BOARD OF DIRECTORS' MEETING

August 8, 2000

EC004391519

ENRON

Project Summer

Overview/Rationale

Overview

- Opportunity to sell substantially all non-European international businesses ("Project Summer")
  - Disproportionate use of resources for inadequate returns
  - Offered reasonable price given the comprehensive nature of the transaction
  - Improves reported profitability, reduces risk

- Given Project Summer, good time to reduce dividend
  - Dividend reduction has been under consideration for some time
  - Given growth-oriented investor base, no significant sales pressure likely
  - Reception could be enhanced by a simultaneous increase in shares authorized for repurchase

- Want to target improved BBB+ rating but not recommending seeking an A- rating at this time
  - Could achieve an A- if proceeds from Summer & PGE used to improve rating
  - Not evident that the benefit of achieving an A- rating is worth the cost

Deal Description

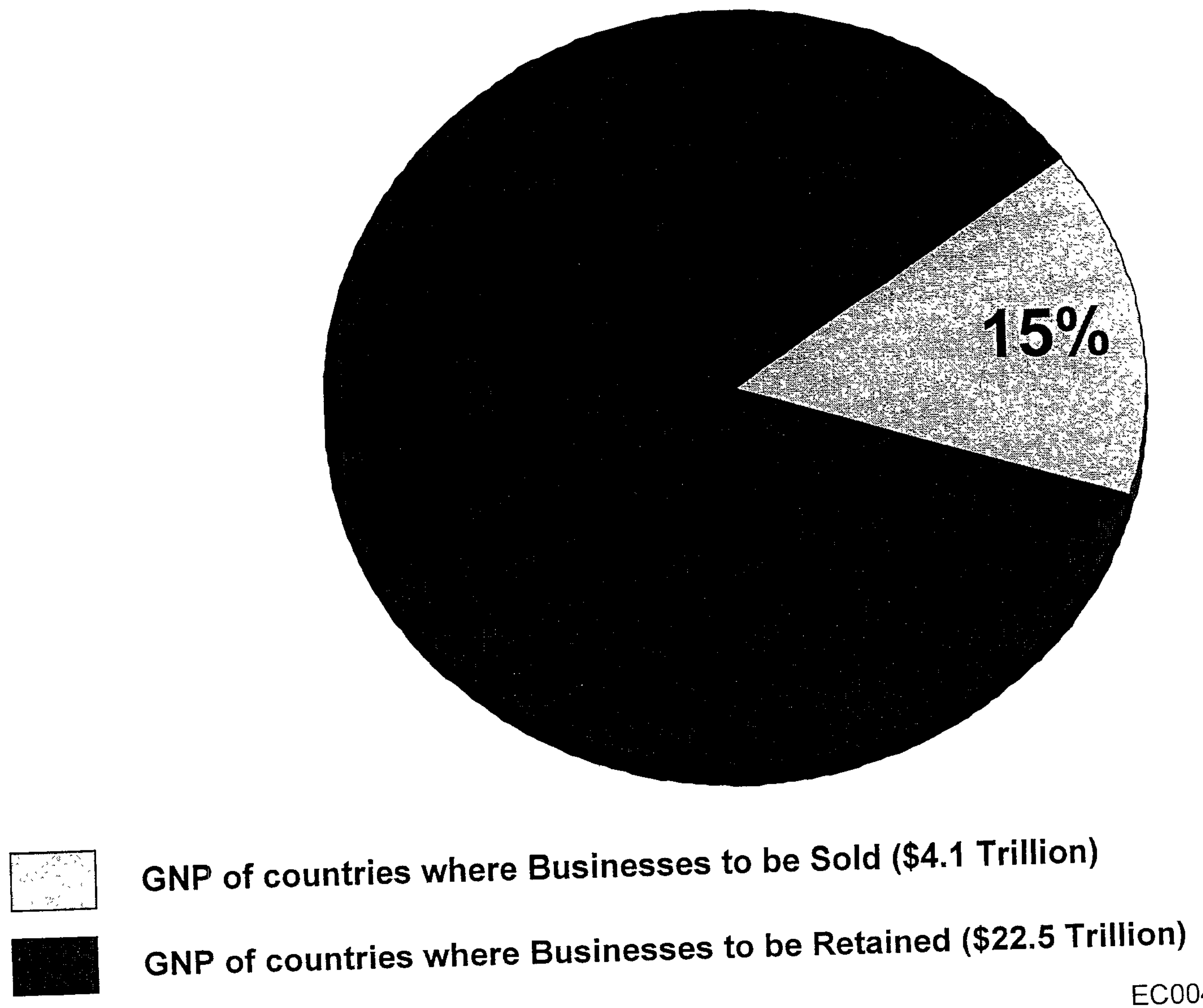
$6.08 billion cash sale for 80% (100% valuation = $7.6 billion) of Enron's equity interests in:

