

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

FILED

AUG 18 2005

Clerk's Office
N.C. Utilities Commission

DOCKET NO. W-1000, SUB 11

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)
Application of Hydro Star, LLC) APPLICATION OF HYDRO STAR, LLC
to Acquire the Outstanding) TO ACQUIRE THE OUTSTANDING
Stock of Utilities, Inc. from) STOCK OF UTILITIES, INC.
Nuon Global Solutions USA, Inc.)

NOW COMES Hydro Star, LLC ("Hydro Star"), pursuant to N.C. Gen. Stat. §62-111, and applies to the Commission for authorization to acquire the outstanding common stock of Nuon Global Solutions USA, Inc. from Nuon Global Solutions USA, BV. Nuon Global Solutions USA, Inc. owns 100% of the issued and outstanding common stock of Utilities, Inc. Utilities, Inc. owns thirteen operating water and/or sewer subsidiary companies that provide service in a number of service areas in North Carolina. Time is of the essence, and Applicant requests expedited approval. In support of its application, Hydro Star states:

1. Hydro Star is a limited liability corporation duly organized and existing under the laws of the State of Delaware. Its principal office is located at 2929 Allen Parkway, Houston, Texas 77019. Hydro Star is a subsidiary of AIG Highstar Capital II, L.P. and certain of its affiliates (Highstar II). Highstar

II is a group of private equity funds that invest primarily in energy infrastructure and related assets and businesses.

Highstar II is sponsored by AIG Global Investment Group (AIGGIG). AIGGIG member companies are subsidiaries of American International Group, Inc. (AIG).

2. AIGGIG comprises a group of international companies that provide investment advice and market asset management products and services to clients around the world. AIGGIG is a worldwide leader in asset management, with extensive capabilities in equity, fixed income, hedge funds, private equity, and real estate.

3. Utilities Inc. is a holding company for approximately 90 subsidiary operating companies that provide residential water and/or wastewater services to approximately 300,000 customers in 17 states. Utilities Inc., through its operating subsidiaries, serves approximately 29,000 water customers and 20,000 wastewater customers in North Carolina.

4. The operating subsidiaries serving in North Carolina owned by Utilities Inc. are Carolina Water Service Inc. of North Carolina, CWS Systems, Inc., Transylvania Utilities Inc., Carolina Trace Utilities Inc., Elk River Utilities Inc., North Topsail Utilities Inc., Carolina Pines Utilities Inc., Bradfield Farms Water Company and Nero Utility Services, Inc. In addition, Utilities Inc. owns the stock in River Pointe Utility

Corporation, Watauga Vista Water Corp., Belvedere Utility Company and Queens Harbor Utility, Inc. that are separate corporations but that are treated as part of Carolina Water Service Inc. of North Carolina for ratemaking purposes.

5. On May 14, 2005, Nuon Global Solutions USA B.V. and Hydro Star entered into a Stock Purchase Agreement under which Hydro Star would acquire all of the outstanding common stock of Nuon Global Solutions USA, Inc. subject to regulatory approval.

6. Should the Stock Purchase Agreement receive regulatory approval, Utilities, Inc., will continue to own 100% of the North Carolina operating subsidiaries and the companies will continue to maintain Utilities Inc.'s headquarters, corporate management and staff and administrative facilities in Northbrook, Illinois.

7. After the stock transfer, no changes affecting the rates, operations or employees of the North Carolina operating subsidiaries are contemplated.

8. No acquisition adjustment is being sought.

9. Hydro Star's indirect acquisition of Utilities Inc.'s stock through the purchase of the stock of Nuon Global Solutions USA, Inc.'s stock provides Utilities, Inc. and its operating subsidiaries with additional financial resources that will enhance the ability of the operating subsidiaries in North Carolina to grow and meet their service obligations. The Buyer

and Highstar have access to extensive resources to fund the operations of the operating subsidiaries. AIGGIG, Highstar's sponsor, is one of the largest asset management firms in the world with over \$492 billion in assets under management, 40 investment offices worldwide and more than 1500 employees. American International Group, the indirect parent of AIGGIG, is one of the world's leading international financial and insurance services organizations. The common stock of AIG is publicly traded in the United States on the New York Stock Exchange and ArcaEx, as well as the stock exchanges in London, Paris, Switzerland and Tokyo. By combining Utilities, Inc.'s management approach and regulatory and operational expertise with the financial resources and support of the Buyer, Utilities, Inc. and its operating subsidiaries will continue to have the ability to provide consistent, uninterrupted service to their customers. The acquisition will better position Utilities, Inc. to expand its operations and replace smaller, thinly capitalized water and wastewater companies in North Carolina in accordance with the Commission's stated objectives and policies.

10. The acquisition will not adversely affect the ability of Utilities, Inc.'s operating subsidiaries in North Carolina to provide water and wastewater service to their customers.

11. The effect of the acquisition on Utilities, Inc.'s financial condition and its ability to thrive in a rapidly changing and increasingly competitive water and wastewater utility environment will be positive and will benefit the North Carolina consumers.

12. The acquisition of Nuon Global Solutions USA, Inc.'s stock by Hydro Star is justified by the public convenience and necessity.

13. Attachments in support of this Application include:

- Attachment A – The Commission's form transfer application completed insofar as necessary.
 - Attachment B – A description of how Hydro Star plans to finance the acquisition.
 - Attachment C - Hydro Star's debt rating.
 - Attachment D – Before and after Balance Sheet for Utilities, Inc. (Before and After will be the same.) Financial information for Hydro Star entities (Confidential).
 - Attachment E – Current organizational charts for Hydro Star, Utilities, Inc. and the operating subsidiaries.
- Attachment F – Stock Purchase Agreement
(Confidential).

