

Enron Corp.

Company Update

Rating: STRONG BUY (Moderate Risk)

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- Enron has agreed to fund the buyback of AZX's publicly traded stock for \$275 million.
- The deal should have positive 2-3 point impact on ENE's long-term stock performance.
- Reviewing third-quarter results, wholesale trading was a major contributor.

Research

ENE (83 1/4)—NYSE

November 2, 2000

	Earnings Per Share Fiscal Year Ending			P/E 12/00E	Ind. Div.	Yield	Shares O/S (Mil.)	52- Week Range
	12/99	12/00E	12/01E					
New	\$1.18	\$1.40	\$1.65	59.4X	\$0.50	0.60%	819.6	91-35

DJIA: 10,899.47

S&P 400: 1421.22

PSI Natural Gas Pipeline Index: 1287.71

Priced as of the close, November 1, 2000.

Note: A PSI index's market-cap-weighted performance is on a total-return basis and, in most instances, from 1979. Most Prudential Securities Incorporated indexes (for about 200 industries in 12 economic sectors) are also segmented by small-, mid-, and large-cap stocks. For more information regarding these indexes and their composition please contact your Prudential Securities representative. Prudential Securities research is also available on Bloomberg, First Call/Research Direct, and Multex.

Enron Corp. Plans To Rescue Its Drowning Water Subsidiary, Azurix

Enron Corp. (ENE), headquartered in Houston, Texas, produces electricity and natural gas; develops, constructs, and operates energy facilities worldwide; and delivers both physical commodities and financial- and risk-management services to customers. The company is also developing an intelligent network platform to facilitate an online business.

Highlights Of The Azurix Roll-Up. Enron Corp. plans to fund a \$275 million repurchase of the publicly traded shares of Azurix Corp. (AZX—6 1/16, not rated) at \$7, effectively increasing its ownership to 50% through its voting interest in the Atlantic Water Trust.

The transaction is likely to close in mid-2001, pending board and shareholder approval, after which Enron plans to reduce G&A costs by about \$30-\$40 million as an offset to higher interest expense.

On December 15, 2001, approximately \$950 million remaining under a senior note issued by Enron and Azurix to Marlin Water Trust will mature. The funds for redemption will be due 120 days before maturity, which may trigger the conversion of preferred stock into ENE shares.

The roll-up of Azurix, which has lost almost 450% in shareholder value since its summer 1999 IPO, should have a long-term positive effect on ENE's performance as the company would be less visible as a privately held subsidiary and likely better managed.

Highlights Of Third-Quarter Results. In third-quarter 2000, Enron Corp. earned \$0.34, slightly ahead of expectations and up from the \$0.27 it earned in third-quarter 1999 (excluding the sale of Enron Oil & Gas and the write-down of MTBE operations).

Enron Energy Services signed \$4.1 billion of contracted revenues in the quarter, including a \$1 billion, ten-year agreement with Starwood Hotels.

Gas and electricity price volatility benefited Enron's wholesale trading volumes, and Enron Online contributed to the increased sales volumes.

Losses related to Enron's investment in Azurix cost the company about \$30-\$35 million. Azurix has continued to suffer from poor earnings and higher debt expense.

Looking At The Azurix Transaction In More Detail

Enron Corp. plans to loan approximately \$275 million to its troubled water and sewer subsidiary, Azurix, to fund the repurchase of its publicly traded outstanding shares, totaling about 40 million. The transaction is expected to close within six months, requiring both board and shareholder approval, which we believe are both likely.

Enron executives and board members dominate the Azurix board, and Enron has a 50% voting interest in Atlantic Water Trust, which will own 100% of the private interest in Azurix. The remaining 50% voting interest in Atlantic Water Trust is owned by the Marlin Water Trust, which funded its beneficial interest with \$1 billion of bonds secured by preferred securities issued by Enron. The buy-out price of \$7 was arbitrarily based on the highest bid price offered by third parties, which was subsequently withdrawn. The reasons cited for the bidder's change of heart included pro forma cash flows, the complexity of the capital structure, tax considerations, and the pending securities litigation.

