



Ernie Fletcher  
Governor

LaJuana S. Wilcher, Secretary  
Environmental and Public  
Protection Cabinet

Christopher L. Lilly  
Commissioner  
Department of Public Protection

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Mark David Goss  
Chairman

Teresa J. Hill  
Vice Chairman

Gregory Coker  
Commissioner

September 21, 2005

TO: PARTIES OF RECORD  
RE: Case No. 2005-00323

Enclosed please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Linda Mattox at 502/564-3940, Extension 407.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over the word "Sincerely,".

Beth O'Donnell  
Executive Director

vh/  
Enclosure

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File No. 2005-00323

**FROM:** Linda Mattox, Staff Attorney *LM*

**DATE:** September 20, 2005

**RE:** Informal Conference of September 6, 2005

On September 6, 2005, at 10:00 a.m., EDT, the Commission held an informal conference in this case in the Commission's offices in Frankfort, Kentucky. Present were:

Gerald Wuetcher	-	Commission Staff
Linda Mattox	-	Commission Staff
Mark Frost	-	Commission Staff
Jason Green	-	Commission Staff
David Edward Spenard	-	Office of the Attorney General
Aaron D. Gold	-	AIG Highstar Capital, LLC
John M. Stokes	-	AIG Highstar Capital, LLC
Steven Lubertozzi	-	Utilities, Inc.
Robert Brannan	-	Counsel for Utilities, Inc.
Damon Talley	-	Counsel for Joint Applicants

This conference was requested by the Joint Applicants (1) to enable the Joint Applicants to explain in detail the nature of the proposed stock transfer and the relationship of various business entities involved in the proposed transaction; (2) to obtain clarification and guidance from Staff concerning the information sought in the First Data Request of Commission Staff; (3) to enable the Joint Applicants to provide more responsive information to the First Data Request of Commission Staff and to the Attorney General's Request for Information; and (4) to address other procedural and legal issues concerning the proposed stock transfer.

Beginning the conference, Mr. Wuetcher stated that Commission Staff would prepare minutes of the conference for the case record, that a copy of these minutes would be provided to all parties, and that all parties would be given an opportunity to submit written comments upon those minutes.

Mr. Talley began by expressing his appreciation to the Commission Staff for meeting with them on such short notice. He explained that the main purpose of this meeting was to allow the parties to explain the nature of the transfer and to clarify information requested in Staff's Data Request and the Attorney General's Request for Information.

Mr. Lubertozi explained that the purchase of Nuon Global Solutions USA, Inc. was an investment vehicle for Highstar Capital, LLC ("Highstar") and that the transfer would be transparent to all customers. He said that there would be no change in the billing, management, operations, etc. of Utilities, Inc. and Water Service Corporation of Kentucky. Mr. Stokes explained in detail the structure of Highstar and the relationship between the acquiring parties.

When questioned where the control stopped in the chain of acquirers, Mr. Stokes indicated that the control stops at Highstar and does not extend to AIG Global Investment Group nor to AIG. In response to a question concerning the possible benefit of the transfer to customers, Mr. Stokes explained that Highstar is strictly a financial owner and would not be in a situation to fund one business with the assets or profits from another and that the utility would not be impacted by a foreign owner's agenda as it has been in the past. He stated that the goal of a private equity financial owner is to have the business run itself well and to see the business grow because they seek stable, predictable and reliable return on their investments.

After further discussion on the structure of the acquisition, the topic turned to the pending data requests of both the Commission Staff and the Attorney General. Mr. Wuetcher indicated that the applicants should answer the Commission Staff's questions and it was agreed that all parties would assume that Highstar was as far as the control would go and that it was sufficient to limit answers to Highstar and down the chain of control. Additionally, it was agreed that the applicants would add Highstar to any questions that failed to specifically name it.

Mr. Spenard offered to modify the Attorney General's questions in light of these discussions and agreed to enter into the case record a letter stating same. Commission Staff reminded the parties that the responses to the data requests were due on Friday, September 9, 2005.

The conference adjourned at approximately 11:45 a.m., EDT.

cc: Parties of Record