WHEREFORE, Applicant respectfully requests that the acquisition in the manner herein set forth be authorized and approved by the Commission.

Respectfully submitted this 18 day of August, 2005

HUNTON & WILLIAMS

Edward S. Finley, Jr.
Edward S. Finley, Jr.)
One Hannover Square
Suite 1400
421 Fayetteville Street Mall
Raleigh, North Carolina 27601

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
APPLICATION FOR TRANSFER OF PUBLIC UTILITY FRANCHISE
AND FOR APPROVAL OF RATES

INSTRUCTIONS

Notes or explanations placed in the margins of the application are acceptable. If additional space is needed, supplementary sheets may be attached. If any section does not apply, write "not applicable" or cross out the section.

SELLER

1. Trade name used for utility business Utilities, Inc.
2. Mailing address 2335 Sanders Road, Northbrook, Illinois 60062
3. Business telephone number (847) 498-6440

PURCHASER

4. Trade name used for utility business Hydro Star LLC
5. Name of owner (if different from trade name) N/A
6. Business mailing address 2929 Allen Parkway
City and state Houston, Texas Zip code 77019
7. Business street address (if different from mailing address)
8. Business telephone number (713) 831-3729
9. If corporation, list the following:

President	Vice President
Secretary	Treasurer

 Three (3) largest stockholders and percent of voting shares held by each
10. If partnership, list the owners and percent of ownership held by each
n/a
11. Is the purchaser acquiring the utility assets or stock? Stock
(No filing fee required if stock transfer only.)

PROPOSED AND PRESENT RATES

	<u>Proposed Rates</u>	<u>Present Rates</u>
12. Metered Residential Service:		
Water:	n/a	n/a
Sewer:	n/a	n/a
13. Flat Rate Residential Service:		
Water:	n/a	n/a
Sewer:	n/a	n/a
14. Nonresidential Service (explain):		
Water:	n/a	n/a
Sewer:	n/a	n/a
15. Tap-on fees:		
Water:	n/a	n/a
Sewer:	n/a	n/a

OTHER PROPOSED RATES

16. Finance charge for late payment: n/a
(NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)
17. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: n/a
18. Reconnection charge if water service discontinued at customer's request: n/a
19. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: n/a
20. Other charges: n/a
21. What date are the proposed rates to become effective: n/a
22. How long have the present rates been in effect? n/a

PURCHASER'S PROPOSED BILLING

- 1. Frequency of billing shall be (monthly, quarterly, etc.) n/a
- 2. Billing shall be for service (in advance or arrears) n/a
- 3. Bills past due n/a days after billing dates: (NCUC Rule R12-9 specifies that bills shall not be past due less than fifteen (15) days after billing date).
- 4. Will regular billing be by written statement? (yes or no) n/a
- 5. Will the billing statement contain the following? (Indicate yes or no for each item)
 - (a) Meter reading at beginning and end of billing period n/a
 - (b) Date of meter readings n/a
 - (c) Gallons used, based on meter readings n/a
 - (d) Amount due for current billing period listed as a separate amount n/a
 - (e) Amount due from previous billing period listed as a separate amount n/a
 - (f) Amount due for each special charge (i.e., deposits, tap fees, etc.) listed as a separate amount n/a
- 6. Show how the following will appear on the billing statement:
 - (a) Mailing address of Company: n/a
 - (b) Address where bill can be paid in person: n/a
 - (c) Name and phone number of alternative persons to contact for emergency service after business hours: n/a
- 7. Is service already metered? (yes or no) n/a
- 8. Does the Purchaser understand the provisions for establishing credit and collecting customer deposits set forth in NCUC Rules and Regulations, Chapter 12? (yes or no) n/a
(Customer deposits must be refunded to customers having not more than two (2) bills overdue during a 12-month period and who are not then delinquent on the payment of their bills, per NCUC Rule R12-5.)
- 9. List the amount of customer deposits still held by Seller:

Water:	n/a	Sewer:	n/a
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PURCHASER'S SERVICE ORGANIZATION

- | | <u>NAME</u> | <u>ADDRESS</u> | <u>TELEPHONE</u> |
|----------------------------|-------------|---|---------------------|
| 10. General Manager | | 2929 Allen Parkway
Houston, TX 77019 | <u>713-831-3729</u> |
| 11. Complaints or Billing | | | _____ |
| 12. Engineering Operations | | | _____ |
| 13. Emergency Service | | | _____ |
| 14. Accounting | | | _____ |
- 15. Are the names and phone numbers shown above listed in the phone book by each of the proposed service areas? (yes or no) n/a
 - 16. Will customers be able to make telephone calls for service without being charged for a long distance phone call? (yes or no) n/a
 - 17. Will persons designated to receive phone calls for emergency service, after regular business hours, have authority to provide the needed repairs without first contacting owner? (yes or no) n/a
 - 18. List the qualifications of the person in charge of the utility system: n/a
 - 19. List the date(s) and describe any DENR violation(s) since the last application for franchise, transfer, or rate increase: n/a

SERVICE AREA

Fill in one column for each Subdivision or Service Area.