On December 15, 2001, the \$950 million remaining under a \$1.024 billion senior secured note issued by Marlin Water Trust will mature. Marlin owns the other 50% voting interest in Atlantic Water Trust. Prior to September 15, 2001, 120 days before maturity, Enron will likely be required to deposit an amount sufficient to repay the debt in an indenture trust since the equity of Atlantic Water Trust, if offered publicly, would have little market value given Azurix's poor performance over the past year. Concurrent with the bond offering, Enron issued a mandatory convertible preferred stock that would be redeemed. Enron

has at least 30 million shares on reserve in the event of conversion. In the unlikely event that the proceeds are not sufficient to repay the senior notes, Enron would be obligated to purchase a portion of Marlin's interest in Atlantic Water Trust.

Enron's Third-Quarter Results Slightly Topped Our Expectations

Enron Corp. reported third-quarter earnings on October 17, 2000, that were modestly ahead of our estimate. Enron earned \$0.34 per share, up from \$0.27 in third-quarter 1999 (excluding the sale of Enron Oil & Gas and the write-down of MTBE operations). Our estimate and the consensus estimate were both \$0.33.

The company's Wholesale Commodity Sales segment reported income before interest and taxes (IBIT) of \$404 million, up 135% over the third-quarter 1999 result and 64% above our expectations, benefiting from strong natural gas and electricity sales volumes.

Energy Asset & Investment earned \$305 million, up 27% from last year and 24% above our estimate, reflecting the strong performance of its energy investment portfolio and the strategic hedging of other equity investments.

Electricity Revenues Climbed Higher On Increased Volumes Related To Enron Online, According To Management. Enron Corp.'s management attributed the strong performance in its Wholesale Energy operations (which includes energy commodity marketing and trading and energy/technology investments and assets) to increased volumes related to Enron Online (EOL) transactions. So far, EOL has completed 355,000 transactions with a gross value of \$185 billion. Recently, EOL introduced "Version 2," which expanded its services into customized screens, limit orders, and other tailor-made services. Currently, Enron offers 1,200 products online, and the increased liquidity in all markets (including metals, pulp, and paper) has contributed to the unit's margin gains.

Higher Demand And Growing Market Share Contributed To Increased Power And Gas Sales.

Physical gas sales in North America rose 82% to 25.2 bcf/d, based on higher demand and growing market share, and European sales more than doubled to 3.6 bcf/d, reflecting

price volatility and more counter parties. Enron currently has about a 22% share of the total North American market, and plans to reach comparable market share in Europe for both gas and power sales.

Physical power sales increased 46% in the U.S. to 162 million MWh, representing a 50/50 split between East and West volumes, and almost tripled in Europe to 10.5 million MWh. Enron's retail energy services unit, EES, earned \$30 million in the quarter, about 20% above our estimate and a positive \$48 million swing from last year's loss of \$18 million. EES signed new contracts in the quarter representing \$4.1 billion in total revenues, and is on track to close \$16 billion in contracted revenues by the end of 2000. The company is extending its outsourcing capabilities to industrial and mid-market customers in Europe, and is currently adding about 3,000 small retail customers per week in the U.K.

Third-Quarter Transportation And Distribution Earnings Were In Line With Our Expectations. The segment's earnings of \$157 million matched our expectations, and the sale of Portland General Electric is slated for the first quarter of 2001. Enron also plans to monetize and/or sell its \$6 billion portfolio of international projects that are generating below-average returns on invested capital, which we estimate at around 5%. International assets contributed about \$130 million to the third quarter (recorded in the Energy Asset & Investment division of Wholesale Energy), and typically generate about \$300 million annually.

Electricity sales revenues were higher than expected at Portland General, reflecting a 16% increase in wholesale electricity sales.

Interest Expense Is Up, But Likely To Decline With The Sale Of Portland General In 2001. Interest expense rose by \$60 million in the quarter to \$247 million, but will likely decline by a total of about \$60 million in 2001 with the sale of Portland General in the first quarter. Total debt at Portland General is about \$750 million. The sale of Portland General has been pushed back to the first quarter of 2001 from the fourth quarter of 2000 based on the timing of certain regulatory approvals.

