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Arizona Corporation Commission
DOCKETED
 MAR 26 2002

March 25, 2002

VIA OVERNIGHT MAIL

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Docket Control Center
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, AZ 85007

Re: Dynegy Energy Services, Inc, Docket no. E-04072A-01-0988

Dear Sir or Madam;

In response to the US West Case II Decision and the January 29, 2002 correspondence from the Commission to Dynegy Energy Services, Inc. ("DES") (the "Correspondence"). DES hereby responds as follows:

The following is in response to item 1 and 2 of the Correspondence; the projected total revenue for the first twelve months to provide service to Arizona customers by DES following certification, adjusted to reflect the maximum rate in its proposed tariff; and the projected operating expenses for the first twelve months to provide service to Arizona customers by DES:

Potential DES end-use load in AZ deregulated energy market after one year of prospecting - MW	volume (assume it takes a 1/2 year to contract with a customer, and the first year encompasses 2002 only) - MWh	revenue adjusted to reflect max rate	estimated associated operating expenses
10	29,200	\$730,000,000	\$657,000,000

Please note, at this point in time DES has a low expectation for success in this market. However, as we become more familiar with the rules and create ways to provide value to end-uses of retail electricity we hope to find more success.

In response to item 3 of the Correspondence, since Dynegy Energy Services will market to end-users in AZ out of regional offices in other states (or through a consulting arrangement), our operations personnel are located in Houston, and currently our DES affiliate assets are in Nevada and California (power assets) we believe the correct response to the book value of all AZ jurisdictional assets (for DES retail electric business) is effectively \$0.

If you have any question regarding this matter please feel free to call me at 713-507-6786.

Sincerely,

Handwritten signature of Barry Huddleston in cursive, followed by a circled 'a'.

Barry Huddleston
Sr. Director, Market Structure