	(1)	(2)	(3)
1. Name of Subdivision(s) or Service Area(s)	n/a		
2. County (or Counties)	n/a		
3. Type of service (water, sewer, etc.)	n/a		
4. If water is purchased, list from whom	n/a		
5. Source of water supply (wells, etc.)	n/a		
6. Number of wells in service	n/a		
7. Pumping capacity of each pump in service	n/a		
8. Elevated storage tank capacity (gals.)	n/a		
9. Pressure tank capacity (gals.)	n/a		
10. Types of water treatment (chlorine, etc.)	n/a		
11. Number of fire hydrants installed	n/a		
12. Is sewage disposal by septic tank or by sewer system?	n/a		
13. If disposal is by sewer system, is sewage treated by utility company or by others?	n/a		
14. Capacity of Company's sewage treatment plant (gallons per day)	n/a		
15. Is service metered? (yes or no)	n/a		
16. Number of water meters in use	n/a		
17. Number of service taps in use (list number of each size)			
	Water	n/a	
	Sewer	n/a	
18. Number of customers at the end of test year			
	Water	n/a	
	Sewer	n/a	
19. Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.)			
	Water	n/a	
	Sewer	n/a	
20. Number of customers that can be served by pumping capacity	Water	n/a	
21. Number of customers that can be served by storage tank capacity	Water	n/a	
22. Number of customers that can be served by treatment plant capacity	Sewer	n/a	
23. Name nearest water/sewer utility system		n/a	
24. Distance to nearest water/sewer utility system		n/a	
25. Does any other person or utility seek to furnish the service(s) proposed herein? (yes or no)		n/a	
26. Has the system been offered for sale to the customers, county, or municipality? (yes or no) If not, why not?		n/a	
27. a. DENR System I.D. No.	Water	n/a	
b. NPDES or Nondischarge Permit No.	Sewer	n/a	

FINANCIAL STATEMENT

1. Will a separate set of books be maintained for the utility business?
Yes.
2. Will a separate bank account be maintained for the utility business?
No.
3. Are the revenues and expenses listed below based on past operations or are they estimated for future operations?
(actual or estimated) n/a

REVENUES AND EXPENSES

For 12 Months Ended December 31, 2004 (Date)

<u>Revenues</u>	<u>Water</u>	<u>Sewer</u>
4. Residential service (flat rate)	\$ _____	\$ _____
5. Residential service (metered rate)	\$ _____	\$ _____
6. Nonresidential service (flat rate)	\$ _____	\$ _____
7. Nonresidential service (metered rate)	\$ _____	\$ _____
8. Other revenues (describe in remarks below)	\$ _____	\$ _____
9. Total Revenues (Lines 4 thru 8)	\$ _____	\$ _____
10. Total salaries (except owner)	\$ _____	\$ _____
11. Salaries paid to owner	\$ _____	\$ _____
12. Administrative and office expense (except salaries)	\$ _____	\$ _____
13. Maintenance and repair expense (except salaries)	\$ _____	\$ _____
14. Transportation expenses	\$ _____	\$ _____
15. Electric power for pumping	\$ _____	\$ _____
16. Chemicals for treatment	\$ _____	\$ _____
17. Testing fees	\$ _____	\$ _____
18. Permit fees	\$ _____	\$ _____
19. Purchased water/sewer treatment	\$ _____	\$ _____
20. Annual depreciation	\$ _____	\$ _____
21. Taxes: State income taxes	\$ _____	\$ _____
22. Federal income taxes	\$ _____	\$ _____
23. Gross receipts (or franchise tax)	\$ _____	\$ _____
24. Property taxes	\$ _____	\$ _____
25. Payroll taxes	\$ _____	\$ _____
26. Other taxes	\$ _____	\$ _____
27. Interest on debt during year	\$ _____	\$ _____
28. Other expenses (describe in remarks below)	\$ _____	\$ _____
29. Total Expenses (Lines 10 thru 28)	\$ _____	\$ _____
30. Net Income (Line 9 minus Line 29)	\$ _____	\$ _____

Remarks

- 31.
- 32.
- 33.
- 34.
- 35.

NUMBER OF CUSTOMERS SERVED

	Water		Sewer	
	<u>Flat Rate</u>	<u>Metered</u>	<u>Flat Rate</u>	<u>Metered</u>
36. Customers at beginning of year	n/a	n/a	n/a	n/a
37. Customers at end of year	n/a	n/a	n/a	n/a
38. Average gallons used per customer		n/a		per month

PURCHASER'S COST OF UTILITY SYSTEM

- 1. List Purchaser's cost of utility systems:
 Water: n/a
 Sewer: n/a

ORIGINAL COST OF UTILITY SYSTEM
 As of Year Ended n/a (Date)

Note: List the total original cost to construct and establish the system, whether or not paid for by the Seller.

Utility Property in Service	Balance at End of Year	
	<u>Water</u>	<u>Sewer</u>
2. Land and rights-of-way	\$ _____	\$ _____
3. Structures and site improvement	\$ _____	\$ _____
4. Wells	\$ _____	\$ _____
5. Pumping equipment	\$ _____	\$ _____
6. Treatment equipment	\$ _____	\$ _____
7. Storage tanks	\$ _____	\$ _____
8. Mains (excluding service connections)	\$ _____	\$ _____
9. Service connections	\$ _____	\$ _____
10. Meters (including spare meters)	\$ _____	\$ _____
11. Office furniture and equipment	\$ _____	\$ _____
12. Transportation equipment	\$ _____	\$ _____
13. Other utility property in service (describe in remarks below)	\$ _____	\$ _____
14. Total utility property in service (Lines 2 thru 13)	\$ _____	\$ _____
15. Less: acquisition adjustments (difference between original cost above and cost to Seller)	\$ _____	\$ _____
16. Less: Seller's accumulated depreciation	\$ _____	\$ _____
17. Less: Seller's accumulated tap fees and other contributions in aid of construction	\$ _____	\$ _____
18. Seller's net investment in utility property (Line 14 minus 15, 16, & 17)	\$ _____	\$ _____

Utility Property Not in Service	Balance at End of Year	
	<u>Water</u>	<u>Sewer</u>
19. Construction work in progress	\$ _____	\$ _____
20. Property held for future use	\$ _____	\$ _____
21. Other (describe in remarks below)	\$ _____	\$ _____

Remarks

- 22.
- 23.
- 24.
- 25.

