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Derivatives

October 25, 1999

The Honorable Lee Sachs  
Assistant Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Mr. Sachs:

I wanted to thank you again for taking the time on October 6 to meet with myself and other Enron representatives to discuss the President's Working Group on Financial Markets' upcoming report on over-the-counter (OTC) derivatives and other policy issues related to Enron's commodity businesses.

We appreciated your thoughts on the anticipated release of the President's Working Group report. While you indicated that the report's recommendations would not likely impact our existing OTC contracts and commodities business, Enron remains concerned that the report may contain suggestions that over-the-counter participants be subject to some form of regulatory requirements in the future.

Enron's position on the matter is simple and straightforward -- there is no need for additional regulation of OTC derivatives dealers. Current CFTC oversight is appropriate and sufficient. OTC derivatives markets (particularly energy derivatives markets) function very efficiently and safely today, allowing us to provide our customers with essential, custom-tailored risk management tools. We hope that Treasury and the other financial regulators will agree with our position, and that this view is reflected in the Working Group report.

We look forward to working with you in the future on these important issues. If we can provide you with additional information or assistance concerning Enron's businesses, regulatory and legislative positions, or energy commodity markets in general, please contact Jeff Keele: in Enron's Washington, D.C. office at 202-466-9157.

Sincerely,

Kevin P. Hannon

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