Twenty-Five Percent Of The \$128 Million Loss Was Related To Azurix. The Corporate and Other segment suffered a loss of \$128 million versus a loss of \$23 million in third-quarter 1999, primarily related to vesting compensation plans, which are tied to the recent stock appreciation. About 25% of the segment's loss was related to higher debt expense and the poor earnings performance at Azurix, in which Enron has a 50% equity stake.

Start-Up Costs Related To Completion Of Fiber Network Cut Into Broadband Profits. Start-up costs related to the completion of Enron's high-capacity fiber network cut into the company's profits from its Broadband unit, which posted a \$20 million loss. Enron plans to complete its network build-out of 15,000 route miles by the end of 2000, serving a total of 60 cities. Enron has also installed 13 points of presence and plans to add another 6 by year-end. Bandwidth trading or intermediation is above management's expectations, having completed 24 transactions with nine counter parties in the third quarter. Enron has added IP transport and satellite transfer to its portfolio, and is on track to deliver 5,000 DS-3 months equivalent of bandwidth capacity by the end of this year. It has also begun the roll-out of its Blockbuster video-on-demand service in four test markets, including New York City.

Future Stock Performance Should Benefit From AZX Roll-Up And Expanded Energy Trading Capabilities. We continue to rate Enron Corp. Strong Buy with a 12-month price target of \$102. We believe the elimination of Azurix as a publicly traded entity will have a positive long-term effect on Enron's stock performance, if for no other reason than removing AZX from public view. More fundamentally, Enron's future earnings should reflect its expanded trading capabilities with Enron Online and its penetration into the European markets. Once Enron Online matures, average energy trading volumes are likely to increase at the traditional rate of 35%-40% per year, to which earnings growth is highly correlated. Longer term, retail energy services and broadband services are expected to drive positive earnings momentum.

Figure 1. Enron Corp.—Quarterly Segment Income Statement

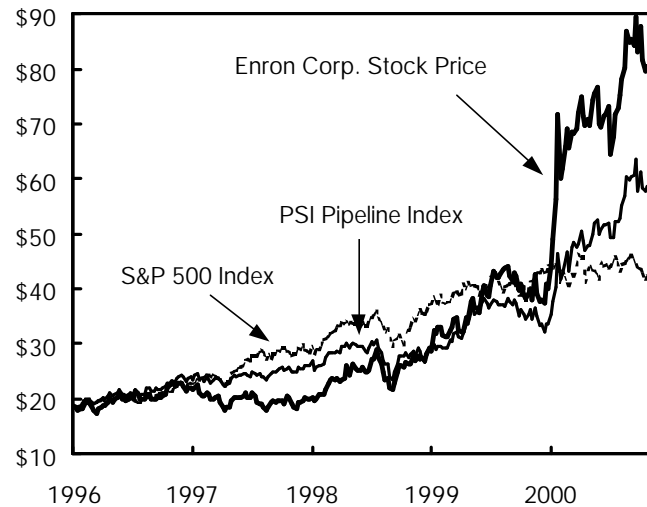
(Dollars in millions, except per-share data)

	1999	2000E				2001E	
	Year	1Q	2Q	3Q	4QE	Year	Year
Exploration & Production	\$65.0	—	—	—	—	—	—
Transmission & Distribution							
Gas Pipeline Group	380.0	\$128.0	\$77.0	\$83.0	\$106.7	\$394.7	\$410.5
Portland General	289.0	105.0	62.0	74.0	73.9	314.9	—
Total T&D	\$669.0	\$233.0	\$139.0	\$157.0	\$180.6	\$709.6	\$410.5
Wholesale Energy Oper. & Svcs.							
Commodity Sales & Service	628.0	246.0	442.0	404.0	285.8	1,377.8	1,542.0
Energy Assets & Investments	850.0	220.0	55.0	305.0	245.0	825.0	1,030.0
Unallocated Expenses	(161.0)	(47.0)	(60.0)	(82.0)	(40.0)	(229.0)	(180.0)
Total Wholesale	\$1,317.0	\$419.0	\$437.0	\$627.0	\$490.8	\$1,973.8	\$2,392.0
Corporate & Other	3.0	(44.0)	17.0	(128.0)	(10.0)	(165.0)	(120.0)
Total Core EBIT	\$2,054.0	\$608.0	\$593.0	\$656.0	\$661.3	\$2,518.3	\$2,682.5
Energy Services	(68.0)	16.0	24.0	30.0	30.0	100.0	175.0
Broadband Services	0.0	0.0	(8.0)	(20.0)	(27.0)	(55.0)	(60.0)
EBIT (before Min. Interest)	\$1,986.0	\$624.0	\$609.0	\$666.0	\$664.3	\$2,563.3	\$2,797.5