ANNUAL DEPRECIATION

- 26. If annual depreciation is claimed using a composite rate for the entire system, show rate of depreciation used:
 Water: n/a
 Sewer: n/a

- 27. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used:
 n/a

OTHER FINANCIAL INFORMATION

1. Please provide the following capital structure information for the Purchaser prior to the purchase of the new water and/or sewer system(s):

a. Capital structure as of

b. Capital structure balances:

	<u>Amount</u>	<u>Percent Of Total Capital</u>
Long-term debt/loans	\$ _____	_____
Preferred stock (if any)	\$ _____	_____
Common equity:		
Common stock	\$ _____	_____
Retained earnings	\$ _____	_____
Total common equity	\$ _____	_____
Total capital	\$ _____	<u>100%</u>

2. The purchase price of the system will be financed as follows:

- a. Long-term debt \$ _____
- b. Short-term debt \$ _____
- c. Common stock \$ _____
- d. Retained earnings \$ _____
- e. Other (please describe below on Line g) \$ _____
- f. Total purchase price \$ _____

g. Description of other:

3. Please provide the following for improvements/additions to be made in the first year:

a. Brief description: n/a

b. Financing:

- (1) Long-term debt \$ _____
- (2) Short-term debt \$ _____
- (3) Common stock \$ _____
- (4) Retained earnings \$ _____
- (5) Other (please describe below on Line (7)) \$ _____
- (6) Total improvements/additions \$ _____

(7) Description of other:

1. Are there any major improvements/additions required in the next five years and the next ten years? Indicate the estimated cost of each improvement/addition, the year it will be made, and how it will be financed (long-term debt, short-term debt, common stock, retained earnings, and other (please explain)).

N/A

2. Are there any major replacements required in the next five years and the next ten years? Indicate the estimated cost of each replacement, the year it will be made, and how it will be financed (long-term debt, short-term debt, common stock, retained earnings, and other (please explain)).

N/A

3. Please fill out the attached addendum showing the projected cash flows and income statement for the first five years of operation of this system. This addendum should be for the utility system for which the subject application is being submitted, exclusively. Instructions are included on page 3 of the addendum. The following information may be provided instead of filing the addendum: **N/A**

- (1) Audited financial statements for the Purchaser and/or parent company.
- (2) Budgets, capital and operating, for the Purchaser's North Carolina utility operations for the next five years.
- (3) The most recent fiscal year budgets, capital and operating, and the actual amounts for that year for the Purchaser's and/or parent company's North Carolina utility operations.

EXHIBITS

THE FOLLOWING EXHIBITS SHALL BE ATTACHED TO THE APPLICATION:

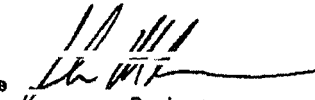
1. If the Purchaser is a corporation, enclose a copy of the Articles of Incorporation on file with the North Carolina Secretary of State. (Not required if previously filed with the Commission.) **See Attached.**
2. If the Purchasers are doing business as a partnership, enclose a copy of the partnership agreement. (Not required if previously filed with the Commission.) **N/A**
3. If the Purchaser is conducting business under a trade name or d/b/a, enclose a copy of the certificate filed with the register of deeds in each county where the Applicant will be conducting business as required by G.S. 66-68. **N/A**
4. Enclose a copy of (1) exhibits showing that the Seller has ownership of all property necessary to operate the utility and (2) a purchase agreement reduced to writing. Any changes in the purchase agreement should be filed immediately with the Commission. **See purchase agreement attached.**
5. If the application is for a stock transfer, enclose a copy of the most recent financial statements, including a balance sheet, for the Seller. **Attached.**
6. Enclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the utility and any other party (land developers, customers, etc.) regarding the proposed utility services, including contracts regarding tap fees, construction costs, easements, and rights-of-way, etc. (If none, write "none"). **Attached.**
7. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Purchaser.
8. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Purchaser.
9. If the information requested in Exhibits 7 and 8 is not available, enclose a copy of the most recent fiscal year financial statements or statement of net worth for the principals of the Purchaser and/or parent company.

FILING INSTRUCTIONS

10. Eight (8) copies of the application and exhibits shall be filed with the **North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325. Twenty-five (25) copies of an application to acquire a Class A or B utility company should be filed.** One of these copies must have original signatures. (Applicants must also provide any copies to be returned to them.)
11. Enclose a filing fee as required by G. S. §82-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$250 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$100 filing fee. A Class C company (annual revenues less than \$200,000) requires a \$25 filing fee. **MAKE CHECK PAYABLE TO THE N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.** (No filing fee required if stock transfer only.)

SIGNATURES

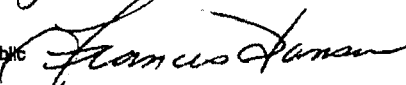
12. Application shall be signed and verified by the Applicants.

