3.0%	9.1%	21.6%	26.7%	15.2%	31.3%	23.5%	20.3%	21.9%	24.3%	17.6%
Oil						115.6%	164.9%	458.1%	279.5%	415.0%	329.0%	110.9%	150.0%	150.0%	150.0%	140.2%	150.0%
Liquids						(16.85)%	(47.60)%	(49.07)%	(24.01)%	(23.70)%	(38.20)%	(11.31)%	(35.00)%	(35.00)%	(35.00)%	(29.08)%	(35.00)%
Electricity						218.9%	123.4%	125.7%	125.2%	64.5%	109.7%	16.1%	50.0%	55.0%	75.0%	49.0%	50.0%
Total Physical Volumes (Bbtue/d)						45.0%	31.8%	47.4%	68.5%	56.0%	52.0%	30.7%	45.8%	47.1%	59.2%	45.7%	43.9%

**Model is hardwired off of year over year IBIT.

Source: Company reports and BancBoston Robertson Stephens estimates.

Figure 12: WESSEX WATER—QUARTERLY SALES & EARNINGS MODEL *(in million British Pounds)*

FY March	F1993	F1994	F1995	F1996	F1997	F1998	F1999E	F2000E	F2001E
Turnover (Revenues)	**206**	**217**	**229**	**241**	**254**	**266**	**277**	**278**	**241**
Operational Costs	94	92	88	86	85	86	87	86	89
Depreciation	31	33	37	38	29	32	33	33	32
Goodwill Amortization (converted from dollars)								8	32
Infrastructure Renewal Charge					11	11	11	11	11
Total Costs	125	125	125	124	125	128	131	139	165
Operating Profit	**81**	**92**	**105**	**117**	**130**	**138**	**145**	**139**	**76**
Share of Results of Associated Undertakings (Sold)	5	9	10	12	13	12	-	-	-
Profit on Ordinary Activities Before Interest (IBIT)	86	101	115	129	142	149	145	139	76
Net of Share of Assoc. Undertakings	**81**	**92**	**105**	**117**	**130**	**138**	**145**	**139**	**76**
Net Interest (payable)/recievable	1	2	2	5	3	(10)			
Profit on Ordinary Activities Before Taxation	86	103	117	134	145	139			
Net of Share of Assoc. Undertakings	82	94	107	122	132	128			
Taxation on Profit on Ordinary Activities	9	10	16	21	24	23			
Tax Provision for Associated Undertakings					3	4			
Estimated Tax Exposure Net of Assoc. Undertakings	9	9	15	19					
Tax Rate	*10.6%*	*9.5%*	*13.8%*	*15.7%*	*16.6%*	*16.7%*			
Utility Tax	-	-	-	-	-	99			
Profit Attributable to Shareholders	77	94	101	113	121	17			
Net of Share of Assoc. Undertakings and Utility Tax	**73**	**85**	**92**	**103**	**112**	**108**			
Percent of Turnover									
Effect of P(o) Cut								17.5%	17.5%
Operational Costs	45.5%	42.2%	38.4%	35.7%	33.3%	32.2%	31.5%	31.0%	37.0%
Depreciation	15.1%	15.4%	15.9%	15.9%	11.4%	11.9%	12.0%	12.0%	13.5%
Infrastructure Renewal Charge	0.0%	0.0%	0.0%	0.0%	4.2%	4.1%	4.0%	4.0%	4.5%
Total Costs	60.6%	57.6%	54.3%	51.6%	49.0%	48.2%	47.5%	49.9%	68.5%
Year Over Year Percent Change									
Turnover (Revenues)		5.6%	5.5%	5.1%	5.7%	4.6%	4.0%	5.0%	5.0%
Operational Costs		(2.03)%	(3.93)%	(2.39)%	(1.28)%	0.9%	1.8%	(1.19)%	3.4%
Depreciation		7.4%	9.3%	4.7%	(23.82)%	8.6%	5.1%	0.4%	(2.55)%
Infrastructure Renewal Charge						2.8%	0.6%	0.4%	(2.55)%
Total Costs		0.3%	(0.40)%	(0.32)%	0.4%	2.9%	2.5%	5.5%	18.8%
Operating Profit									
Net of Share of Assoc. Undertakings and Utility Tax		13.8%	13.4%	11.5%	11.2%	6.2%	5.4%	(4.21)%	(45.46)%

Source: Company reports and BancBoston Robertson Stephens estimates.

