

0001024401-01-500014[1]

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CENTRAL INDEX KEY:

0001024401

STANDARD INDUSTRIAL CLASSIFICATION:

SECURITY BROKERS, DEALERS &

FLOTATION COMPANIES [6211]

IRS NUMBER:

470255140

STATE OF INCORPORATION:

OR

FISCAL YEAR END:

1231

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FORM TYPE:

10-Q

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BUSINESS ADDRESS:

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1400 SMITH ST

CITY:

HOUSTON

STATE:

TX

ZIP:

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BUSINESS PHONE:

7138536161

MAIL ADDRESS:

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CITY:

HOUSTON

STATE:

TX

ZIP:

77002-7369

FORMER COMPANY:

FORMER CONFORMED NAME:

ENRON OREGON CORP

DATE OF NAME CHANGE:

19961008

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UNITED STATES SECURITIES AND EXCHANGE
COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

Page 1

GOVERNMENT

EXHIBIT

4637

Crim No. H 04-0025

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2001

Commission File Number 1-13159

ENRON CORP.

(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction of
incorporation or organization)

47-0255140
(I.R.S. Employer Identification
Number)

Enron Building
1400 Smith Street
Houston, Texas
(Address of principal executive
offices)

77002
(Zip Code)

(713) 853-6161
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has
filed all reports required to be filed by Section 13 or
15(d) of the Securities Exchange Act of 1934 during the
preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90
days.

Yes ☒ No ☐

Indicate the number of shares outstanding of each of
the issuer's classes of common stock, as of the latest
practicable date.

Class	Outstanding at April 30, 2001
Common Stock, No Par Value	746,105,146 shares

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ENRON CORP. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED CONDENSED INCOME STATEMENT
(In Millions, Except Per Share Amounts)
(Unaudited)

<CAPTION>

	Three Months Ended March 31,	
	2001	2000
<S>	<C>	<C>
Revenues	\$50,129	\$13,145
Costs and Expenses		
Cost of gas, electricity and other products	48,159	11,888
Operating expenses	993	747
Depreciation, depletion and amortization	213	172
Taxes, other than income taxes	88	66
	49,453	12,873
Operating Income	676	272
Other Income and Deductions		
Equity in earnings of unconsolidated equity affiliates	74	264
Gains on sales of non-merchant assets	32	18
Other income, net	13	70
Income before Interest, Minority Interests and Income Taxes	795	624
Interest and Related Charges, net	201	161
Dividends on Company-Obligated Preferred Securities of Subsidiaries	18	18
Minority Interests	40	35
Income Taxes	130	72
Net Income Before Cumulative Effect of Accounting Changes	406	338
Cumulative Effect of Accounting Changes, net of tax	19	-

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Net Income	425	338
Preferred Stock Dividends	20	20
Earnings on Common Stock	\$ 405	\$ 318
Earnings per Share of Common Stock		
Basic		
Before Cumulative Effect of Accounting Changes	\$ 0.51	\$ 0.44
Cumulative Effect of Accounting Changes	0.03	-
Basic Earnings per Share	\$ 0.54	\$ 0.44
Diluted		
Before Cumulative Effect of Accounting Changes	\$ 0.47	\$ 0.40
Cumulative Effect of Accounting Changes	0.02	-
Diluted Earnings per Share	\$ 0.49	\$ 0.40
Average Number of Common Shares Used in Computation		
Basic	752	723
Diluted	872	852

<FN>

The accompanying notes are an integral part of these consolidated financial statements.

</TABLE>

<PAGE>

<TABLE>

PART I. FINANCIAL INFORMATION - (Continued)
ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In Millions)
(Unaudited)

<CAPTION>

	March 31, 2001	December 31, 2000
ASSETS		
<S>	<C>	<C>
Current Assets		
Cash and cash equivalents	\$ 1,086	\$ 1,374
Trade receivables (net of allowance for doubtful accounts of \$416 and \$133, respectively)	8,949	10,396
Other receivables	2,361	1,874
Assets from price risk management activities	12,672	12,018
Inventories	650	953
Deposits	2,349	2,433
Other	1,100	1,333
Total Current Assets	29,167	30,381
Investments and Other Assets		
Investments in and advances to unconsolidated equity affiliates	5,694	5,294
Assets from price risk management activities	9,998	8,988
Goodwill	3,609	3,638
Other	7,217	5,459
Total Investments and Other Assets	26,518	23,379
Property, Plant and Equipment, at cost		
Natural gas transmission	6,987	6,916

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Electric generation and distribution	4,518	4,766
Fiber-optic network and equipment	912	839
Construction in progress	696	682
Other	2,184	2,256
	15,297	15,459
Less accumulated depreciation, depletion and amortization	3,722	3,716
Property, Plant and Equipment, net	11,575	11,743
Total Assets	\$67,260	\$65,503

<FN>

The accompanying notes are an integral part of these consolidated financial statements.

</TABLE>

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<TABLE>

PART I. FINANCIAL INFORMATION - (Continued)
ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In Millions)
(Unaudited)

<CAPTION>

	March 31, 2001	December 31, 2000
LIABILITIES AND SHAREHOLDERS' EQUITY		
<S>	<C>	<C>
Current Liabilities		
Accounts payable	\$ 8,686	\$ 9,777
Liabilities from price risk management activities	10,840	10,495
Short-term debt	2,159	1,679
Customers' deposits	3,495	4,277
Other	2,390	2,178
Total Current Liabilities	27,570	28,406
Long-Term Debt	9,763	8,550
Deferred Credits and Other Liabilities		
Deferred income taxes	1,625	1,644
Liabilities from price risk management activities	10,472	9,423
Other	2,781	2,692
Total Deferred Credits and Other Liabilities	14,878	13,759
Minority Interests	2,418	2,414
Company-Obligated Preferred Securities of Subsidiaries	904	904
Shareholders' Equity		
Second preferred stock, cumulative, no par value	121	124
Mandatorily Convertible Junior Preferred Stock, Series B, no par value	1,000	1,000
Common stock, no par value	9,513	8,348
Retained earnings	3,525	3,226
Accumulated other comprehensive income	(1,193)	(1,048)

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Common stock held in treasury	(1,082)	(32)
Restricted stock and other	(157)	(148)
Total Shareholders' Equity	11,727	11,470
Total Liabilities and Shareholders' Equity	\$67,260	\$65,503

<FN>

The accompanying notes are an integral part of these consolidated financial statements.