Signature  Purchaser
 Date 8-17-05

Signature _____ Seller
 Date _____

13. (Typed or Printed Name) John M. Stokes
 personally appearing before me and, being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief.

This the 17 day of August, 2005.

Notary Public 

Address 15 WAYSIDE RD
Burlington, NC 27613

My Commission Expires: 7.31.2009
 Date

Frances Hansen
Notary Public
 My Commission Expires
 July 3 2009

EXHIBITS

THE FOLLOWING EXHIBITS SHALL BE ATTACHED TO THE APPLICATION:

1. If the Purchaser is a corporation, enclose a copy of the Articles of Incorporation on file with the North Carolina Secretary of State. (Not required if previously filed with the Commission.) **See Attached.**
2. If the Purchasers are doing business as a partnership, enclose a copy of the partnership agreement. (Not required if previously filed with the Commission.) **N/A**
3. If the Purchaser is conducting business under a trade name or d/b/a, enclose a copy of the certificate filed with the register of deeds in each county where the Applicant will be conducting business as required by G.S. 66-68. **N/A**
4. Enclose a copy of (1) exhibits showing that the Seller has ownership of all property necessary to operate the utility and (2) a purchase agreement reduced to writing. Any changes in the purchase agreement should be filed immediately with the Commission. **See purchase agreement attached.**
5. If the application is for a stock transfer, enclose a copy of the most recent financial statements, including a balance sheet, for the Seller. **Attached.**
6. Enclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the utility and any other party (land developers, customers, etc.) regarding the proposed utility services, including contracts regarding tap fees, construction costs, easements, and rights-of-way, etc. (If none, write "none"). **Attached.**
7. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Purchaser.
8. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Purchaser.
9. If the information requested in Exhibits 7 and 8 is not available, enclose a copy of the most recent fiscal year financial statements or statement of net worth for the principals of the Purchaser and/or parent company.

FILING INSTRUCTIONS

10. Eight (8) copies of the application and exhibits shall be filed with the **North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325. Twenty-five (25) copies of an application to acquire a Class A or B utility company should be filed.** One of these copies must have original signatures. (Applicants must also provide any copies to be returned to them.)
11. Enclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$250 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$100 filing fee. A Class C company (annual revenues less than \$200,000) requires a \$25 filing fee. **MAKE CHECK PAYABLE TO THE N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.** (No filing fee required if stock transfer only.)

SIGNATURES

12. Application shall be signed and verified by the Applicants.

Signature	Purchaser
Date	
Signature	Seller
Date	



13. (Typed or Printed Name)
personally appearing before me and, being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief

This the _____ day of _____, 2005.

The undersigned, Ton Kannelis Bekker
civil-law notary, residing at Arnhem,
the Netherlands, certifies the above
signature to be the genuine signature of

Notary Public _____

P. Jöbsis
Thus signed at Arnhem, this 16th day of

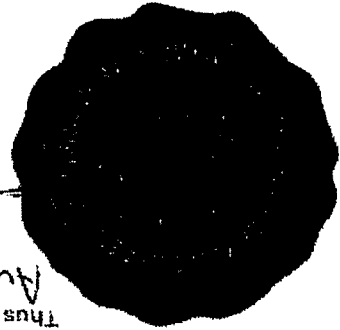
Address _____

August 2005

My Commission Expires: _____

Date _____






The undersigned, Pieter Jobsis,
 civil-law notary, residing at Arnhem,
 the Netherlands, certifies the above
 signature to be the genuine signature of
 Pieter Jobsis
 Thus signed at Arnhem, this 6th day of
 August 2005

Formation on this ___ day of August, 2005

Representative of NUON GLOBAL SOLUTIONS USA, B.V. has and on behalf of the
 SUBSCRIBED AND SWORN to before me by Pieter Jobsis, of the authorized

BY: 
 Name: Pieter Jobsis
 Title: Authorized Representative
 NUON GLOBAL SOLUTIONS USA, B.V.

Pieter Jobsis, being duly sworn, deposes and says that he is the Authorized
 Representative of Nuon Global Solutions USA B.V., he has read the foregoing Joint
 Petition and the content thereof, and that the same is true to his knowledge, information
 and belief. He also affirms that Nuon Global Solutions USA B.V. does not have a
 President and that his duties include the duties that would be performed by a president or
 vice president of a corporation domiciled in the United States.

VERIFICATION

**Attachment B:
Hydro Star Financing Plan**

Hydro Star LLC (“Hydro Star”) intends to finance the purchase of Utilities, Inc. using equity capital contributed to Hydro Star by AIG Highstar Capital II, L.P. (“Highstar II”) and certain of its affiliates (which may include co-investment vehicles for certain limited partners of Highstar II¹). (Please see Attachment E.)

Highstar II is a group of private equity funds with \$800 million of total capital commitments. Highstar II is managed by AIG Global Investment Corp., which is a AIG Global Investment Group (“AIGGIG”) member company, and is also the general partner of AIG Highstar Capital GP II, L.P., the general partner of Highstar II. In addition, Highstar II is sponsored by AIGGIG, which is an indirect subsidiary of American International Group, Inc (“AIG”). AIG is a leading international insurance and financial services organization with operations in more than 130 countries and jurisdictions. An affiliate of AIGGIG has an approximately \$101 million capital commitment in Highstar II as a limited partner. The remaining limited partner capital commitments are from third-parties with no affiliation to AIG.