(Continued)

Figure 12: WESSEX WATER—QUARTERLY SALES & EARNINGS MODEL *(in million British Pounds)* *(Continued)*

FY March	F1993	F1994	F1995	F1996	F1997	F1998	F1999E	F2000E	F2001E
Segment Analysis									
Turnover (Revenues)					**254**	**266**	**277**	**278**	**241**
Water Supply					82	85	89	89	77
Percent of Turnover					*32.3%*	*31.8%*	*32.0%*	*32.0%*	*32.0%*
Waste Treatment					172	181	188	189	164
Percent of Turnover					*67.7%*	*68.2%*	*68.0%*	*68.0%*	*68.0%*
Operating Profit					**130**	**138**	**145**	**139**	**76**
Water Supply					33	34	36	35	19
Percent of Operating Profit					*25.1%*	*24.8%*	*25.0%*	*25.0%*	*25.0%*
Waste Treatment					97	104	109	104	57
Percent of Operating Profit					*74.9%*	*75.2%*	*75.0%*	*75.0%*	*75.0%*
Conversion of Wessex Fiscal Year to Enron Fiscal Year									
Revenues (MM Pounds)				251	263	274	277	250	
IBIT (MM Pounds)				126	136	143	141	138	
As a Percentage of Revenues				*50.4%*	*51.6%*	*52.3%*	*50.7%*	*55.2%*	
Exchange Rate **From FactSet and WSJ				$1.60	$1.60	$1.70	$1.62	$1.62	$1.62
Revenues (MM Dollars)				**401**	**421**	**466**	**450**	**405**	
IBIT (MM Dollars)				**202**	**217**	**244**	**228**	**223**	

Source: Company reports and BancBoston Robertson Stephens estimates.

Figure 13: RETAIL ENERGY SERVICES—QUARTERLY SALES & EARNINGS MODEL *(in millions)*

FY December	1996	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1997 Year	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1998 Year	1999E Q1A	1999E Q2	1999E Q3	1999E Q4	1999E Year	2000E
Revenues																	
Retail Energy Services	513	214	142	129	198	683	195	154	400	323	1,072	370	385	560	581	1,896	3,034
IBIT (Loss)																	
Retail Energy Services		(14)	(25)	(25)	(43)	(107)	(27)	(43)	(23)	(26)	(119)	(31)	(23)	(22)	(9)	(85)	82
IBIT as a Percentage of Segment Revenues																	
Retail Energy Services	0.0%	(6.54)%	(17.61)%	(19.38)%	(21.72)%	(15.67)%	(13.85)%	(27.92)%	(5.75)%	(8.05)%	(11.10)%	(8.38)%	(6.00)%	(4.00)%	(1.50)%	(4.49)%	2.7%
Year Over Year Change																	
Retail Energy Services						33.1%	(8.88)%	8.5%	210.1%	63.1%	57.0%	89.7%	150.0%	40.0%	80.0%	76.9%	60.0%

Source: Company reports and BancBoston Robertson Stephens estimates.