</TABLE>

<PAGE>

<TABLE>

PART I. FINANCIAL INFORMATION - (Continued)
ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Millions)
(Unaudited)

<CAPTION>

	Three Months Ended March 31,	
	2001	2000
<S>	<C>	<C>
Cash Flows From Operating Activities		
Reconciliation of net income to net cash used in operating activities		
Net income	\$ 425	\$ 338
Cumulative effect of accounting changes, net of tax	(19)	-
Depreciation, depletion and amortization	213	172
Deferred income taxes	113	30
Gains on sales of non-merchant assets	(32)	(18)
Changes in components of working capital	(599)	(313)
Net assets from price risk management activities	(270)	(52)
Merchant assets and investments:		
Realized gains on sales	26	(31)
Proceeds from sales	135	199
Additions and unrealized gains	(74)	(517)
Other operating activities	(382)	(265)
Net Cash Used in Operating Activities	(464)	(457)
Cash Flows From Investing Activities		
Capital expenditures	(382)	(496)
Equity investments	(716)	(316)
Proceeds from sales of non-merchant investments	339	17
Acquisition of subsidiary stock	-	(485)
Business acquisitions, net of cash acquired	(33)	(144)
Other investing activities	(332)	(69)
Net Cash Used in Investing Activities	(1,124)	(1,493)
Cash Flows From Financing Activities		
Issuance of long-term debt	1,747	1,361
Repayment of long-term debt	(996)	(393)
Net increase in short-term borrowings	799	962
Issuance of common stock	119	179
Issuance of preferred securities of subsidiaries	-	105
Dividends paid	(143)	(156)
Net (acquisition) disposition of treasury stock	(226)	70
Net Cash Provided by Financing Activities	1,300	2,128
Increase in Cash and Cash Equivalents	(288)	178

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Cash and Cash Equivalents, Beginning of Period	1,374	288
Cash and Cash Equivalents, End of Period	\$ 1,086	\$ 466
Changes in Components of Working Capital		
Receivables	\$ 627	\$ (824)
Inventories	169	156
Payables	(1,062)	732
Other	(333)	(377)
Total	\$ (599)	\$ (313)

<FN>

The accompanying notes are an integral part of these consolidated financial statements.

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PART I. FINANCIAL INFORMATION - (Continued)

ITEM 1. FINANCIAL STATEMENTS - (Continued)

ENRON CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated financial statements included herein have been prepared by Enron Corp. (Enron) without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Enron believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in Enron's Annual Report on Form 10-K for the year ended December 31, 2000 (Form 10-K).

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made in the 2000 amounts to conform with the 2001 presentation.

"Enron" is used from time to time herein as a collective reference to Enron Corp. and its subsidiaries and affiliates. The businesses of Enron are conducted by the subsidiaries and affiliates whose operations are managed by their respective officers.

2. SUPPLEMENTAL CASH FLOW INFORMATION

Net cash paid for income taxes for the first quarter of 2001 and 2000 was \$100 million and \$11 million, respectively. Cash paid for interest for the same periods, net of amounts capitalized, was \$200 million and \$164 million, respectively.

In 2000, Enron entered into an agreement with Azurix under which the holders of Azurix's approximately 39 million publicly traded shares would receive cash of \$8.375 in exchange for each share. On March 16, 2001, Azurix shareholders approved the agreement whereby Enron paid approximately \$330 million for an equivalent number of shares held by the public and all publicly traded shares of Azurix Corp were redeemed.

Non-Cash Activity. In March 2001, Enron acquired the limited partner's interests in an unconsolidated equity affiliate, Joint Energy Development Investments Limited Partnership (JEDI), for \$35 million. As a result of the acquisition, JEDI has been consolidated. JEDI's balance sheet as of the date of acquisition consisted of net assets of approximately \$500 million, including an investment of 12 million shares of Enron common stock valued at approximately \$785 million, merchant investments and other assets of approximately \$670 million and third-party debt and debt owed to Enron of approximately \$950 million. Enron repaid the third-party debt of approximately \$620 million prior to March 31, 2001. Also see Note 8.

3. LITIGATION AND OTHER CONTINGENCIES

Enron is a party to various claims and litigation, the significant items of which are discussed below. Although no assurances can be given, Enron believes, based on its experience to date and after considering appropriate reserves that have been established, that the ultimate resolution of such items, individually or in the aggregate, will not have a material adverse impact on Enron's financial position or results of operations.

Litigation. In 1995, several parties (the Plaintiffs) filed suit in Harris County District Court in Houston, Texas, against Intratex Gas Company (Intratex), Houston Pipe Line Company and Panhandle Gas Company (collectively, the Enron Defendants), each of which is a wholly-owned subsidiary of Enron. The Plaintiffs were either sellers or royalty owners under numerous gas purchase contracts with Intratex, many of which have terminated. Early in 1996, the case was severed by the Court into two matters to be tried (or otherwise resolved) separately. In the first matter, the Plaintiffs alleged that the Enron Defendants committed fraud and negligent misrepresentation in connection with the "Panhandle program," a special marketing program established in the early 1980s. This case was tried in October 1996 and resulted in a verdict for the Enron Defendants. In the second matter, the Plaintiffs allege that the Enron Defendants violated state regulatory requirements and certain gas purchase contracts by failing to take the Plaintiffs' gas ratably with other producers' gas at certain times between 1978 and 1988. The trial court certified a class action with respect to ratable claims. On March 9, 2000, the Texas Supreme Court ruled that the trial court's

class certification was improper and remanded the case to the trial court. The Enron Defendants deny the Plaintiffs' claims and have asserted various affirmative defenses, including the statute of limitations. The Enron Defendants believe that they have strong legal and factual defenses, and intend to vigorously contest the claims. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

On November 21, 1996, an explosion occurred in or around the Humberto Vidal Building in San Juan, Puerto Rico. The explosion resulted in fatalities, bodily injuries and damage to the building and surrounding property. San Juan Gas Company, Inc. (San Juan Gas), an Enron affiliate, operated a propane/air distribution system in the vicinity, but did not provide service to the building. Enron, San Juan Gas, four affiliates and their insurance carriers were named as defendants, along with several third parties, including The Puerto Rico Aqueduct and Sewer Authority, Puerto Rico Telephone Company, Heath Consultants Incorporated, Humberto Vidal, Inc. and their insurance carriers, in numerous lawsuits filed in U.S. District Court for the District of Puerto Rico and the Superior Court of Puerto Rico. These suits seek damages for wrongful death, personal injury, business interruption and property damage allegedly caused by the explosion. After nearly four years without determining the cause of the explosion, all parties have agreed not to litigate further that issue, but to move these suits toward settlements or trials to determine whether each plaintiff was injured as a result of the explosion and, if so, the lawful damages attributable to such injury. The defendants have agreed on a fund for settlements or final awards. Numerous claims have been settled. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Trojan Investment Recovery. In early 1993, Portland General Electric (PGE) ceased commercial operation of the Trojan nuclear power generating facility. The Oregon Public Utility Commission (OPUC) granted PGE, through a general rate order, recovery of, and a return on, 87 percent of its remaining investment in Trojan.