¹ Voting control of any such co-investment vehicles will be vested in AIG Highstar Capital GP II, L.P., which will act as the general partner of all such entities. AIG Highstar Capital GP II, L.P. is also the general partner of AIG Highstar Capital II, L.P.

Attachment C
Hydro Star's Debt Rating

Hydro Star currently has no debt rating. AIG Highstar Capital II, L.P. is in the process of acquiring a rating, but as of yet has no rating.

W-1000, Sub 1

Attachment E

Current organizational charts for

- HYDRO STAR
- UTILITIES, INC. and Operating Subsidiaries

FILED

AUG 18 2005

Clerk's Office
N.C. Utilities Commission

**OFFICERS AND DIRECTORS
OF
HYDRO STAR, LLC**

Christopher Lee - Chief Executive Officer/Director
Managing Director, AIG Highstar II GP, L.P.

Mr. Lee has 25 years' experience in private equity, banking and finance, principally in the energy, utility, transportation and capital goods sectors. He joined AIGGIC in 1998 and founded Highstar I in November 2000, where he was instrumental in obtaining \$406 million of commitments. Over the past 24 months, Mr. Lee has led the Highstar Team in the sourcing, evaluation, negotiation and closing of eight investments.

From 1995 to 1998, Mr. Lee was principally engaged as an independent advisor to clients in the infrastructure sector. From 1993 to 1995, Mr. Lee was Chief Financial Officer of Grupo Tribasa, an NYSE-listed, Mexico-based infrastructure development and construction company. Mr. Lee led Grupo Tribasa's initial public offering in September 1993 and, five months later, completed a secondary offering at nearly three times the initial public offering price. From 1986 to 1993, Mr. Lee worked at Lehman Brothers in the emerging markets, mergers and acquisitions (where he acted as the firm's global privatization coordinator) and project finance groups. Prior to his tenure at Lehman Brothers, Mr. Lee managed The Chase Manhattan Bank's U.S. construction and heavy equipment lending operations.

Mr. Lee received his B.A. from Johns Hopkins University and attended the London School of Economics.

Mr. Lee is President and a Director of Southern Star Central Corp. and a Director of Stagecoach Holdings, LLC and TransCore Holdings, Inc. Mr. Lee is a Managing Director of AIGGIC.

John Stokes – President/Director

Managing Director, AIG Highstar II GP, L.P.

Mr. Stokes has more than 25 years' experience in the energy industry, including fuel procurement and transportation, plant and system operations, and project development and finance, as well as overall business management. His experience spans almost every kind of fuel type and generation technology, including renewables such as wind, solar, and biomass, as well as conventional fuels like coal, oil, and natural gas. He manages certain energy assets in which Highstar I has invested. Prior to joining AIGGIC, Mr. Stokes was President and Chief Executive Officer of Azurix North America, a fully integrated provider of water and wastewater services to municipal, industrial, and private

customers throughout the United States and Canada. In 1997 and 1998, Mr. Stokes was President and Chief Executive Officer of Electric Lite, Inc., a pioneer in the retail-level marketing of electric power. Prior to that, Mr. Stokes held various senior-level positions with Enron Corp., ESI Energy, Inc., and Florida Power & Light Co.

He holds a B.S. in Mechanical Engineering from Clemson University and an M.B.A. from the University of Miami.

Marc Baliotti - Executive Vice President, and Treasurer

Principal, AIG Highstar II GP, L.P.

Mr. Baliotti has ten years of experience in private equity, direct investments and banking, principally in the energy sector. Since joining AIGGIC in 2002, Mr. Baliotti has been dedicated to Highstar I and has been primarily involved in the acquisition of an equity interest in the American Ref-Fuel Company and the evaluation of certain interstate natural gas pipeline investment opportunities. Previously, he was a Vice President with Bluevector, LLC (the private equity affiliate of MARCHfirst). From 1997 to 2000, Mr. Baliotti was as an Associate with DLJ Merchant Banking Partners, where he worked on a variety of principal transactions and related debt financings. From 1994 to 1996, he was an investment banking analyst at Morgan Stanley & Co.

Mr. Baliotti received a B.S. in Economics (with distinction) from the U.S. Naval Academy and, while in the U.S. Navy, received his M.B.A. from Villanova University.

Mr. Baliotti is a Director of the American Ref-Fuel Company.

Scott Litman - Secretary

Scott is the General Counsel for AIG Highstar II GP, L.P.

Hydro Star is a newly formed Delaware limited liability company, and will be merged into Nuon Global Solutions USA, Inc. immediately after the acquisition. Hydro Star's only business will be owning water and wastewater businesses. Utilities Inc. will be the first of those, but not necessarily the last. There could easily be other water businesses that will be owned by Hydro Star.

Highstar II Management Team

The Highstar Team consists of the following investment professionals who are employees of the Manager:

Christopher Lee (51)

Managing Director, AIG Highstar II GP, L.P.

Mr. Lee has 25 years' experience in private equity, banking and finance, principally in the energy, utility, transportation and capital goods sectors. He joined AIGGIC in 1998 and founded Highstar I in November 2000, where he was instrumental in obtaining \$406 million of commitments. Over the past 24 months, Mr. Lee has led the Highstar Team in the sourcing, evaluation, negotiation and closing of eight investments.