- South America
- CALME
- Enron Global Exploration and Production
- India
- APACHI
- Enron Renewable Energy Corp.
- Turkey

Project Excludes

- Trading operations in Japan and Australia
- Hainan project
- Enron Engineering & Construction
- Purchaser has right to exclude Turkish project from transaction

Gross National Product



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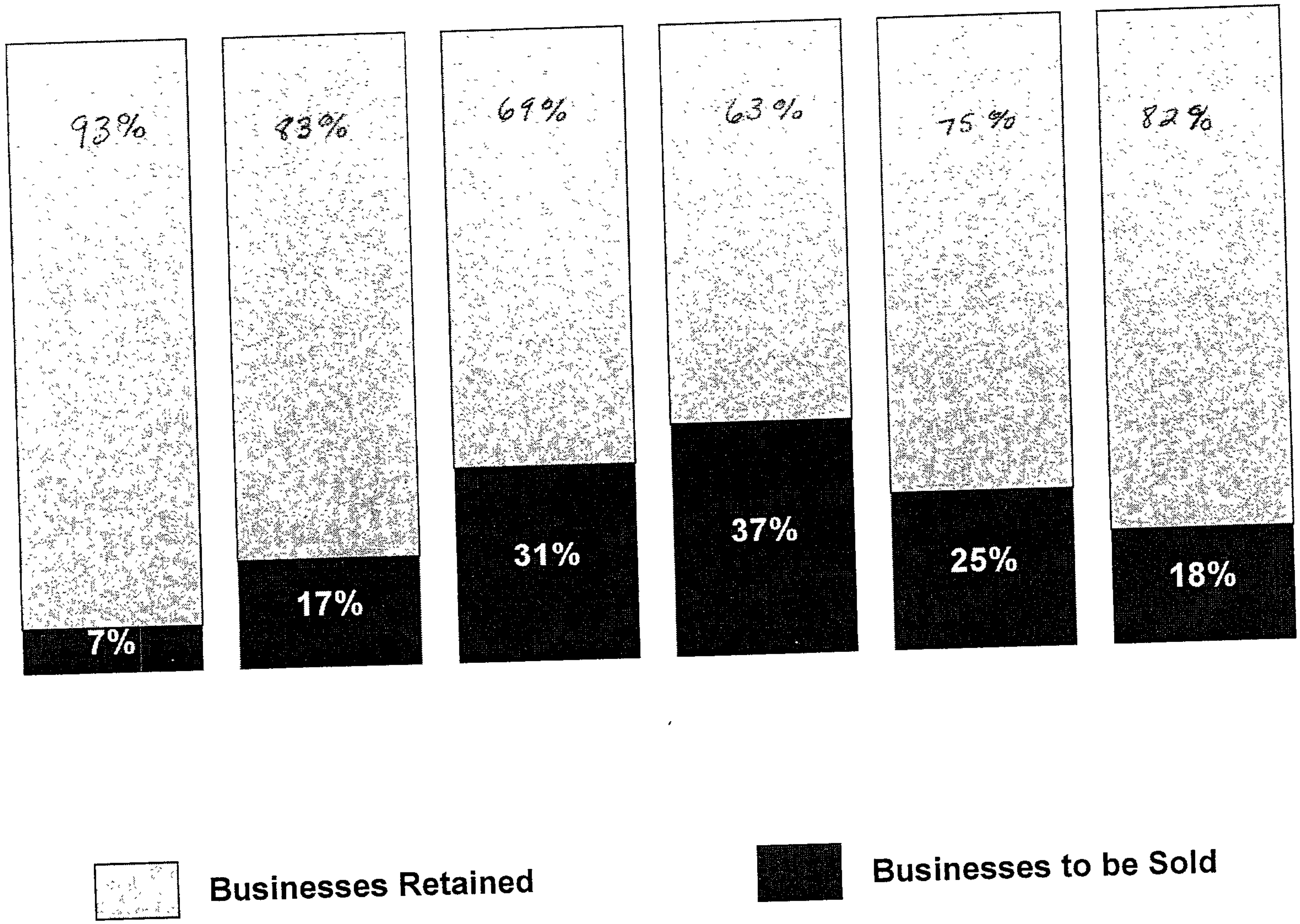
Comparison of Businesses Sold & Businesses Retained