Figure 14: ENRON "FLYWHEEL" SUBSIDIARIES—QUARTERLY SALES & EARNINGS MODEL *(in millions)*

		1997					1998					1999E					
FY December	**1996**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1A**	**Q2**	**Q3**	**Q4**	**Year**	**2000E**
Total Revenues for Enron Corp.	**13,289**	**5,344**	**3,251**	**5,806**	**5,872**	**20,273**	**5,682**	**6,557**	**11,320**	**7,702**	**31,260**	**7,632**	**10,877**	**12,411**	**10,726**	**41,645**	**46,982**
Revenues																	
Exploration and Production	726	180	172	193	230	775	206	179	199	204	788	159	162	187	192	700	759
Net of Intercompany Considerations	647	210	168	188	223	789	198	176	186	190	750						
Percent of Total Segment Revenues	*89.1%*	*116.7%*	*97.7%*	*97.4%*	*97.0%*	*101.8%*	*96.1%*	*98.3%*	*93.5%*	*93.1%*	*95.2%*						
Transportation and Distribution																	
Gas Pipeline Group	719	206	139	143	177	665	192	137	144	167	640	181	166	159	165	671	696
Net of Intercompany Considerations	702	201	137	143	175	656	184	141	145	167	637						
Percent of Total Segment Revenues																	
Portland General	-	-	-	386	360	746	320	269	280	327	1,196	299	280	276	309	1,164	1,179
Net of Intercompany Considerations	-	-	-	386	360	746	318	271	280	327	1,196						
Percent of Total Segment Revenues				*100.0%*	*100.0%*	*100.0%*	*99.4%*	*100.7%*	*100.0%*	*100.0%*	*100.0%*						
Total Revenues	**1,349**	**411**	**305**	**717**	**758**	**2,191**	**702**	**586**	**611**	**684**	**2,583**	**639**	**609**	**623**	**665**	**2,536**	**2,634**
Percent of Enron Total Revenues	*10.2%*	*7.7%*	*9.4%*	*12.3%*	*12.9%*	*10.8%*	*12.4%*	*8.9%*	*5.4%*	*8.9%*	*8.3%*	*8.4%*	*5.6%*	*5.0%*	*6.2%*	*6.1%*	*5.6%*
Year over Year Change																	
Total IBIT for Enron Corp., net non-recurring	**1,060**	**327**	**227**	**311**	**312**	**1,177**	**471**	**345**	**405**	**400**	**1,621**	**533**	**461**	**495**	**492**	**1,981**	**2,279**
IBIT (Loss)																	
Exploration and Production	200	42	30	49	62	183	43	29	25	31	128	12	15	22	25	74	83
Transportation and Distribution																	
Gas Pipeline Group	416	135	73	71	85	364	126	72	69	84	351	126	95	86	92	399	388
Portland General	-	-	-	51	63	286	79	62	61	84	286	92	76	72	90	329	330
Corporate and Other	(22)	(3)	19	(8)	(39)	(31)	1	(16)	(4)	26	7	-	-	-	-	-	-
Total	**594**	**174**	**122**	**163**	**171**	**802**	**249**	**147**	**151**	**225**	**772**	**230**	**187**	**179**	**206**	**802**	**801**
Percent of Enron Total IBIT	*56.0%*	*53.2%*	*53.7%*	*52.4%*	*54.8%*	*68.1%*	*52.9%*	*42.6%*	*37.3%*	*56.3%*	*47.6%*	*43.2%*	*40.4%*	*36.2%*	*41.9%*	*40.5%*	*35.2%*
Average shares outstanding (diluted)	**270.1**	**272.5**	**248.4**	**316.6**	**322.0**	**295.0**	**329.8**	**346.3**	**356.3**	**358.0**	**348.0**	**367.0**	**376.1**	**385.5**	**395.2**	**380.94**	**437.7**

Source: Company reports and BancBoston Robertson Stephens estimates.

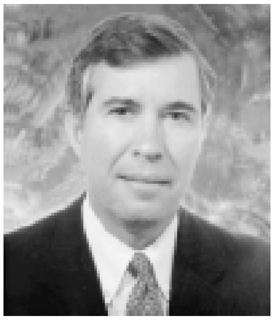
Figure 15: ENRON GROWTH COMPANIES—QUARTERLY SALES & EARNINGS MODEL *(in millions)*