From 1995 to 1998, Mr. Lee was principally engaged as an independent advisor to clients in the infrastructure sector. From 1993 to 1995, Mr. Lee was Chief Financial Officer of Grupo Tribasa, an NYSE-listed, Mexico-based infrastructure development and construction company. Mr. Lee led Grupo Tribasa's initial public offering in September 1993 and, five months later, completed a secondary offering at nearly three times the initial public offering price. From 1986 to 1993, Mr. Lee worked at Lehman Brothers in the emerging markets, mergers and acquisitions (where he acted as the firm's global privatization coordinator) and project finance groups. Prior to his tenure at Lehman Brothers, Mr. Lee managed The Chase Manhattan Bank's U.S. construction and heavy equipment lending operations.

Mr. Lee received his B.A. from Johns Hopkins University and attended the London School of Economics.

Mr. Lee is President and a Director of Southern Star Central Corp. and a Director of Stagecoach Holdings, LLC and TransCore Holdings, Inc. Mr. Lee is a Managing Director of AIGGIC.

James Timmins (49)

Managing Director, AIG Highstar II GP, L.P.

Mr. Timmins has 24 years' experience in private equity and institutional investments, principally in the energy sector. Since joining AIGGIC in 2000, Mr. Timmins has been responsible for leading Highstar I's transaction sourcing and origination as well as Highstar I's co-investment and equity syndication activities.

From 1997 to 2000, Mr. Timmins was Director-Private Equity at Enron Corp., responsible for structuring and syndication of direct investments. From 1990 to 1996, Mr. Timmins was Vice President of Torch Energy Advisors, a Houston-based manager of institutional investment programs. From 1987 to 1989, he was a registered representative

in institutional sales with Kidder, Peabody and Co., Inc. From 1978 to 1987 he was involved in several upstream ventures including prospect generation and reserve acquisition in the oil and natural gas exploration and production industry.

Mr. Timmins received his B.A. in Business Administration and M.B.A. in Economics/Finance from Trinity University in San Antonio, Texas.

Michael Miller, CFA (45)

Managing Director, AIG Highstar II GP, L.P.

Mr. Miller has 17 years' experience in direct investments, principally in the energy and utility sectors. Since joining AIGGIC in 2001, Mr. Miller has been dedicated to Highstar I and has been the lead in Highstar I's investment initiatives in the power generation and waste-to-energy sectors. In addition, Mr. Miller managed the restructuring of Highstar I's investment in North Carolina Power Holdings, LLC. Prior to joining AIGGIC, Mr. Miller was a Vice President at Enron North America ("ENA"). At ENA, Mr. Miller led a group that developed and constructed over 3,000 megawatts of electric generation projects throughout the eastern part of the United States. Prior to joining ENA, Mr. Miller worked at Florida Power & Light from 1988 to 1993, where he sourced, structured and closed acquisitions of equity interests in 12 several generation projects that utilized a variety of fuels and technologies.

Mr. Miller received his B.S. from Rensselaer Polytechnic Institute, his M.B.A. from the University of Chicago and holds the Chartered Financial Analyst designation. Mr. Miller is a Director of the American Ref-Fuel Company.

John Stokes (52)

Managing Director, AIG Highstar II GP, L.P.

Mr. Stokes has more than 25 years' experience in the energy industry, including fuel procurement and transportation, plant and system operations, and project development and finance, as well as overall business management. His experience spans almost every kind of fuel type and generation technology, including renewables such as wind, solar, and biomass, as well as conventional fuels like coal, oil, and natural gas. He manages certain energy assets in which Highstar I has invested. Prior to joining AIGGIC, Mr. Stokes was President and Chief Executive Officer of Azurix North America, a fully integrated provider of water and wastewater services to municipal, industrial, and private customers throughout the United States and Canada. In 1997 and 1998, Mr. Stokes was President and Chief Executive Officer of Electric Lite, Inc., a pioneer in the retail-level marketing of electric power. Prior to that, Mr. Stokes held various senior-level positions with Enron Corp., ESI Energy, Inc., and Florida Power & Light Co.

He holds a B.S. in Mechanical Engineering from Clemson University and an M.B.A. from the University of Miami.

Michael Walsh (36)

Managing Director, AIG Highstar II GP, L.P.

Mr. Walsh has 12 years' experience in private equity and derivatives, principally in the energy and supply chain/logistics sectors. Since becoming a member of the Highstar Team in 2000, Mr. Walsh has led a number of Highstar I's investments, including Stagecoach Holdings, Southern Star Central and SkyBitz Corp. Prior to becoming dedicated to Highstar I, Mr. Walsh's responsibilities at AIGGIC included the development of alternative risk structures integrating the capital markets and the insurance market. At such time, his primary focus was securitization transactions for a variety of asset classes, including commercial mortgages, CBO/CLO and future flows. Prior to joining AIGGIC, Mr. Walsh was an Associate with NationsBank-CRT in derivatives sales/trading.

Mr. Walsh received his B.S. in Finance and Economics from the University of Illinois and his M.B.A. from the University of Chicago.

Mr. Walsh is the Vice President Chairman of Southern Star Central Corp. and sits on the Board of Directors of Stagecoach Holding, LLC, SkyBitz Corp. and Southern Star Central Corp.

Marc Baliotti (33)

Principal, AIG Highstar II GP, L.P.

Mr. Baliotti has ten years of experience in private equity, direct investments and banking, principally in the energy sector. Since joining AIGGIC in 2002, Mr. Baliotti has been dedicated to Highstar I and has been primarily involved in the acquisition of an equity interest in the American Ref-Fuel Company and the evaluation of certain interstate natural gas pipeline investment opportunities. Previously, he was a Vice President with Bluevector, LLC (the private equity affiliate of MARCHfirst). From 1997 to 2000, Mr. Baliotti was as an Associate with DLJ Merchant Banking Partners, where he worked on a variety of principal transactions and related debt financings. From 1994 to 1996, he was an investment banking analyst at Morgan Stanley & Co.

