Enron Corp.
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May 15, 2001

Arthur Andersen
711 Louisiana, Suite 1300
Houston, Texas 77002

We are providing this letter in connection with your review of the condensed consolidated financial statements of Enron Corp. and subsidiaries (Enron or the Company) as of March 31, 2001 and for the three months then ended to be included in the Company's Form 10-Q quarterly report to be filed with the Securities and Exchange Commission (SEC).

We confirm, to the best of our knowledge and belief as of the date of this letter, the following representations made to you during your review.

1. Enron management is responsible for the fair presentation of the financial statements referred to above.

2. The financial statements to be included in the Form 10-Q are fairly presented, in accordance with U.S. generally accepted accounting principles, on a basis consistent with that of the audited financial statements as of December 31, 2000, except that we adopted FASB statement 133, Accounting for Derivative Instruments and Hedging Activity, as of January 1, 2001.

3. The financial statements to be included in the quarterly report on Form 10-Q comply as to form in all material respects with the applicable accounting requirements of the Securities Exchange Act of 1934 and the related rules and regulations adopted by the SEC, and they are presented on a basis consistent with that of the audited financial statements as of December 31, 2000, except that we adopted FASB statement 133, Accounting for Derivative Instruments and Hedging Activity, as of January 1, 2001.

4. Certain information and footnote disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, but the disclosures are adequate to make the information presented not misleading.

5. We have made available to you all financial records and related data.

6. We believe that all material expenditures that have been deferred to future periods will be recoverable.

7. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees (whether written or oral), and amounts receivable from or payable to related parties have been properly recorded and disclosed in the financial statements and the terms of the transactions were reasonable and are representative of terms that would be negotiated with unrelated third parties.

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Crim No. H-04-0025

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8. The accounting records underlying the financial statements accurately and fairly reflect, in reasonable detail, the transactions of Enron.

9. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

10. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

11. You have brought to our attention misstatements which remain uncorrected at March 31, 2001 and which are summarized in the accompanying schedule. The effects of those misstatements are not material, both individually and in the aggregate, to the financial statements taken as a whole.

12. There has been no:

    a. Fraud involving management or employees who have significant roles in internal control

    b. Fraud involving others that could have a material effect on the financial statements

13. Enron has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

14. While we are currently marketing or considering selling certain assets and investments in consolidated and unconsolidated subsidiaries, Enron has not committed to a formal plan, as defined in APB Opinion No. 30, of disposition of any such assets, except as disclosed in the consolidated financial statements. Any ultimate dispositions will be dependent on various factors including the ability to negotiate favorable sales terms.

15. The following have been properly recorded or disclosed in the financial statements:

    a. Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions or other requirements.

    b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines-of-credit or similar arrangements.

    c. Deferred income taxes based upon tax planning strategies which Enron currently expects to utilize.

    d. Agreements to repurchase assets previously sold.

    e. Guarantees, whether written or oral, under which the Company is contingently liable.

    f. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *"Disclosure of Certain Significant Risks and Uncertainties"* (Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.)

    g. Provision for any material loss to be sustained in the fulfillment of, or from inability to fulfill, any sales commitments.

h. Provisions for any material loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

16. Other than those disclosed in the Form 10-Q, there are no:

  a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency

  b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies

17. Based on current estimates, all legal contingencies are adequately accrued and there are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.

18. Other than specific items enumerated otherwise herein or disclosed in the financial statements, Enron has:

  a. Complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

  b. Satisfactory title to all owned assets and there are no material liens or encumbrances on such assets nor has any material asset been pledged as collateral.

  c. Both the ability and the intent to refinance $1.25 billion of short-term debt on a long-term basis, including short-term debt of subsidiaries.

19. Enron's objective related to its merchant assets and investments, which are carried at Enron's best estimate of fair value, is to achieve capital appreciation and those assets and investments are not expected to be long-term, integrated components of Enron's energy or communications networks.

20. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

21. In determining the impacts of adopting SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and 138 (collectively 'SFAS No. 133'), which was adopted on January 1, 2001, the Company has elected December 31, 1998 as the cut-off date for separately accounting for derivatives embedded in hybrid instruments. The Company has performed all procedures reasonably necessary to identify all contracts (including those of its consolidated and unconsolidated subsidiaries), and has performed all procedures reasonably necessary to review such contracts for potential impact as a result of applying SFAS No. 133. Such SFAS No. 133 impact has been considered in the preparation of the Company's financial statements as of March 31, 2001 as prescribed by SFAS No. 133. The total impact of the Company's accounting for SFAS No. 133 is dependent upon certain pending interpretations of the Statement, including those related to inflation escalators included in certain contract payment provisions and certain electricity contracts subject to being booked-out. On this last matter, the Company's policy regarding such electricity contracts was to consider them as 'normal purchases and sales' since it was probable at contract inception that physical delivery would occur. The

interpretation of these issues, and others, is currently under consideration by the FASB. While the ultimate conclusions reached on interpretations being considered by the FASB could impact the effects of the Company's accounting for SFAS No. 133, the Company does not believe that such conclusions would have a material effect on the Company's financial statements taken as a whole as of March 31, 2001.

22. Deferred development costs on an individual project basis at March 31, 2001, represent valid development costs for projects that the Company believes are probable of occurring and intends to pursue in accordance with the accounting policy as stated in the Company's December 31, 2000 consolidated financial statements.

23. During 1999 and 2000, Enron through various subsidiaries has made loans to Elektro directly and through its wholly owned subsidiary. Approximately $264 million of such loans since April 1, 2000, which have not otherwise been formally contributed to Elektro as equity capital, have been classified as part of the Company's investment in Elektro as the loans are deemed to be of a long-term investment nature as defined in SFAS No. 52, Foreign Currency Translation. As such, Enron intends to continually extend the maturity dates of such loans and accordingly does not anticipate settlement of the loan for the foreseeable future.

24. In January 2001, the shareholders of Elektro approved a stock split and subsequent book value redemption of a number of Elektro shares. The redemption liability of approximately 676 million Brazilian Real is scheduled to be paid in installments through 2005. Approximately 425 million Brazilian Real of such balance remaining at March 31, 2001 to be paid, net to Enron, has been classified as part of the Company's investment in Elektro as such amounts are deemed to be of a long-term investment nature as defined in SFAS No. 52. As such, to the extent that such amounts are eventually paid, Enron intends to reinvest such proceeds upon receipt in the form of equity capital in Elektro or loans to Elektro, which would not be anticipated to be settled in the foreseeable future.

25. We intend to permanently reinvest the approximately $1.8 billion of foreign subsidiaries' cumulative undistributed earnings outside the United States, and, accordingly, no United States income taxes have been provided thereon.

26. The disclosures in the financial statements about operating segments are in accordance with the FASB statement No. 131, and the underlying information is that used by the Policy Committee to evaluate the performance of segments.

27. No events have occurred subsequent to the balance-sheet date that have a material effect on the financial statements or that should be disclosed in order to keep those financial statements from being misleading.

Jeffrey K. Skilling
President and Chief Executive Officer

Richard A. Causey
Executive Vice President and Chief Accounting Officer

James V. Derrick, Jr.
Executive Vice President and General Counsel

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