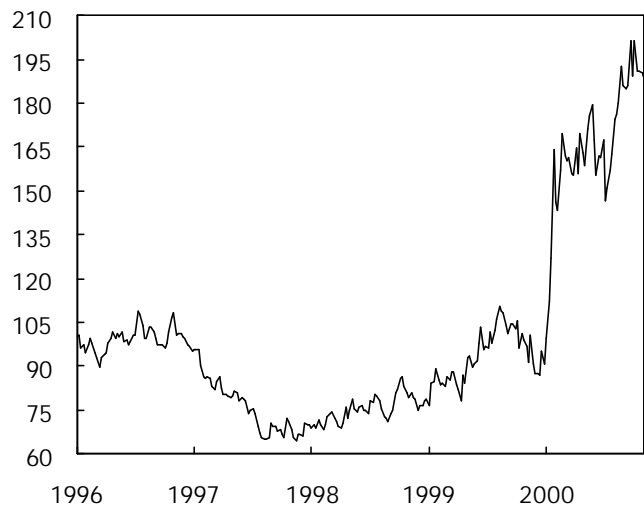
Source: Company information; Prudential Securities estimates.

Figure 2. Enron Corp.—Valuation Measures

ENE Price Vs. S&P 500 And Peer Group



ENE Price Relative To The S&P 500



Source: *The Wall Street Journal*, FactSet, and Prudential Securities.

Figure 3. Enron Corp.—Quarterly Income Statement

(Dollars in millions, except per-share data)

