

**ENRON
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Philip J. Bazelides
Vice President
Corporate Human Resources

October 2, 1995

Mr. Martin Slate
Executive Director
Pension Benefit Guaranty Corporation
1200 K Street N.W.
Washington, D.C. 20005-4026

Dear Mr. Slate:

Enron Corp. believes it is important to respond to the mischaracterization of our Re the Pension Benefit Guaranty Corporation (PBGC), the Department of Labor and D conference on September 26. Any of our almost 7,000 employees who read the resu conference were no doubt misled about the viability of our company's pension plan. employees to correct misconceptions about Enron's pension plan relative to the PBC interpreting the plan data.

During the press conference, PBGC officials pointed to Enron Corp. as an example reversion from an overfunded pension plan, and now has an underfunded pension p conference indicated that Enron took a reversion of \$232,200,000 as of June 30, 1988 underfunded vested liability of \$82,500,000.

- Enron, in fact, did not take an asset reversion. Instead the assets taken from the Employee Stock Ownership Plan (ESOP). This ESOP was set up in a "floor plan" continuing pension plan so that the assets in the ESOP, as they were allocated to eliminate future pension accruals. When the ESOP was set up in late 1986, Enron was \$38 a share. Today, after splitting twice, the stock is at between \$34 and \$35 a share, which has quadrupled in value in the eight years since the ESOP was established. This has been a great benefit for Enron's employees and, due to the "floor plan" arrangement, a great benefit

The \$82,500,000 unfunded vested benefit listed in the September 26, 1995 PBGC report as of December 31, 1993. This unfunded vested benefit amount has been superseded by the PBGC on September 18, 1995, which shows Enron's unfunded vested benefit as of December 31, 1994 to be \$44,848,000. The 1993 and 1994 data was provided to the PBGC in its report. In all cases, the assumptions used by our plan's actuary were prescribed by the PBGC.



Mr. Martin Slate

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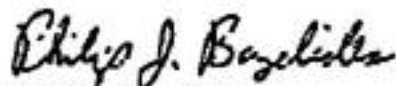
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- As stated above, the Enron Plan currently has unfunded vested benefit obligation. liability did not come from the accrual of additional benefits by active employee performance (on the contrary, assets have returned an annual rate of 12.28 percent). Unfunded liability has come from plan amendments providing additional benefits. These amendments include the addition of a postretirement surviving spouse death pension benefits to reflect cost-of-living changes, and special early retirement benefits created by plan amendments is a fundamental aspect of the law. In fact, under the plan amendments cannot be funded more rapidly than over ten years.

In total, these benefit increases have a current value of approximately \$45,000,000. Unfunded is an indication of Enron's sound funding policy.

We believe the representation of the financial status of Enron's Retirement Plan was on: (1) The most recent data requested by the PBGC, although in the hands of the IRS. The mischaracterization of the use of the \$232,000,000 in assets taken from the Retirement Plan. Consequently, we request that you delete Enron Corp.'s name from any future examination of a pension plan reversion and have significant unfunded pension plan liabilities. We will discuss this with you further.

Sincerely,



Philip J. Bazelides

Vice President of Corporate Human Resources

c The Honorable Bill Archer