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Mr. Timothy S. Lucas Director of Research and Technical Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

File Reference No. 154-D

Dear Mr. Lucas:

Enron Corp. (Enron) appreciates the opportunity to comment on the Exposure Draft (ED) "Consolidated Financial Statements: Purpose and Policy."

Enron is a leading integrated natural gas and electricity company and the largest trader of natural gas, electricity and certain other energy-related commodities in the United States, Europe and South America.

Issue 1: Definition of Control

Enron agrees with the ED's definition of control with the suggested modification. We believe that the definition should be changed as follows: Control - The ability of an entity to direct the policies and management that guide the ongoing activities of another entity, in which they derive more than a minimal residual or economic benefit, so as to increase its benefits and limit its losses from that other entity's activities. For purposes of consolidated financial statements, control involves decision-making ability that is not shared and cannot be legally obtained by others.

For the ED to be operational, we believe it is important to have an objective ownership test in evaluating control. Our suggested change to the definition of control and our remarks regarding the "Rebuttable Presumptions of Control" would eliminate the probability evaluation that those who have the legal right to gain control would not ever exercise such a right. In addition, we believe there should be a greater than minimal economic interest before consolidating an entity. There does not seem to be a benefit in grossing up the balance sheet if the parent has minimal economic exposure.

The ED exempts the consolidation of entities that are controlled if the control is temporary. As written, it is not clear whether the intention is to include only newly **acquired** entities or whether newly **formed** entities also qualify for the temporary control exception. We do not believe that there should be a difference in the treatment in a newly acquired or formed entity that will only be controlled temporarily.

Issue 2: Rebuttable Presumptions of Control

We agree with items a and c (see comments on item c) and disagree with items b and d.

Item b. "Has a large minority voting interest in the election of a corporation's governing body and no other party or organized group of parties has a significant voting interest" requires consolidation based on factors outside of the parent's control. Enron believes that in order for a parent to control they must have the unilateral ability to control and that control should not be based on the apathy of other shareholders.

Item c. We assume Item c would only be operational if it is obvious that the other party could obtain their additional ownership without significant cost or additional exposure. For example, the increased exposure might include the conversion of a preferred stock to a common stock that could potentially reduce the holder's liquidity. The additional risk may be difficult to measure in evaluating control.

Item d. "Is the only general partner in a limited partnership and no other partner or organized group of partners has the current ability to dissolve the limited partnership or otherwise remove the general partner" requires consolidation of limited partnerships with a sole general partner and the limited partners do not have the ability to remove the general partner. As previously discussed under issue 1, Enron does not believe that a limited partnership in which the general partner does not have significant residual or economic interest should be consolidated. Implementation guidance further states that in limited partnerships in which the limited partners are widely dispersed that the presumption should be that control rests with the sole general partner. Similar to our reason for disagreeing with Item b, we believe that either the limited partners have the legal ability to overrule the control of the general partner or they do not. Probability as to whether the limited partners obtain sufficient votes to override the general partner should not be a factor in determining control.

Issue 3: Transition and Implication Reporting

The ED requires adoption for annual periods beginning after December 15, 1999 and for all interim periods in the year of adoption. This would require adoption of the ED January 1, 2000 with disclosure in the December 31, 1999 Form 10-K of the effects of adoption. Given the deadline for responses to the ED and the anticipated release of a pronouncement late third or fourth quarter 1999, there will be little time for companies to analyze each affiliate situation to determine if consolidation is required. In order to properly prepare and discuss the changes caused by a new pronouncement with creditors and rating agencies, more time will be needed for implementation. Enron believes that implementation should be for annual periods beginning after December 15, 2000, otherwise removal of the requirement to adopt for the interim periods in the year of adoption would allow additional time to complete a thorough analysis.

Other Items

Special Purpose Entities - The ED attempts to address complex issues regarding SPEs by using examples in the appendix. The examples illustrate how differences in the facts could alter the decision as to whether the SPE is consolidated or not. The EITF has addressed the need for consolidation of several different types of SPEs some of which are contrary to the examples within the ED. Additional guidance is needed regarding SPEs and other complex alliances.

Enron appreciates the opportunity to comment on this matter and would be glad to discuss it at your convenience.

Sincerely,

Richard A. Causey