	1999	2000E				2001E	
	Year	1Q	2Q	3Q	4QE	Year	Year
Operating Revenues (Net of Intercompany)							
Exploration and Production	\$429.0	—	—	—	—	—	—
Transportation & Distribution							
Gas Pipeline Group	634.0	\$202.0	\$163.0	\$126.0	\$182.0	\$673.0	\$699.9
Portland General	1,379.0	397.0	382.0	663.0	—	1,442.0	—
Wholesale Energy Ops. & Services	35,501.0	11,847.0	15,272.0	27,669.0	18,194.2	72,982.2	86,879.6
Corporate & Other	651.0	37.0	149.0	125.0	150.0	461.0	510.0
Retail Energy Services	1,518.0	603.0	769.0	1,289.0	1,623.6	4,284.6	7,170.3
Broadband Services	—	59.0	151.0	135.0	135.0	480.0	1,307.8
Total Revenues	\$40,112.0	\$13,145.0	\$16,886.0	\$30,007.0	\$20,284.8	\$80,322.8	\$96,567.6
Costs & Operating Expenses	\$37,757.0	\$12,635.0	\$16,216.0	\$28,506.7	\$19,473.4	\$76,831.1	\$92,704.9
Gross Margin	\$2,355.0	\$510.0	\$670.0	\$1,500.4	\$811.4	\$3,491.7	\$3,862.7
Gross Margin (%)	6%	4%	4%	5%	4%	4%	4%
Oil & Gas Exploration Expenses	49.0	0.0	0.0	0.0	0.0	0.0	0.0
DD&A	870.0	172.0	192.0	256.0	261.1	881.1	1,070.9
Other, incl Taxes	634.0	66.0	59.0	60.0	60.0	245.0	240.0
Total Operating Expenses	\$39,310.0	\$12,873.0	\$16,467.0	\$28,822.7	\$19,794.5	\$77,957.2	\$94,015.8
Total Operating Profit	802.0	272.0	419.0	1,184.4	490.3	2,365.6	2,551.9
Equity earnings of unconsol. affil.	309.0	264.0	55.0	50.0	20.0	389.0	245.0
Gains on asset sales / investments	541.0	18.0	72.0	20.0	10.0	120.0	122.0
Other income, net	343.0	70.0	63.0	(588.4)	144.1	(311.3)	(121.3)
Nonrecurring items/reconciliation	(9.0)	0.0	0.0	0.0	0.0	(0.0)	0.0
EBIT (before Min. Interest)	\$1,986.0	\$624.0	\$609.0	\$666.0	\$664.3	\$2,563.3	\$2,797.5
Net Interest Expense	(\$656.0)	(\$161.0)	(\$196.0)	(\$247.0)	(\$247.0)	(\$851.0)	(\$783.5)
Dividends on Pfd. Stock of Sub. Co.	(\$76.0)	(\$18.0)	(\$21.0)	(\$20.0)	(\$19.0)	(\$78.0)	(\$76.0)
Total Minority Interest	(135.0)	(35.0)	(39.0)	(35.0)	(33.3)	(142.3)	(150.0)
EBT	\$1,119.0	\$410.0	\$353.0	\$364.0	\$365.1	\$1,492.1	\$1,788.0
EBIT Growth Rate %	22%	34%	40%	38%	23%	33%	20%
Total Income Taxes	(159.4)	(72.0)	(64.0)	(72.0)	(71.8)	(279.8)	(334.4)
Tax Rate	14%	18%	18%	20%	20%	19%	19%
Recurring Net Income	\$959.6	\$338.0	\$289.0	\$292.0	\$293.3	\$1,212.3	\$1,453.6
Total Preferred Dividends	(66.0)	(20.0)	(21.0)	(21.0)	(20.0)	(82.0)	(80.0)
Recurring Net to Common	\$893.6	\$318.0	\$268.0	\$271.0	\$273.3	\$1,130.3	\$1,373.6
Second Preferred Stock	(16.0)	(4.0)	(4.0)	(5.0)	(4.0)	(17.0)	(16.0)
Recurring Net With 2nd Pfd	909.6	322.0	272.0	276.0	277.3	1,147.3	1,389.6
Nonrecurring / Special Items	64.4	0.0	0.0	0.0	0.0	0.0	0.0
Other Nonrecurring	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary	(131.0)	0.0	0.0	0.0	0.0	0.0	0.0
Net Income to Common	\$827.0	\$318.0	\$268.0	\$271.0	\$273.3	\$1,130.3	\$1,373.6
Diluted EPS:							
Recurring Earnings	\$1.18	\$0.40	\$0.34	\$0.34	\$0.34	\$1.40	\$1.65
Nonrecurring / Special Items	\$0.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Nonrecurring	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Extraordinary	(\$0.17)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Reported Diluted Earnings	\$1.10	\$0.40	\$0.34	\$0.34	\$0.34	\$1.40	\$1.65
Diluted Shs. O/S (Including Pfd.)	769.0	851.9	862.2	869.6	872.3	864.0	882.3
Diluted Shs. O/S	769.0	851.9	812.2	819.6	822.3	826.5	882.3
Dividends Per Share	\$0.50	\$0.13	\$0.13	\$0.13	\$0.14	\$0.53	\$0.56

Source: Company information; Prudential Securities estimates.