The OPUC's general rate order related to Trojan has been subject to litigation in various state courts, including rulings by the Oregon Court of Appeals and petitions to the Oregon Supreme Court filed by parties opposed to the OPUC's order, including the Utility Reform Project(URP) and the Citizens Utility Board (CUB).

In August 2000, PGE entered into agreements with the CUB and the staff of the OPUC to settle the litigation related to PGE's recovery of its investment in the Trojan plant. Under the agreements, the CUB agreed to withdraw from the litigation and to support the settlement as the means to resolve the Trojan litigation. The OPUC approved the accounting and ratemaking elements of the settlement on September 29, 2000. As a result of these approvals, PGE's investment in Trojan is no longer included in rates charged to customers, either through a return on or a return of that investment. Collection of ongoing decommissioning costs at

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Trojan is not affected by the settlement agreements or the September 29, 2000 OPUC order. With the CUB's withdrawal, the URP is the one remaining significant adverse party in the litigation. The URP has indicated that it plans to continue to challenge the OPUC order allowing PGE recovery of and a return on its investment in Trojan.

Enron cannot predict the outcome of these actions. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Environmental Matters. Enron is subject to extensive federal, state and local environmental laws and regulations. These laws and regulations require expenditures in connection with the construction of new facilities, the operation of existing facilities and for remediation at various operating sites. The implementation of the Clean Air Act Amendments is expected to result in increased operating expenses. These increased operating expenses are not expected to have a material impact on Enron's financial position or results of operations.

Enron's natural gas pipeline companies conduct soil and groundwater remediation on a number of their facilities. Enron does not expect to incur material expenditures in connection with soil and groundwater remediation.

4. EARNINGS PER SHARE

The computation of basic and diluted earnings per share is as follows (in millions, except per share amounts):

<TABLE>

<CAPTION>

	Three Months Ended March 31,	
	2001	2000
<S>	<C>	<C>
Numerator:		
Basic		
Income before cumulative effect of accounting changes	\$ 406	\$ 338
Preferred stock dividends:		
Second Preferred Stock	(4)	(4)
Series B Preferred Stock	(16)	(16)
Income available to common shareholders before cumulative effect of accounting changes	386	318
Cumulative effect of accounting changes	19	-
Income available to common shareholders	\$ 405	\$ 318
Diluted		
Income available to common shareholders before cumulative effect of accounting changes	\$ 386	\$ 318
Effect of assumed conversion of dilutive securities:		
Second Preferred Stock	4	4
Series B Preferred Stock	16	16
Income before cumulative effect of accounting changes	406	338
Cumulative effect of accounting changes	19	-

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Income available to common shareholders		
after assumed conversion	\$ 425	\$ 338

Denominator:

Denominator for basic earnings per share - weighted-average shares	752	723
Effect of dilutive securities:		
Preferred stock:		
Second Preferred Stock	33	35
Series B Preferred Stock	50	50
Stock options and other equity instruments	37	44
Dilutive potential common shares	120	129
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	872	852

Basic earnings per share:

Before cumulative effect of accounting changes	\$0.51	\$0.44
Cumulative effect of accounting changes	0.03	-
Basic earnings per share	\$0.54	\$0.44

Diluted earnings per share:

Before cumulative effect of accounting changes	\$0.47	\$0.40
Cumulative effect of accounting changes	0.02	-
Diluted earnings per share	\$0.49	\$0.40

</TABLE>

5. COMPREHENSIVE INCOME

Comprehensive income includes the following (in millions):

<TABLE>
<CAPTION>

	First Quarter 2001	2000
<S>	<C>	<C>
Net income	\$ 425	\$ 338
Other comprehensive income (net of tax):		
Foreign currency translation adjustment	(150)(a)	(2)
Derivative instruments:		
Cumulative effect of accounting changes	25	-
Deferred loss on derivative instruments associated with hedges of future cash flows	(8)	-
Recognition in earnings of previously deferred gains related to derivative instruments used as cash flow hedges	(13)(b)	-
Change in value of available-for-sale investments	1	(13)
Total comprehensive income	\$ 280	\$ 323

<FN>

- (a) Change primarily reflects the decline in value of the Brazilian real.
- (b) Includes an after-tax gain of \$10 million related to the discontinuance of a cash flow hedge of a forecasted transaction that became probable of not occurring.

</TABLE>

6. BUSINESS SEGMENT INFORMATION

Enron's business is divided into operating segments, defined as components of an enterprise about which financial information is available and evaluated regularly by the office of the Chairman, which serves as the chief operating decision making group.

Beginning in 2001, the commodity-related risk management activities of Retail Energy Services' North American customer contracts were transferred to the Wholesale Services segment, consolidating all energy commodity risk management activities within one operating segment. In 2001, Retail Energy Services' business includes origination of new commodity and energy asset management and services contracts, execution of energy asset management and services activity and management of customer relationships. Year 2000 results in the following table have been restated to reflect this change.

<TABLE>
<CAPTION>

Transportation (In Millions) and Distribution	Corporate Other(d)	Total	Wholesale Services(c)	Retail Energy Services(c)	Broadband Services	and
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Three Months Ended March 31, 2001						
Unaffiliated revenues(a)			\$48,407	\$ 642	\$ 85	\$ 933
\$ 62	\$50,129					
Intersegment revenues(b)			99	51	(2)	80
(228)	-					
Total revenues			\$48,506	\$ 693	\$ 83	\$1,013
\$ (166)	\$50,129					
Income (loss) before interest, minority interests and income taxes			\$ 755	\$ 40	\$ (35)	\$ 193
\$ (158)	\$ 795					
Three Months Ended March 31, 2000						
Unaffiliated revenues(a)			\$12,162	\$ 288	\$ 59	\$ 599
\$ 37	\$13,145					
Intersegment revenues(b)			167	26	-	4
(197)	-					
Total revenues			\$12,329	\$ 314	\$ 59	\$ 603
\$ (160)	\$13,145					
Income (loss) before interest, minority interests and income taxes			\$ 429	\$ 6	\$ -	\$ 233
\$ (44)	\$ 624					

<FN>

- (a) Unaffiliated revenues include sales to unconsolidated affiliates.
(b) Intersegment sales are made at prices comparable to those received from unaffiliated customers and in some instances are affected by

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regulatory considerations.

