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His Excellency
Dr. Leonel Fernández
President of the Dominican Republic
National Palace
Santo Domingo, D.R.

Honorable Mr. President:

The purpose of this letter is to explain to you the precarious financial situation in which Smith Enron Cogeneration, Ltd. ("SECLP") finds itself and the causes that have motivated SECLP to send a shutdown notice to CDE, in conformity with our PPA Contract. For Enron, it has been a difficult decision since we understand the tenuous nature of an incipient capitalization process and your personal commitment to making such a vital reform of the electrical sector successful.

However, SECLP and Enron, as its largest shareholder, have contributed substantially to help sustain the energy production in the last five months since June without receiving any payments from CDE. Current debt arrears have reached an unprecedented and unsustainable level of US\$ 38 million. SECLP is in an extreme situation with no working capital that would allow it to continue to generate. Among the more pressing obligations are in past due fuel payments to its supplier of US\$ 34 million, a forthcoming payment to its creditor pool of banks in early December of US\$ 13 million, plus the normal operational expenses to run the plant. At present, SECLP has lost its credit with its fuel supplier, despite Enron's credit support until payment is received.

We trust Your Excellency understands that Enron has made all of the necessary efforts to develop a positive and supportive relationship with the CDE and the Government. In effect, during 1998 and 1999, SECLP and CDE successfully renegotiated the PPA Contract providing improved terms to the Dominican Republic, terminated in good faith the arbitrage litigation and collaborated jointly to better our normal working relationship.

The importance of these aforementioned successes is further supported by Enron's development of new businesses in your country. Enron has demonstrated its faith in the future of the Dominican Republic and its economy, by participating as the lead investor in the Haina Consortium. One other business opportunity currently being developed is a LNG terminal and gas distribution system that would significantly reduce the cost of energy supply

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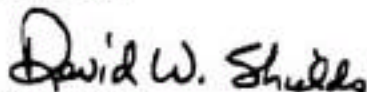
in the Dominican Republic. All this has been made possible by the creation of a proper climate for new investments based on political stability and economic growth. These encouraging developments in the investment profile of the Dominican Republic can only be adversely affected by the prevailing crisis that affects all generators in the system.

Our company understands that your staff is searching for several mechanisms to provide the IPP's with payments for all the outstanding debts. We urge Your Excellency to direct your staff to immediately implement one of these available mechanisms. SECLP also respectfully requests you to instruct the CDE to comply with the Definitive Agreement by providing the Distribution Companies orders to pay into the Escrow Account all monies due to CDE. The Escrow Account is now operational, but as late as Monday, the CDE informed a group of IPP's that CDE does not intend to comply with the Definitive Agreement during the Transition Period.

We are committed to continue to help CDE and your Government with the successful transition to a new electrical sector, but are in dire need of your attention to the payment issue and the negative effects on generation. Enron is more than willing to contribute our human resources to analyze the cash flows needs of the system, as well as any other associated technical issues. Please count on our continued assistance in the search for creative solutions that will promote the success of the capitalization reform.

With the hope that you understand our needs and immediate pressures, we remain at your services.

Yours Truly,



David Shields
Senior Vice President

cc: Temistocles Montas
Alejandrina German
Tony Isa Conde
Rhadames Segura
Marcos Cochon