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ARIZONA CORPORATION COMMISSION

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January 29, 2002

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Mr. Barry Huddleston
Dynergy Energy Services, Inc.
1000 Louisiana Street Suite 5800
Houston, TX 77002

Arizona Corporation Commission
DOCKETED
AZ CORP COMMISSION
DOCKET CONTROL

JAN 29 2002

Re: Dynergy Energy Services, Docket No. E-04072A-01-0988

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Dear Mr. Huddleston:

As a result of the US West Case II Decision by the Arizona Supreme Court, the Arizona Corporation Commission ("Commission") is required to make a determination of the fair value of the property of each public service corporation operating in the State of Arizona. At this time, Staff does not have information from the Applicant to make a fair value finding. Staff has determined that in order to continue processing the referenced application, it must, at a minimum, obtain the following information:

If the Applicant has not commenced operations or has been operating in Arizona less than twelve (12) months, please:

1. Provide the projected total revenue for the first twelve months to provide service to Arizona customers by the Applicant following certification, adjusted to reflect the **maximum rates** that the Applicant has requested in its tariff. This adjusted total revenue figure could be calculated as the number of units sold for all services offered times the maximum charge per unit.
2. Provide the projected **operating expenses** for the first twelve months to provide service to Arizona customers by the Applicant following certification.
3. Provide the book value (original cost less accumulated depreciation) of **all Arizona jurisdictional assets** projected to be providing service to Arizona customers at the end of the first twelve months of operation. If the projected fair value of those assets is different than the projected original cost net book value, also provide the corresponding projected fair value amounts. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list. If the projected value of all assets is zero, please specifically state this in your response.

Staff requests the Applicant provide the above information within **30 days** of the date of this letter. Staff is aware that this change in procedure is rather sudden and that the information requested may not be readily available. However, we must all do our best to abide by the Court's decision.

Please mail your response (an original plus 10 copies) to Docket Control, Arizona Corporation Commission, 1200 W. Washington Street, Phoenix, AZ 85007-2927. If a response is not received within 30 days, Staff will recommend that the application be denied. If the Applicant believes that it will be unable to supply the necessary information within this timeframe, it should submit an explanation as to why within 30 days. Staff will endeavor to work with the Applicant as best as possible to comply with the Court's decision. It should be noted that if the application is denied, the Applicant cannot provide the same services in Arizona for which it is currently applying, until such time as a new application is filed with and approved by the Commission.

If you have any questions, please contact me at (602) 542-0748. Thank you for your prompt response to this request.

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Respectfully,

A handwritten signature in black ink, appearing to read "E. J. Andreasen". The signature is written in a cursive style with a large initial "E" and a long, sweeping tail.

Erinn Andreasen
Public Utilities Analyst