- (c) The 2000 amounts have been restated. Prior to the restatement, Retail Energy Services reported revenues and IBIT of \$642 million and \$16 million, respectively, for the first quarter of 2000. Revenues and IBIT were \$4,615 million and \$165 million, respectively, for the full year 2000. Restated full year 2000 revenues and IBIT were \$1,766 million and \$173 million, respectively. Operating results in 2001 include servicing charges from wholesale Services for management of Retail Services' risk management activities.

- (d) Includes consolidating eliminations.

</TABLE>

Total assets by segment are as follows (in millions):

<TABLE>

<CAPTION>

	March 31, 2001	December 31, 2000
<S>	<C>	<C>
Wholesale Services	\$52,766	\$51,131
Retail Energy Services	1,287	1,173(a)
Broadband Services	1,418	1,337
Transportation and Distribution	8,438	8,283
Corporate and Other	3,351	3,579
Total Assets	\$67,260	\$65,503

<FN>

- (a) Retail Energy Services' total assets have been restated. Prior to the restatement, total assets at December 31, 2000 were \$4,370 million.

</TABLE>

7. DERIVATIVE INSTRUMENTS

On January 1, 2001, Enron recognized an after-tax non-cash gain of \$19 million in earnings and deferred an after-tax non-cash gain of \$25 million in "Accumulated Other Comprehensive Income" (OCI), a component of shareholders' equity and reclassified \$277 million from "Long-Term Debt" to "Other Liabilities" to reflect the initial adoption of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 must be applied to all derivative instruments and requires that such instruments be recorded in the balance sheet either as an asset or a liability measured at its fair value through earnings, with special accounting permitted for certain qualifying hedges as described in the following paragraphs.

In the ordinary course of business, Enron enters into derivative instruments, as defined in SFAS No. 133, as part of its normal risk management operations, which are subject to parameters established by Enron's Board of Directors. The adoption of SFAS No. 133 has no impact on the way Enron accounts for its risk management business activities.

On a much more limited basis, Enron's other businesses enter into derivative instruments, such as forwards, swaps and other contracts, in order to hedge certain non-trading risks, including interest rate risk, commodity price risk and foreign currency exchange rate risk. Enron primarily uses cash flow hedges, for which Enron's objective is to provide

protection against variability in cash flows due to an associated variable risk. Enron accounts for such hedging activity by initially deferring the gain or loss related to the fair value changes in derivative instruments in OCI. The deferred change in fair value is then reclassified into income concurrently with the recognition in income of the cash flow item hedged. The net after-tax amount expected to be reclassified from OCI within the next 12 months is immaterial. Enron has also entered into a limited number of fair value hedges to protect the fair value of certain liabilities from variability caused by fluctuations in either interest rates or foreign currency exchange rates. Enron accounts for these hedges by recognizing the fair value of both the derivative instrument and the hedged item into income concurrently. Enron had no material ineffectiveness in any cash flow or fair value hedges in the first quarter of 2001. Enron also holds a limited number of derivative instruments in its non-risk management businesses, which do not meet the requirements of SFAS No. 133 for hedge accounting, but provide Enron with an economic hedge of an associated risk.

The maximum amount of time over which cash flow exposure in forecasted transactions are hedged excluding hedges of variable interest rate risk on existing financial instruments is approximately 20 years. Derivative contracts are entered into with counterparties who are equivalent to investment grade. Accordingly, Enron does not anticipate any material impact to its financial position or results of operations as a result of nonperformance by the third parties on derivative instruments related to non-risk management business activities.

The impact of Enron's accounting for SFAS No. 133 on earnings and on OCI is dependent upon certain pending interpretations, including those related to application of the "normal purchases and normal sales" exclusion to certain power contracts in an electric utility business. For purposes of determining the impact upon adoption, Enron has elected to treat under the "normal purchases and normal sales" exception certain contracts related to the regulated activities at PGE for the purchase and sale of electricity. The interpretation of this issue, and others, are currently under consideration by the Financial Accounting Standards Board (FASB). While the ultimate conclusions reached on interpretations being considered by the FASB could impact the effects of Enron's accounting for SFAS No. 133, Enron does not believe that such conclusions would have a material effect on Enron's financial position or results of operations.

8. RELATED PARTY TRANSACTION

During the first quarter of 2001, Enron entered into transactions with limited partnerships (the Related Party), whose general partner is a senior officer of Enron. The limited partners of the Related Party are unrelated to Enron. All transactions with the Related Party are approved by Enron's senior risk officers as well as reviewed annually by the Board of Directors. Management believes that the terms of the transactions with the Related Party were reasonable compared to those which could have been negotiated with unrelated third parties.

Enron entered into transactions with the Related Party to hedge certain merchant investments and other assets. As

part of these transactions, Enron has entered into agreements with entities formed in 2000 (the Entities), which included the obligation to deliver 12 million shares of Enron common stock in March 2005 (the Commitment) and entered into derivative instruments which eliminated the contingent nature of existing restricted forward contracts executed in 2000. The Commitment and the shares to be delivered under the derivative instruments are restricted through March 2005. In exchange, Enron received note receivables from the Entities totaling approximately \$827.6 million. In addition, Enron entered into share settled costless collar arrangements with the Entities on the 12 million shares of Enron common stock. Such transactions will be accounted for as equity transactions when settled. Enron received a \$6.5 million note receivable from the Entities to terminate share-settled options on 7.1 million shares of Enron common stock. The transactions resulted in non-cash increases to non-current assets and equity.

In the first quarter of 2001, Enron recognized net revenues of approximately \$236.1 million, primarily related to the change in the market value of derivatives instruments entered into with the Entities in 2000 to hedge certain merchant investments and other assets. Revenues recognized on the derivative instruments offset market value changes of certain merchant investments and price risk management activities. In addition, Enron and the Entities terminated certain derivative instruments (originally entered into in 2000) with a combined notional value of approximately \$658.5 million. Enron received a note receivable from the Entities for approximately \$81.7 million related to such terminations. At March 31, 2001, cash in the Entities of \$138 million was invested in Enron demand notes. Enron recognized \$22 million and \$3.5 million of interest income and interest expense, respectively, on notes receivable from and notes payable to the Entities.

