

Enron collapse could affect energy markets

HOUSTON (AP) — As bankruptcy loomed, a humbled Enron Corp. limped into limited operation Thursday to let skittish traders cut ties with the once-powerful company. A smaller, detailed how Enron's financial "decay" scared it away from a rescue merger.

In Washington, Congress began scrutinizing Enron's collapse and some lawmakers expressed concern over its possible long-term impact on energy markets. So far, there has been little, if any, ripple effect on energy prices.

Rep. Billy Tauzin, R-La., chairman of the House Energy and Commerce Committee, on Thursday announced hearings on Enron's accounting practices and into what impact the company's problems might have on electricity and natural gas markets.

"We're very interested in how the company handled its internal books," said Kenneth Johnson, a spokesman for the congressman, adding that the committee's general counsel had been directed to investigate circumstances leading up to the collapse.

Stunned employees tried to find hope in the fact that Enron — just months ago a towering presence in the energy markets — did not make a bankruptcy filing Thursday.

Analysts, however, saw little if any chance the company could succeed in its effort to find a way to extricate itself from a tangled mess of junk credit and massive debt.

EnronOnline, the company's

Internet-based trading system, was up and running Thursday on a limited basis for traders to finish transactions and offset credit risk with the company. The site, which was the first of its kind, was shut down for several hours Wednesday after Dynegy Inc. called off the merger.

"Everyone should have at least some skepticism that it could ever emerge from Chapter 11," A.G. Edwards & Sons analyst Mike Heim said Thursday. "The energy trading business has probably taken such a hit to its reputation that it would be difficult to retrench and go forward."

Enron officials did not return repeated calls for comment.

A haggard Chuck Watson, chairman and chief executive of Dynegy Inc., said a steady stream of revelations of weak finances and decline in Enron's core energy trading business left his company no choice but to walk away.

"This was a very difficult, complex, unprecedented decay of a company over many months," he said at a news conference. "That's a shame, because (a merger) could have worked."

Dynegy announced the rescue plan Nov. 9, knowing that Enron posted a \$618 million loss in third-quarter earnings and had ousted its chief financial officer for running partnerships that allowed the company to keep half a billion dollars in debt off its books.

Some executives profited from those partnerships, which prompted an investigation by the Securities and Exchange Commission.

But subsequent revelations that Enron's financial condition was worse than Dynegy once thought generated more and more concern, Watson said Thursday.

Ten days after the merger announcement, Enron filed paperwork with the SEC that restated its earnings back to 1997, eliminating more than \$580 million in reported income in that time span. The filing also disclosed that Enron would have to pay a \$690 million debt within a week.

Enron received an extension on that debt to mid-December, but its stock resumed a free-fall that had halted temporarily with the merger announcement and Dynegy started renegotiating Enron's sale price.

After falling 85 percent Wednesday, shares of Enron were off another 25 cents, or 41 percent, to finish at 36 cents in extremely heavy trading on the New York Stock Exchange. In comparison, Enron's 52-week high was reached last December, at \$84.88.

Watson said he thought the merger announcement stopped the erosion of investor confidence, but surprises in the SEC filing caused irreparable damage, even as Dynegy continued to hammer away at an agreement.

When two agencies cut Enron's credit rating to junk status Wednesday — triggering an obligation to pay debts of \$3.9 billion, or nearly twice the cash the company is believed to have — Watson said he had to stop trying to save another company and protect his own.

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Bryan
776-4835
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Sunday School 9:00
www.startel.net/bethel

Baptist

Fellowship Free Will Baptist Church
College & Career Class

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779-2297

For more information contact
Marcus Brewer: 731-1890
m-brewer@tamuu.edu
http://www.fellowshipfb.org

Catholic

St. Mary's Catholic Center
603 Church Avenue in Northgate
(979) 846-5717
www.aggiecatholic.org

Pastoral Team
Rev. Michael J. Sis, Pastor
Rev. Keith Koehl, Associate Pastor
Campus Ministers - Deacon Bill Scott, Deacon David Reed, Martha Tonn, Maureen Murray, Dawn Rouen

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Mon.-Fri.: 5:30 p.m. in the Church
Tues. & Thurs.: 12:05 noon in the All Faiths' Chapel
Sat.: 10:30 a.m. (Korean)

Weekend Masses
Sat.: 5:30 p.m. (English), 7:00 p.m. (Spanish)
Sun.: 9:00, 11:00 a.m., 5:30 p.m., and 7:00 p.m.

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A&M Church of Christ
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(979) 693-0400

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8 a.m., 10:30 a.m., Sunday Night: 6 p.m.
College Bible Class 9:30 a.m.
Mid-Week "Oasis" 7:30 p.m.



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Worship 10:15 a.m.

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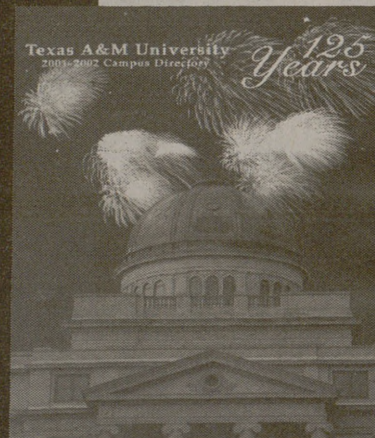
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