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Rationale - Capital Returns

	Invested Capital 3/31/00	Actual 1999 IBIT	ROIC*	Plan 2000 IBIT	ROIC*
Returns from Businesses included in Deal	7,533	349	***4.6%***	564	***7.5%***
Less : EGEP (Intl. E&P)	513	15		24	
TGS (Pipeline)	403	58		57	
Ventane (LPG Dist.)	165	25		34	
EREC	465	60		63	
Sub-Total	1,546	158	***10.2%***	178	***11.5%***
Less : Expected Asset Sales		-		192	
Net Traditional EI Businesses	$ 5,987	$ 191	***3.2%***	$ 194	***3.2%***

* Calculated as IBIT/Invested Capital

Note :

Invested capital for Businesses represents Enron book basis

3/31/00 Invested capital is fixed reference point due to compariability issues

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Risks vs. Potential Upside

Region	Risks	Potential Upside
SOUTHERN CONE	Tariff revision Currency devaluation risk Regulatory risk Slow market liberalization Trapped cash Credit risk	Good market position in deregulating environment Gas and electricity demand expected to grow rapidly
INDIA	Immature natural gas market Credit risk on Metgas off-take Timing of additional sales of Metgas volumes Operating concerns at Dabhol	Stable earnings and cash flows under Dabhol PPA Good market position in developing economy Tested legal system
CALME	Currency Risk Credit Risk Social & Political unrest in certain countries Size of market Trapped cash Immaturity of markets in Middle East	Rapid growth in demand for power Rapidly growing economy U.S. gov't support for Palestine project Resource rich
APACHI	Currency Risk Trapped Cash Creditworthiness of counterparties Delays in market liberalization Tariff Revisions	Market position in developing economy Certain assets provide a stable stream of earnings & cash flow
TURKEY	Credit risk Trapped cash	Stable earning and cash flows
EREC	Warranties require balance sheet and/or credit capacity Technology Manufacturing skill base	Technology

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Deal Description

Purchaser is a Middle East investor group led by Dr. Amin Badr El-Din

Enron retains 20% of combined entities

- Has option to exit after IPO or 4 years through a staggered put right at the then-current book value
- Enron has Board representation

Enron has no obligation to provide capital infusions but without participation Enron's ownership interest will be diluted

Deal Description

Deal Timing

- Signing of definitive agreements the week of August 14th
- Signing of ancillary agreements to occur at closing
- Closing expected within 90 days of signing
- Closing is contingent on Elektro regulatory approvals and certain other regulatory consents

Deal Description

Obligations of Enron

- Purchaser has rights to use the Enron name in specified international markets, excluding Europe, Japan, and Australia
- Enron to pay up to $75MM for friction costs (i.e. waiver of lender, partner, and/or regulatory restrictions) and similar expenses relating to transferring subject businesses
- Provide transition services for up to 2 years
- Keep existing Enron guaranties in place for up to 4 years