In the first quarter of 2001, Enron received approximately \$62 million from Whitewing Associates, LP, an unconsolidated equity affiliate, related to securitizations.

9. RECENT DEVELOPMENTS

Developments in the California Power Market. During 2000, prices for wholesale electricity in California significantly increased as a result of a combination of factors, including higher natural gas prices, reduction in available hydroelectric generation resources, increased demand, over-reliance on the spot market for electricity and limitations on supply. California's regulatory regime instituted in 1996 permitted wholesale price increases but froze retail prices below market levels. The resulting disparity between costs of supply and customer revenues caused two of California's public utilities, Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE), to accrue substantial unrecovered wholesale power costs and certain obligations related to the difference between third party power purchase costs and frozen rates charged to retail customers. PG&E and SCE have defaulted on or are challenging payments owed for certain outstanding obligations, including wholesale power purchased through the California Power Exchange (the Power Exchange), from the California Independent System Operator (the

Independent System Operator), and from qualifying facilities. In addition, PG&E and the Power Exchange each have filed a voluntary petition for bankruptcy.

Various legislative, regulatory and legal remedies to the energy situation in California have been implemented or are being pursued, and may result in restructuring of markets in California and elsewhere. Additional initiatives are likely at the Federal, state and local level, but it is not possible to predict their outcome at this time.

Enron has entered into a variety of transactions with California utilities, the Power Exchange, the Independent System Operator, end users of energy in California, and other third parties, and is owed amounts by certain of these entities. Enron has established reserves related to such activities and believes that the combination of such reserves in accounts receivables and price risk management assets and other credit offsets with such parties are adequate to cover its exposure to developments in the California power market. Due to the uncertainties involved, the ultimate outcome of the California power situation cannot be predicted, but Enron believes these matters will not have a material adverse impact on Enron's financial condition or results of operations.

India. Enron indirectly owns 50% of the net voting interest in Dabhol Power Company (Dabhol), which owns a 740 megawatt power plant and is developing an additional 1,444 megawatt power plant together with an LNG regasification facility in India. Enron accounts for its investment in Dabhol under the equity method and the debt of Dabhol is non-recourse to Enron. Dabhol has been in dispute with the Maharashtra State Electricity Board (MSEB), the purchaser of power from Dabhol, and the Government of Maharashtra (GOM) and the federal government of India (GOI), the guarantors of payments by the MSEB pursuant to the terms and conditions of the power purchase agreements (PPA) and the other project documents. The contract disputes relate principally to the failure by the MSEB to pay certain capacity and energy payments under the PPA, and the failure of the GOM and GOI to satisfy certain guarantee obligations under the project documents. There is no assurance that Dabhol will be able to resolve such disputes to its favor and to successfully collect on and to enforce any judgment or settlement. However, Dabhol believes that the MSEB's actions are in clear violation of the terms of the PPA, and Dabhol intends to pursue all available legal remedies under the project documents. Accordingly, Enron does not believe that any contract dispute related to Dabhol would have a material adverse impact on Enron's financial condition or results of operations.

Termination of Portland General Sales Agreement. On April 26, 2001, Enron announced that the previously disclosed agreement to sell Portland General to Sierra Pacific Resources had been terminated by the mutual consent of both parties because the effect of developments in California and Nevada on the purchaser had made completion of the transaction impractical.

<PAGE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
ENRON CORP. AND SUBSIDIARIES

RESULTS OF OPERATIONS

First Quarter 2001
vs. First Quarter 2000

The following review of Enron's results of operations should be read in conjunction with the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Consolidated Net Income

Enron's first quarter 2001 net income was \$406 million (excluding a gain of \$19 million related to the cumulative effect of accounting changes) compared to \$338 million in the first quarter of 2000. Enron's business is divided into five operating segments including:

Wholesale Services. Wholesale Services includes Enron's wholesale businesses around the world. Wholesale Services operates in developed markets such as North America and Europe, as well as developing or newly deregulating markets including South America, India and Japan.

Retail Energy Services. Enron, through its subsidiary Enron Energy Services, LLC (Energy Services), is extending its energy expertise and capabilities to end-use retail customers in the industrial and commercial business sectors to manage their energy requirements and reduce their total energy costs.

Broadband Services. Enron's broadband services business (Broadband Services) provides customers with a single source for broadband services, including network services intermediation and the delivery of premium content.

Transportation and Distribution. Transportation and Distribution consists of Enron Transportation Services (Transportation Services) and Portland General. Transportation Services includes Enron's interstate natural gas pipelines, primarily Northern Natural Gas Company (Northern), Transwestern Pipeline Company (Transwestern), Enron's 50% interest in Florida Gas Transmission Company (Florida Gas) and Enron's interests in Northern Border Partners, L.P. and EOTT Energy Partners, L.P. (EOTT).

Corporate and Other. Corporate and Other includes Enron's investment in Azurix Corp. (Azurix), which provides water and wastewater services, results of Enron Renewable Energy Corp. (EREC), which develops and constructs wind-generated power projects, and the operations of Enron's methanol and MTBE plants as well as overall corporate activities of Enron.

Basic and diluted earnings per share of common stock were as follows:

<TABLE>
<CAPTION>

	First Quarter 2001	2000
<S>	<C>	<C>
Basic earnings per share:		
Before cumulative effect of accounting changes	\$ 0.51	\$ 0.44
Cumulative effect of accounting changes	0.03	-
	\$ 0.54	\$ 0.44
Diluted earnings per share:		
Before cumulative effect of accounting changes	\$ 0.47	\$ 0.40
Cumulative effect of accounting changes	0.02	-
	\$ 0.49	\$ 0.40

</TABLE>

Income Before Interest, Minority Interests and Income Taxes
The following table presents income before interest, minority interests and income taxes (IBIT) for each of Enron's operating segments (in millions):

<TABLE>
<CAPTION>

	First Quarter 2001	2000
<S>	<C>	<C>
Wholesale Energy Operations and Services	\$ 755	\$ 429
Retail Energy Services	40	6
Broadband Services	(35)	-
Transportation and Distribution:		
Transportation Services	133	128
Portland General	60	105
Corporate and Other	(158)	(44)
Income before interest, minority interests and taxes	\$ 795	\$624

</TABLE>

Wholesale Services

Enron builds its wholesale businesses through the creation of networks involving selective asset ownership, contractual access to third-party assets and market-making activities. Each market in which Wholesale Services operates utilizes these components in a slightly different manner and is at a different stage of development. This network strategy has enabled Wholesale Services to establish a leading position in its markets. Wholesale Services' activities are categorized into two business lines: (a) Commodity Sales and Services and (b) Assets and Investments. Activities may be integrated into a bundled product offering for Enron's customers.

Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest

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rates, foreign currencies and equities). Additionally, Wholesale Services manages its liquidity and exposure to third-party credit risk through monetization of its contract portfolio or third-party insurance contracts. Wholesale Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

The following table reflects IBIT for each business line (in millions):

<TABLE>
<CAPTION>

	First Quarter	
	2001	2000
<S>	<C>	<C>
Commodity Sales and Services	\$785	\$256
Assets and Investments	59	220
Unallocated expenses	(89)	(47)
Income before interest, minority interests and taxes	\$755	\$429

</TABLE>

The following discussion analyzes the contributions to IBIT for each of the business lines.

Commodity Sales and Services. Wholesale Services provides reliable commodity delivery and predictable pricing to its customers through forwards and other contracts. Activity includes the purchase, sale, marketing and delivery of natural gas, electricity, liquids and other commodities, as well as the management of Wholesale Services' own portfolio of contracts. Contracts associated with this activity are accounted for using the mark-to-market method of accounting. Wholesale Services' market-making activity is facilitated through a network of capabilities including selective asset ownership. Accordingly, certain assets involved in the delivery of these services are included in this business (such as intrastate natural gas pipelines, gas storage facilities and certain electric generation assets).

Enron Wholesale markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

<TABLE>
<CAPTION>

	First Quarter	
	2001	2000
<S>	<C>	<C>
Physical volumes (BBtue/d)(a)		
Gas:		
United States	20,898	16,217
Canada	6,358	4,389
Europe and Other	8,699	2,469
	35,955	23,075
Transportation Volumes	506	456
Total Gas Volumes	36,461	23,531
Crude Oil and Liquids	6,836	6,134

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Electricity(b)	25,732	12,170
Total	69,029	41,835
Electricity Volumes Marketed (Thousand MWh)(c)		
United States	195,246	102,903
Europe and Other	36,339	7,844
Total	231,585	110,747
Financial Settlements (Notional) (BBtue/d)	302,694	141,865

<FN>

(a) Billion British thermal units equivalent per day.

(b) Represents electricity volumes, converted to BBtue/d.

(c) Thousand megawatt-hours.

</TABLE>

Earnings from commodity sales and services increased \$529 million in the first quarter of 2001 as compared to the same period in 2000. Profits from North American gas and power marketing operations increased significantly. European gas and power marketing operations and earnings from new businesses, such as coal and forest products, also contributed to the earnings growth of Enron's commodity sales and services business. Commodity Sales and Services' results in 2001 were also positively impacted by the sale of certain peaking power plants. Volumes growth, which increased 65 percent in the first quarter of 2001 as compared to the first quarter of 2000, and price volatility in both the gas and power markets were the key contributors to increased profits in the gas and power intermediation businesses.

Assets and Investments. Enron's wholesale businesses make investments in various energy and certain related assets as a part of its network strategy. Wholesale Services either purchases the asset from a third party or develops and constructs the asset. In most cases, Wholesale Services operates and manages such assets. Earnings principally result from operations of the assets or sales of ownership interests.

Additionally, Wholesale Services invests in debt and equity securities of energy-related businesses, which may also utilize Wholesale Services' products and services. With these merchant investments, Enron's influence is much more limited relative to assets Enron develops or constructs. Earnings from these activities, which are accounted for on a fair value basis and are included in revenues, result from changes in the market value of the securities. Wholesale Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments.

Earnings from assets and investments decreased \$161 million in the first quarter of 2001 as compared to the same period in 2000 as a result of a decrease in the value of Wholesale Services' merchant investments. Earnings from international asset operations were comparable to 2000 levels.

Unallocated Expenses. Net unallocated expenses such as

systems expenses and performance-related costs increased in 2001 due to the growth of Wholesale Services' businesses.

Retail Energy Services

Energy Services sells or manages the delivery of natural gas, electricity, liquids and other commodities to industrial and commercial customers located in North America and Europe. Energy Services also provides outsourcing solutions to customers for full energy management. This integrated product includes the management of commodity delivery, energy information and energy assets, and price risk management activities.

Significant components of Energy Services' results are as follows (in millions):

<TABLE>
<CAPTION>

	First Quarter	
	2001	2000(a)
<S>	<C>	<C>
Revenues	\$693	\$314
Cost of sales	495	234
Operating expenses	164	86
Depreciation and amortization	9	9
Equity (loss) income	(15)	1
Other, net	30	20
Income before interest, minority interests and taxes	\$ 40	\$ 6

<FN>

(a) Amounts for the first quarter of 2000 have been restated. See Note 6 to the Consolidated Financial Statements.

</TABLE>

Operating Results

Revenues and gross margin increased \$379 million and \$118 million, respectively, in the first quarter of 2001 compared to the first quarter of 2000, primarily as a result of long-term energy contracts originated in 2001 and the growth of Energy Services' European operations. Operating expenses increased primarily as a result of higher employee-related costs. Other, net in the first quarter of 2001 and 2000 consisted primarily of gains associated with the securitization of equity investments. Equity losses reflect Energy Services' portion of losses of The New Power Company.

Broadband Services

In implementing Enron's network strategy, Broadband Services constructed the Enron Intelligent Network (the EIN), a nationwide fiber optic network that consists of both fiber deployed by Enron and acquired capacity on non-Enron networks and is managed by Enron's Broadband Operating System software. The EIN, which connects 25 pooling points in North America, Europe and Japan, provides the infrastructure for Broadband Services' other businesses. Enron is extending its market-making and risk management skills from its energy business to develop the network services intermediation business. Broadband Services' intermediation business helps customers manage unexpected fluctuation in the price, supply and demand of network-

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related requirements, including bandwidth and storage. Enron's bandwidth-on-demand platform allows delivery of high-bandwidth media-rich content such as video-on-demand and high capacity data transport. Broadband Services also makes investments in companies with related technologies and with the potential for capital appreciation. Earnings from these merchant investments, which are accounted for on a fair value basis and are included in revenues, result from changes in the market value of the securities. Broadband Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments. Broadband Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

The components of Broadband Services' businesses include network services intermediation, the delivery of content and the optimization of Enron's fiber network.