		1997					1998					1999E					
FY December	**1996**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1A**	**Q2**	**Q3**	**Q4**	**Year**	**2000E**
Revenues																	
Azurix																	
Wessex	401	105	105	105	105	421	116	116	116	116	466	112	112	112	112	450	405
Mendoza																	
Cancun																	
Enron Communications																	300
Retail Energy Services	513	214	142	129	198	683	195	154	400	323	1,072	370	385	560	581	1,896	3,034
Wholesale Energy Operations and Services	11,413	4,713	2,786	4,954	5,069	18,022	4,738	5,774	10,225	6,618	27,725	6,595	9,713	11,053	9,302	36,663	40,356
Total Revenues	**12,327**	**5,032**	**3,033**	**5,188**	**5,372**	**19,126**	**5,049**	**6,044**	**10,741**	**7,057**	**29,263**	**7,077**	**10,210**	**11,726**	**9,995**	**39,008**	**44,095**
IBIT (Loss)																	
Azurix																	
Wessex	202					217					244					228	223
Mendoza																	
Cancun																	
Enron Communications																	-
Retail Energy Services		(14)	(25)	(25)	(43)	(107)	(27)	(43)	(23)	(26)	(119)	(31)	(23)	(22)	(9)	(85)	82
Wholesale Energy Operations and Services	466	167	130	173	184	654	249	241	277	201	968	320	291	332	288	1,231	1,372
Total Net Income	**668**	**153**	**105**	**148**	**141**	**764**	**222**	**198**	**254**	**175**	**1,093**	**289**	**268**	**309**	**280**	**1,374**	**1,677**
IBIT as a Percentage of Segment Revenues																	
Azurix																	
Wessex	5.4%	3.0%	3.5%	2.9%	2.6%	4.0%	4.4%	3.3%	2.4%	2.5%	3.7%	4.1%	2.6%	2.6%	2.8%	3.5%	3.8%
Mendoza																	
Cancun																	
Enron Communications																	
Retail Energy Services	0.0%	(6.54)%	(17.61)%	(19.38)%	(21.72)%	(15.67)%	(13.85)%	(27.92)%	(5.75)%	(8.05)%	(11.10)%	(8.00)%	(5.00)%	(2.50)%	2.5%	(4.49)%	5.0%
Wholesale Energy Operations and Services	4.1%	3.5%	4.7%	3.5%	3.6%	3.6%	5.3%	4.2%	2.7%	3.0%	3.5%	4.9%	3.0%	3.0%	3.1%	3.4%	3.4%
Total Net Income																	
Year Over Year Change																	
Revenues																	
Azurix																	
Wessex						4.9%	10.7%	10.7%	10.7%	10.7%	10.7%	(3.49)%	(3.49)%	(3.49)%	(3.49)%	(3.49)%	260.2%
Mendoza																	
Cancun																	
Enron Communications																	
Retail Energy Services						33.1%	(8.9)%	8.5%	210.1%	63.1%	57.0%	50.0%	50.0%	50.0%	50.0%	76.9%	50.0%
Wholesale Energy Operations and Services						57.9%	0.5%	107.3%	106.4%	30.6%	53.8%	39.2%	68.2%	8.1%	40.6%	32.2%	511.9%

Source: Company reports and BancBoston Robertson Stephens estimates.

BancBoston Robertson Stephens maintains a market in the shares of Applied Materials, Cisco Systems Inc., MCI Worldcom, Sun Microsystems Inc. and Tellabs, Inc.

Unless otherwise noted, prices are as of Wednesday, April 21, 1999.



Hugh F. Holman

Hugh Holman joined the firm in 1998 as senior equity analyst covering the environmental sector and the deregulation of the electric utility industry. Prior to joining the firm, he ran his own consulting firm, Environmental Capital Associates, Inc. Hugh has seven years of experience on Wall Street as an equity analyst, principally with Alex. Brown. In 1994, *The Wall Street Journal* recognized him as an All-Star pollution control analyst.

Prior to joining Alex. Brown in 1989, Hugh was a management consultant with Putnam, Hayes & Bartlett. He also worked for the U.S. Environmental Protection Agency, where he was the lead policy analyst for the Agency's hazardous and solid waste programs. He received his BA degree from Dartmouth College and his MBA degree from Stanford University.

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