Obligations of the Purchaser

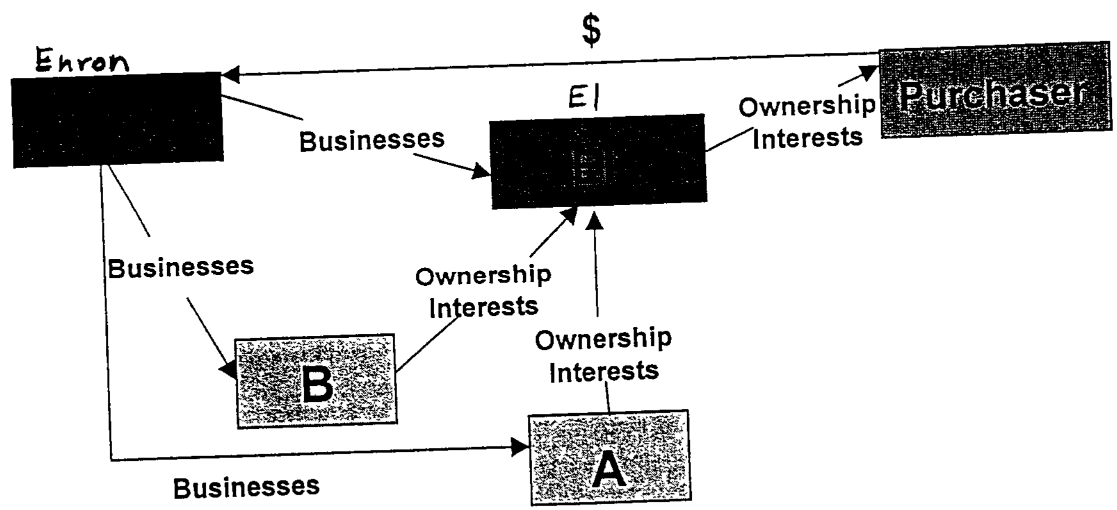
- Secure purchase with L/C

Deal Description

Employees

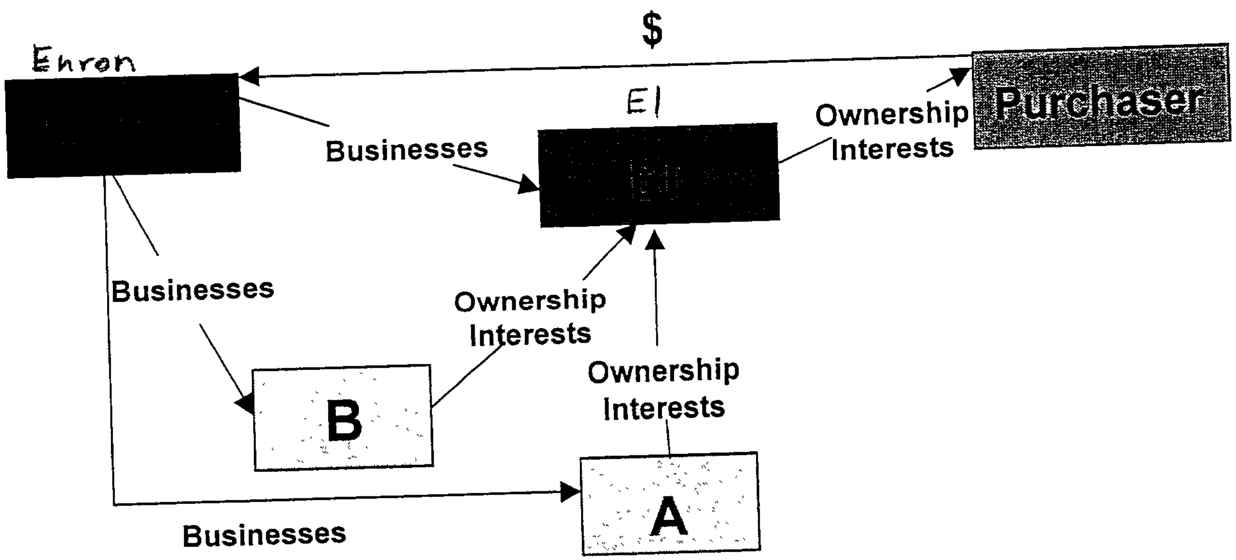
- All current employees remain with businesses that are part of the transaction
- Purchaser is responsible for severance activities and liabilities
- Enron is to provide an estimated $150MM to Purchaser to serve as a "fund" for employee retainage, severance, or other employee benefit items
- Enron to pay pro-rata bonuses for employees for 2000
- Mutual no hire provision

Transaction Overview



- Enron contributes its businesses to be transferred into three holding companies: A,B,and EI
- Businesses with lender, partner or regulatory transfer restrictions to be placed in either A or B
- Enron must retain a level of direct ownership in A and B businesses due to transfer restrictions
- Businesses with no transfer restrictions are to be 100% owned by EI
- Enron allocates voting and economic interests of A and B between itself and EI
- Enron, through ownership in A, B, and EI, has an aggregate 20% economic interest
- Purchaser has an 80% interest in the aggregate group through EI ownership
- As transfer restrictions are eliminated, interests in A/B will be transferred 100% to EI
- Enron's ownership interest in EI fluctuates as necessary and will be adjusted to reflect transfers, performance of business, and equity infusions

Transaction Overview



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Advantages/Requirements for "A-"

- Advantages
  - Increased counterparty credit capacity
  - Reduced liquidity volatility
  - Increased balance sheet flexibility
  - $2-3 Bln increase in capital markets capacity

- Requirements*
  - Maintenance of four key ratios:

• Funds Flow/Interest Coverage Ratio	5.5x
• Pre-tax Income/Interest Coverage Ratio	4.5x
• Funds Flow/Total Obligations Ratio	35%
• Total Obligations/Total Capital	42%

* Standard & Poor's and Fitch. Moody's upgrade will lag 12-18 months due to recent upgrade to Baa1.

Rationale

- Not clear that the benefits of an upgrade are necessary at this time

- Cost is clear:
  - Must maintain lower debt level and improve coverage ratios
  - There is a trade-off between paying down debt to achieve a higher credit rating and reinvesting the funds to achieve higher earnings per share ($0.20/share per year impact)

Note: Assumed $3.3 Bln reinvested at 15% per annum (pre-tax). Marginal cost of debt assumed to be 7.5% per annum (pre-tax).

Recommendation

- Maintain BBB+ rating
- Reducing debt to $6.5 Bln gives the Company the option to receive an upgrade if management commits to higher credit standards
- If management concludes in the future that an A- rating is not necessary then debt levels could be increased without adversely impacting the rating