Significant components of Broadband Services' results are as follows (in millions):

<TABLE>
<CAPTION>

	2001	2000
<S> <C>	<C>	<C>
Gross margin	\$ 54	\$ 51
Operating expenses (including depreciation)	92	52
Other, net	3	1
Loss before interest, minority interests and taxes	\$(35)	\$ -

</TABLE>

Gross margin increased \$3 million in the first quarter of 2001 compared to the first quarter of 2000. First quarter 2001 gross margin included the realized appreciation associated with a portion of Enron's broadband content delivery platform. Gross margin for the first quarter of 2000 primarily reflects earnings from sales of excess fiber capacity and an increase in the market value of Broadband Services' merchant investments. Operating expenses increased due to higher employee-related costs and depreciation on fiber-optic related equipment placed into service in late 2000.

Transportation and Distribution

Transportation Services. The following table summarizes total volumes transported for each of Enron's interstate natural gas pipelines.

<TABLE>
<CAPTION>

	First Quarter 2001	2000
<S>	<C>	<C>
Total volumes Transported (BBtu/d)(a)		
Northern Natural Gas	3,750	4,147
Transwestern Pipeline	1,744	1,566
Florida Gas Transmission	1,234	1,563
Northern Border Pipeline	2,490	2,464

<FN>

(a) Billion British thermal units per day. Reflects 100% of each entity's throughput volumes. Florida Gas and Northern Border Pipeline are unconsolidated equity affiliates.

</TABLE>

Significant components of IBIT are as follows (in millions):

<TABLE>

<CAPTION>

	First Quarter	
	2001	2000
<S>	<C>	<C>
Net revenues	\$243	\$201
Operating expenses	107	65
Depreciation and amortization	17	16
Equity in earnings	14	7
Other, net	-	1
Income before interest and taxes	\$133	\$128

</TABLE>

Operating Results

Revenues, net of cost of sales (net revenues) of Transportation Services increased \$42 million in the first quarter of 2001 as compared to the first quarter of 2000 primarily due to increased transportation and storage revenues received by Northern and increased volumes transported and operational gas volumes sold by Transwestern. Higher gas prices in 2001 positively impacted revenues from operational gas sales. Operating Expenses increased \$42 million primarily as a result of higher gas prices and other costs associated with the increase in volumes transported by Transwestern and the timing of other pipeline expenses. Equity in earnings increased \$7 million in the first quarter of 2001 as compared to the same period in 2000 primarily due to improved operating results from EOTT.

Portland General. Statistics for Portland General for the first quarter of 2001 and 2000 are as follows:

<TABLE>

<CAPTION>

	First Quarter	
	2001	2000
<S>	<C>	<C>
Electricity Sales (Thousand Mwh)		
Residential	2,171	2,361
Commercial	1,820	1,872
Industrial	1,200	1,169
Total Retail	5,191	5,402
Wholesale	2,739	4,281
Total Electricity Sales	7,930	9,683
Average Billed Revenue (cents per kwh)	9.53	4.00
Resource Mix		
Coal	16%	13%
Combustion Turbine	17	10

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Hydro	6	8
Total Generation	39	31
Firm Purchases	53	62
Secondary Purchases	8	7
Total Resources	100%	100%
Average Variable Power Cost (Mills/kwh)(a)	71.9	20.8
Retail Customers (end of period, thousands)	728	724

<FN>

(a) Mills (1/10 cent) per kilowatt-hour.

</TABLE>

Significant components of IBIT are as follows (in millions):

<TABLE>

<CAPTION>

	First Quarter	
	2001	2000
<S>	<C>	<C>
Revenues	\$767	\$397
Purchased power and fuel	582	202
Operating expenses	67	78
Depreciation and amortization	51	46
Other, net	(7)	34
Income before interest and taxes	\$ 60	\$105

</TABLE>

Operating Results

Revenues, net of purchased power and fuel costs, decreased \$10 million in the first quarter of 2001 as compared to the first quarter of 2000. The decrease was due to higher purchased power and fuel costs resulting from general market conditions, including lower hydroelectric generation and higher gas prices. Operating expenses decreased primarily as a result of lower costs incurred for transmission line repairs and lower overhead expenses. Depreciation and amortization increased in 2001 primarily as a result of increased regulatory amortization. Other, net in 2001 included the impact of a decline in the value of investments. Other, net in 2000 was favorably impacted by certain regulatory events.

On April 26, 2001, Enron announced that the agreement to sell Portland General to Sierra Pacific Resources has been terminated. See Note 9 to the Consolidated Financial Statements.

Corporate and Other

Corporate and Other realized a loss before interest, minority interests and taxes of \$158 million and \$44 million in the first quarter of 2001 and 2000, respectively. First quarter 2001 results include higher unallocated corporate-wide expenses and operating losses from non-core businesses, including Azurix.

Interest and Related Charges, net

Interest and related charges, net, is reported net of interest capitalized of \$15 million and \$13 million for the first three months of 2001 and 2000, respectively. Net

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expense increased \$40 million in the first quarter of 2001 as compared to the same period of 2000, primarily due to increased debt levels.

Income Tax Expense

The projected effective tax rate for 2001 is lower than the statutory rate mainly due to equity earnings and differences between the book and tax basis of certain assets and stock sales. Income taxes increased during the first quarter of 2001 as compared to the first quarter of 2000 primarily as a result of increased pretax earnings.

Enron recorded tax benefits in shareholders' equity related to stock options exercised by employees of approximately \$130 million in the first quarter of 2001.

CUMULATIVE EFFECT OF ACCOUNTING CHANGES

On January 1, 2001, Enron recognized an after-tax non-cash gain of \$19 million in earnings and deferred an after-tax non-cash gain of \$25 million in "Accumulated Other Comprehensive Income," a component of shareholders' equity and reclassified \$277 million from "Long-Term Debt" to "Other Liabilities" to reflect the initial adoption of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 must be applied to all derivative instruments and requires that such instruments be recorded in the balance sheet either as an asset or a liability measured at its fair value through earnings, with special accounting permitted for certain qualifying hedges.

