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Analysts like one post-Enron company; remain skeptical of the other
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HOUSTON (AP) - Enron Corp. is looking to its distant past to build its future.

Pipelines and power plants, dismissed as mundane in Enron's days as a cutting-edge **energy** trader, are all that's viable as the fallen company makes it way though one of the most complicated and expensive Chapter 11 cases in history.

Those assets and their employees are destined to be part of two new companies, one domestic and the other international, that aim to leave Enron and its history of accounting chicanery behind. Neither will bear the Enron name.

"Part of what the management has done is they were able to put all of what's wrong on the shelf, let investigators look at that, and we focused on what was right -- good hard assets with predictable cash flow," said Stephen Cooper, the restructuring expert hired more than two years ago to lead the company out of bankruptcy.

The domestic company, CrossCountry **Energy** Corp., promises honesty, positioning itself as the anti-Enron.

"We will provide value to our customers, a solid return to our investors and are dedicated to earning stakeholder trust through open, honest communication and ethical business practices," its Web site says.

Analysts say CrossCountry, which comprises Enron's whole or part ownership of three North American natural gas pipelines, should be a reliable cash-flow provider.

They see a less stable future for Prisma **Energy** International LLC, a smattering of pipelines and power generation and distribution assets in 14 countries that garner no envy and face local political, economic and regulatory challenges.

"The (North American) pipelines did not create any of the Enron problems. They were hard assets and run by very reliable people with a very strong record of success," said John Olson, a Sanders Morris Harris analyst who has followed Enron since its inception in 1985. "I can't say the same for Prisma. It's a collection of mostly Latin American assets which don't have much resonance or attraction in today's marketplace."

U.S. Bankruptcy Judge Arthur Gonzalez in New York already has blessed CrossCountry, and Cooper said Enron will seek the same approval for Prisma when the judge signs off on the company's reorganization plan. That plan proposes paying most creditors about one-fifth of the approximate $66.4 billion they are owed in cash and stock in the companies.

Enron's approximate 24,000 creditors are voting on the plan, and a final confirmation hearing is scheduled for April 20.

Once the plan is confirmed, Enron can work toward distributing equity in the companies, which Cooper said could be done by the end of this year. Then Enron will disappear, its near-worthless stock will be canceled, and the new companies will be independent entities.

Enron spokesman John Ambler said CrossCountry and Prisma may be publicly traded on the New York Stock Exchange at the start. He said some creditors might want to sell their shares, and "we assume creditors want a liquid market on the stock, so that's a likely result."

CrossCountry has about 1,200 workers. Its chief executive, Stan Horton, has run the pipelines since Enron was formed and is one of the few pre-bankruptcy management holdovers.

Horton, who declined to be interviewed, has not surfaced as a target in the criminal and regulatory investigations of Enron's collapse. However, he is being sued with other former top Enron executives who received generous salaries, bonuses and stock options during the company's salad days.

Jon Kyle Cartwright, director of institutional research for BOSC Inc., said CrossCountry, which has retained its customer base, could eventually reach the point where its bonds will be investment grade.

"They're great businesses because they're stable cash flow entities," he said. "Pipeline customers sign on for 10- and 20-year contracts, renting space on the pipeline. It's a classic stable business that allowed Enron to leverage up the way it did."

But Prisma's assets include some poor performers once hidden in Enron's notorious off-the-books partnerships that contributed to the company's 2001 implosion. Most prominent of those is Cuiaba, a pipeline and power business in Brazil, Bolivia and Argentina noted in the federal government's criminal case against former Enron finance chief Andrew Fastow.

The 98-count indictment alleges Fastow arranged in September 1999 for one of his LJM partnerships to pay $11.3 million for Enron's interest in the Cuiaba project. But the sale was a sham because LJM wasn't independent of Enron and the **energy** company reacquired the interest at a profit in a secret 2001 deal.

In January, Fastow pleaded guilty to two counts of conspiracy and acknowledged using the LJM partnerships to manipulate Enron's financial statements by, among other things, hiding unsavory assets.

"The question is how much economic value exists for these problem children," said **Robert McCullough**, a forensic accountant and **energy** industry analyst who has combed through some of Enron's convoluted finances.

"In the absence of an arm's-length transaction, valuation of these assets is dangerously speculative."

Enron has estimated in bankruptcy filings that the combined value of Prisma's assets ranges from $713 million to $918 million. Enron paid $1.3 billion for Brazil's Elektro, an electricity distribution company, when it was privatized in 1998, nearly double the government's minimum required bid of $670 million. Elektro serves more than 1.7 million consumers in the states of Sao Paulo and Mato Grosso do Sul.

Prisma has nearly 9,000 workers, 4,000 of whom are joint venture employees. The company's chairman and CEO is Ron Haddock, former president and CEO of FINA Inc. who became one of Enron's current four directors in July 2002 after the last of the company's pre-bankruptcy board members resigned.

Enron is selling its other major asset, **Portland** General Electric, the Pacific Northwest utility, to an entity backed by funds managed by Texas Pacific Group. The buyers will pay $1.25 billion in cash and assume $1.1 billion in debt for the utility that Enron bought for $3 billion in 1997. The deal is expected to close in the second half of 2004.

Enron's **energy** trading business, which the company used to build its reputation but which foundered amid the accounting scandal, was acquired for no money up front in January 2002 by Swiss investment bank UBS.

UBS ended up shuttering the Houston operation to consolidate trading in Connecticut.

But attractive offers for the pipelines didn't come.

"You can only sell it if there's a buyer," Cartwright said. "If they could have sold the Latin American assets, at what they felt was a good price, they would have sold them."

Cooper said Enron remains open to offers, but not at fire sale prices.

"It's become very clear to me and I believe very clear to the creditors that there's absolutely no need to dispose of our assets or ongoing businesses in any distressed fashion," he said.

On the Net:

www.crosscountryenergy.com.

www.prismaenergy.com

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