Figure 4. Enron Corp.—Annual Income Statement

(Dollars in millions, except per-share data)

	1997	1998	1999	2000E	2001E
Operating Revenues (Net of Intercompany)					
Exploration and Production	\$789.0	\$750.0	\$429.0	—	—
Transportation & Distribution					
Gas Pipeline Group	656.0	637.0	634.0	\$673.0	\$699.9
Portland General	746.0	1196.0	1,379.0	1,442.0	—
Wholesale Energy Ops. & Services	17344.0	27220.0	35,501.0	72,982.2	86,879.6
Corporate & Other	55.0	385.0	651.0	461.0	510.0
Retail Energy Services	683.0	1072.0	1,518.0	4,284.6	7,170.3
Broadband Services	—	—	—	480.0	1,307.8
Total Revenues	\$20,273.0	\$31,260.0	\$40,112.0	\$80,322.8	\$96,567.6
Costs & Operating Expenses	\$18,717.0	\$28,733.0	\$37,757.0	\$76,831.1	\$92,704.9
Gross Margin	1,556.0	2,527.0	2,355.0	3,491.7	3,862.7
Gross Margin (%)	8%	8%	6%	4%	4%
Oil & Gas Exploration Expenses	102.0	121.0	49.0	0.0	0.0
DD&A	600.0	827.0	870.0	881.1	1,070.9
Other, incl Taxes	839.0	201.0	634.0	245.0	240.0
Total Operating Expenses	\$20,258.0	\$29,882.0	\$39,310.0	\$77,957.2	\$94,015.8
Total Operating Profit	15.0	1,378.0	802.0	2,365.6	2,551.9
Equity earnings of unconsol. affil.	216.0	97.0	309.0	389.0	245.0
Gains on asset sales / investments	186.0	56.0	541.0	120.0	122.0
Other income, net	148.0	51.0	343.0	(311.3)	(121.3)
Non-recurring items/reconciliation	612.4	39.0	(9.0)	(0.0)	0.0
EBIT (before Min. Interest)	\$1,177.4	\$1,621.0	\$1,986.0	\$2,563.3	\$2,797.5
Net Interest Expense	(401.0)	(550.0)	(656.0)	(851.0)	(783.5)
Dividends on Pfd. Stock of Sub. Co.	(69.0)	(77.0)	(76.0)	(78.0)	(76.0)
Total Minority Interest	(80.0)	(77.0)	(135.0)	(142.3)	(150.0)
EBT	\$627.5	\$917.0	\$1,119.0	\$1,492.1	\$1,788.0
EBIT Growth Rate %	-1%	46%	22%	33%	20%
Total Income Taxes	(112.0)	(219.0)	(159.4)	(279.8)	(334.4)
Tax Rate	18%	24%	14%	19%	19%
Recurring Net Income	\$515.5	\$698.0	\$959.6	\$1,212.3	\$1,453.6
Total Preferred Dividends	(17.0)	(17.0)	(66.0)	(82.0)	(80.0)
Recurring Net to Common	\$498.5	\$681.0	\$893.6	\$1,130.3	\$1,373.6
Second Preferred Stock	—	—	(16.0)	(17.0)	(16.0)
Recurring Net With 2nd Pfd	\$498.5	\$681.0	\$909.6	\$1,147.3	\$1,389.6
Nonrecurring / Special Items	(413.0)	5.0	64.4	0.0	0.0
Other Nonrecurring	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	(131.0)	0.0	0.0
Net Income to Common	\$85.5	\$686.0	\$827.0	\$1,130.3	\$1,373.6
Diluted EPS:					
Recurring Earnings	\$0.87	\$1.00	\$1.18	\$1.40	\$1.65
Nonrecurring / Special Items	(\$0.70)	\$0.01	\$0.08	\$0.00	\$0.00
Other Nonrecurring	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Extraordinary	\$0.00	\$0.00	(\$0.17)	\$0.00	\$0.00
Reported Diluted Earnings	\$0.17	\$1.01	\$1.10	\$1.40	\$1.65
Diluted Shs. O/S (Including Pfd.)	591.4	695.1	769.0	864.0	882.3
Diluted Shs. O/S	591.4	695.1	769.0	826.5	882.3
Dividends Per Share	\$0.46	\$0.48	\$0.50	\$0.53	\$0.56

Source: Company information; Prudential Securities estimates.