FINANCIAL CONDITION

Cash Flows

<TABLE>

<CAPTION>

(In Millions)	First Quarter	
	2001	2000
<S>	<C>	<C>
Cash provided by (used in):		
Operating activities	\$ (464)	\$ (457)
Investing activities	(1,124)	(1,493)
Financing activities	1,300	2,128

</TABLE>

Cash used in operating activities totaled \$464 million during the first three months of 2001 as compared to cash used of \$457 million in the same period last year. Cash used in operating activities in the first quarter of 2001 reflects cash provided by first quarter operations offset by increased working capital requirements. Cash used in the first quarter of 2000 reflects the acquisition of merchant assets and investments and working capital requirements. Enron expects increased cash flows from operating activities in subsequent quarters of 2001 related to its price risk management activities.

Cash used in investing activities totaled \$1,124 million during the first quarter of 2001 as compared to \$1,493 million during the same period in 2000. The first quarter

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2001 amount reflects cash used for investments in unconsolidated equity affiliates and energy network-related capital expenditures. Investments in unconsolidated equity affiliates in 2001 include the acquisition of a company whose assets include a newsprint mill and related assets and the purchase of all publicly traded shares of Azurix Corp.

Cash provided by financing activities totaled \$1,300 million during the first quarter of 2001 as compared to \$2,128 million during the same period in 2000. The first three months of 2001 includes the net issuances of short- and long-term debt of \$1,549 million and the issuance of common stock related to employee benefit plans, partially offset by the acquisition of treasury stock and payments of dividends.

Enron is able to fund its normal working capital requirements mainly through operations or, when necessary, through the utilization of credit facilities and its ability to sell commercial paper and accounts receivable.

Capitalization

Total capitalization at March 31, 2001 was \$27.0 billion. Debt as a percentage of total capitalization increased to 44.2% at March 31, 2001 as compared to 40.9% at December 31, 2000. The increase in the ratio reflects increased long-term debt, including the issuance in January 2001 of \$1.25 billion of notes payable and increased net short-term borrowings in the first quarter of 2001.

FINANCIAL RISK MANAGEMENT

Wholesale Services offers price risk management services primarily related to commodities associated with the energy sector (natural gas, electricity, crude oil and natural gas liquids). Broadband Services also offers price risk management services to its customers. Enron's other businesses also enter into forwards, swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production and other contractual commitments. Enron utilizes value at risk measures that assume a one-day holding period and a 95% confidence level. For a complete discussion of the types of financial risk management products used by Enron, the types of market risks associated with Enron's portfolio of transactions, and the methods used by Enron to manage market risks, see Enron's Annual Report on Form 10-K for the year ended December 31, 2000.

Enron's value at risk amounts at March 31, 2001 were consistent with December 31, 2000 levels.

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This Report and the Form 10-K include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts contained in this document are forward-looking statements. Forward-looking statements include, but are not limited to, statements relating to expansion opportunities for the Transportation Services, extension of Enron's business model to new markets and industries, demand

in the market for broadband services and high bandwidth applications, transaction volumes in the U.S. power market, commencement of commercial operations of new power plants and pipeline projects, completion of the sale of certain assets and growth in the demand for retail energy outsourcing solutions. When used in this document, the words "anticipate," "believe," "estimate," "expects," "intend," "may," "project," "plan," "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Although Enron believes that its expectations reflected in these forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include success in marketing natural gas and power to wholesale customers; the ability of Enron to penetrate new retail natural gas and electricity markets (including energy outsourcing markets) in the United States and foreign jurisdictions; development of Enron's broadband network and customer demand for intermediation and content services; the timing, extent and market effects of deregulation of energy markets in the United States, including the current energy market conditions in California, and in foreign jurisdictions; other regulatory developments in the United States and in foreign countries, including tax legislation and regulations; political developments in foreign countries; the extent of efforts by governments to privatize natural gas and electric utilities and other industries; the timing and extent of changes in commodity prices for crude oil, natural gas, electricity, foreign currency and interest rates; the extent of success in acquiring oil and gas properties and in discovering, developing, producing and marketing reserves; the timing and success of Enron's efforts to develop international power, pipeline and other infrastructure projects; the effectiveness of Enron's risk management activities; the ability of counterparties to financial risk management instruments and other contracts with Enron to meet their financial commitments to Enron; and Enron's ability to access the capital markets and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and Enron's ability to maintain the credit ratings for its unsecured senior long-term debt obligations.

<PAGE>

PART II. OTHER INFORMATION
ENRON CORP. AND SUBSIDIARIES

ITEM 1. Legal Proceedings

See Part I. Item 1, Note 3 to Consolidated Financial Statements entitled "Litigation and Other Contingencies," which is incorporated herein by reference.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

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Exhibit 12 Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K

Current Report on Form 8-K filed January 31, 2001, disclosing Enron Corp.'s plans to issue zero coupon convertible debt securities convertible into Enron common stock.

Current Report on Form 8-K filed February 27, 2001, containing Enron Corp. Consolidated Financial Statements for the year ended December 31, 2000.

<PAGE>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENRON CORP.
(Registrant)

Date: May 14, 2001

By: RICHARD A. CAUSEY
Richard A. Causey
Executive Vice President and Chief
Accounting Officer
(Principal Accounting Officer)

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Exhibit 12

ENRON CORP. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO
FIXED CHARGES
(Dollars in Millions)
(Unaudited)

<CAPTION>

	Three Months Ended 3/31/01	2000	Year Ended December 31, 1999	1998	1997
1996					
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Earnings available for fixed charges					
Net income	\$406	\$ 979	\$1,024	\$ 703	\$105
	Page 28				

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584

Less:

Undistributed earnings and
losses of less than 50%
owned affiliates

(12) 20 (12) (44) (89)

(39)

Capitalized interest of
nonregulated companies

(16) (44) (61) (66) (16)

(10)

Add:

Fixed charges(a)

286 1,184 948 809 674

454

Minority interest

40 154 135 77 80

75

Income tax expense

145 478 137 204 (65)

297

Total

\$849 \$2,771 \$2,171 \$1,683 \$689

\$1,361

Fixed Charges

Interest expense(a)

\$274 \$1,136 \$ 900 \$ 760 \$624 \$

404

Rental expense representative
of interest factor

12 48 48 49 50

50

Total

\$286 \$1,184 \$948 \$ 809 \$674 \$

454

Ratio of earnings to fixed charges

2.97 2.34 2.29 2.08 1.02

3.00

<FN>

(a) Amounts exclude costs incurred on sales of accounts receivables.

</TABLE>

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-----END PRIVACY-ENHANCED MESSAGE-----