Figure 5. Integrated Energy Companies Universe—Valuation

	Rating	Risk	Price 11/01/00	Target Price	Potential Apprec.	EPS			P/E Ratio		CF/Share			CF Ratio	
						From 1999	Cont. 2000E	Ops. 2001E	00E	01E	1999	2000E	2001E	00E	01E
Integrated Energy Cos.															
Coastal Corp. (CGP) (3)	SB	Low	\$76.88	\$97 *	26.2%	\$2.30	\$2.90	\$3.65	26.5	21.1	\$4.94	\$6.05	\$6.88	12.7	11.2
El Paso Energy (EPG)! (1, 2)	SB!	Low	63.56	79	24.3%	1.83	2.60	3.30	24.4	19.3	4.69	4.99	6.81	12.7	9.3
Enron Corp. (ENE) (3)	SB	Mod.	83.25	102	22.5%	1.18	1.40	1.65	59.5	50.5	3.35	2.65	3.04	31.4	27.4
Equitable Reso. (EQT) (3)	SB	Low	58.88	85	44.4%	2.12	3.40	3.90	17.3	15.1	6.32	6.81	7.70	8.6	7.6
Kinder Morgan Inc. (KMI)	Accum.	Low	40.00	45	12.5%	0.96	1.25	1.60	32.0	25.0	2.98	1.60	2.75	25.0	14.5
Midcoast Energy (MRS) (3)	SB	Low	20.00	24	20.0%	1.52	1.55	1.85	12.9	10.8	3.06	3.27	4.23	6.1	4.7
Questar Corp. (STR)	Accum.	Low	28.50	31	8.8%	1.15	1.70	1.95	16.8	14.6	3.10	3.95	4.26	7.2	6.7
Williams Cos. (WMB)	Accum.	Low	42.88	47	9.6%	0.48	1.35	1.10	31.8	39.0	3.12	3.64	3.75	11.8	11.4
Simple Average									27.6	24.4				14.5	11.6
Unregulated Energy Cos.															
Dynegy Inc. (DYN)	Accum.	Low	\$49.69	\$60	20.8%	\$0.63	\$1.35	\$1.75	36.8	28.4	\$1.32	\$2.93	\$3.29	17.0	15.1
Western Gas Reso. (WGR)	SB	Mod.	24.00	35	45.8%	(0.17)	1.15	2.20	20.9	10.9	1.27	3.98	5.44	6.0	4.4
Simple Average									28.8	19.7				11.5	9.8
Yield-Oriented Securities															
Integrated Utilities															
Duke Energy (DUK) (3)	Accum.	Low	\$86.75	\$99	14.1%	\$3.62	\$4.10	\$4.60	21.2	18.9	\$9.15	\$7.79	\$9.13	11.1	9.5
PG&E Corp. (PCG) (3)	Hold	Mod.	28.06	27	-3.8%	2.24	2.60	2.80	10.8	10.0	4.03	2.89	5.60	9.7	5.0
Reliant Energy (REI)	Hold	Low	41.75	51	22.2%	2.10	2.90	3.00	14.4	13.9	4.00	6.63	7.34	6.3	5.7
Simple Average									15.4	14.3				9.0	6.7
Master Limited Partnerships															
Enterprise Products Ptrs. (EPD) (3)	Accum.	Low	\$25.94	\$30	15.7%	\$1.66	\$2.55	\$2.45	10.2	10.6	\$2.48	\$3.78	\$3.47	6.9	7.5
Kinder Morgan Energy (KMP) (3)	SB	Low	47.75	57	19.4%	2.42	2.65	2.85	18.0	16.8	2.67	3.57	4.05	13.4	11.8
Simple Average									14.1	13.7				10.1	9.6
Dow Jones Industrials			\$10,899.50												
S&P 500			\$1,421.22				\$48.26	\$52.75	\$57.08	26.9	24.9				

SB= Strong Buy; Accum.= Accumulate; != Single Best Idea; Mod. = Moderate; *CGP price target based on 1.23 shares of EPG.

Notes: 1) Fiscal-2001 earnings estimates are pro forma, pending closing of merger.

2) Price targets based on expected merger.

3) Prudential Securities Inc. and/or its affiliates and its subsidiaries have managed or comanged a public offering of securities for this company.

Source: Company information; Prudential Securities estimates.

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