Mr. Baliotti received a B.S. in Economics (with distinction) from the U.S. Naval Academy and, while in the U.S. Navy, received his M.B.A. from Villanova University.

Mr. Baliotti is a Director of the American Ref-Fuel Company.

Mark Miles (35)

Principal, AIG Highstar II GP, L.P.

Mr. Miles has ten years' experience in private equity, banking and finance, principally in the energy and utility sectors. Prior to joining AIGGIC in June 2002, Mr. Miles was Vice President of Finance at Azurix Corp., an affiliate of Enron Corp., and prior to that was a Director in Enron North America's power and gas marketing group. Mr. Miles started his career at The Chase Manhattan Bank in the commodity derivatives group, where his primary focus was developing structured financing solutions for acquisition and development finance of energy and infrastructure assets.

Mr. Miles has an L.L.B. from the London School of Economics and an M.B.A. from the International Institute of Management Development in Switzerland.

Aaron Gold (29)

Associate, AIG Highstar II GP, L.P.

Mr. Gold has seven years' experience in private equity, banking and finance, principally in the energy and chain/logistics sectors. Since joining AIGGIC in 2001, Mr. Gold has been dedicated to Highstar I and has been primarily responsible for Highstar I's investment in Southern Star Central Corp. and for managing Highstar I's investments in TransCore Holdings, Inc. and Atlantech Holding Corp. Prior to joining the Highstar Team, Mr. Gold was Director of Business Operations/Business Development at Primedia Corporation's Internet/New Media Division, where he evaluated potential acquisitions, performed financial analyses, and negotiated business partnerships. From 1998 to 2000, Mr. Gold worked as an investment banking Associate in the Mergers & Acquisitions Group at BNY Capital Markets (formerly Patricof & Co. Capital Corp.), a subsidiary of The Bank of New York. Prior to 1998, he was an investment banking Analyst in the Financial Buyers Group at Bear Stearns & Co. Inc.

Mr. Gold received his A.B., cum laude, in Politics from Princeton University.

Mr. Gold is a Director of Southern Star Central Corp. and an observer for Highstar I on the Board of Directors for Atlantech Holding Corp. and TransCore Holdings, Inc.

Michele Januszkiewicz (36)

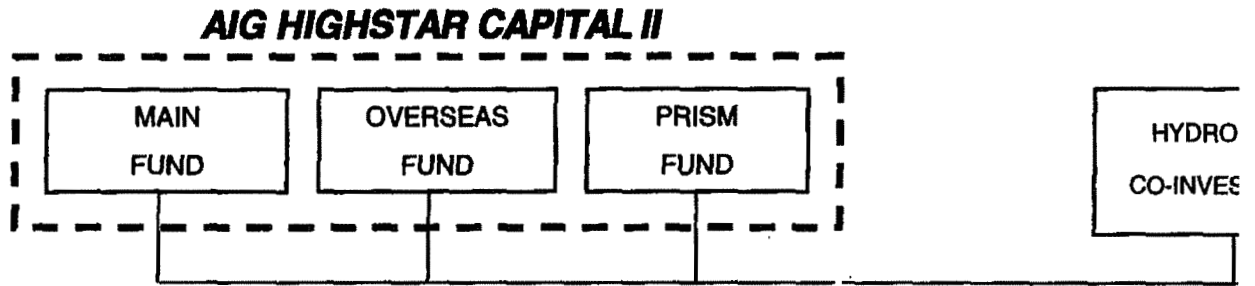
Associate, AIG Highstar II GP, L.P.

Ms. Januszkiewicz has over 14 years' experience in finance and administration. She joined the Highstar Team in March 2003. Previously, Ms. Januszkiewicz was an Analyst in the Finance and Controller's department of AIGGIC. From 1998 to 1999, Ms. Januszkiewicz was Vice President of Finance of Rhodes Associates, an executive search

firm. From 1997 to 1998, Ms. Januskiewicz was a consultant to Warnervision Entertainment, a producer of home entertainment videos. From 1989 to 1997, Ms. Januskiewicz was a Partner and Vice President, Finance and Administration for Precision Data Services, a provider of record management services. At Precision Data Services, Ms. Januskiewicz was instrumental in coordinating the Company's sale to Anacomp, Inc. in late 1996.

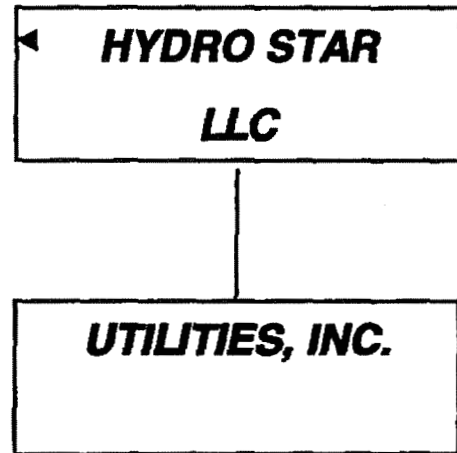
Ms. Januskiewicz received a B.S. in Business Administration from the University of Florida.

UTILITIES, INC.
GENERAL OWNERSHIP STRUCTURE
(POST CLOSING)



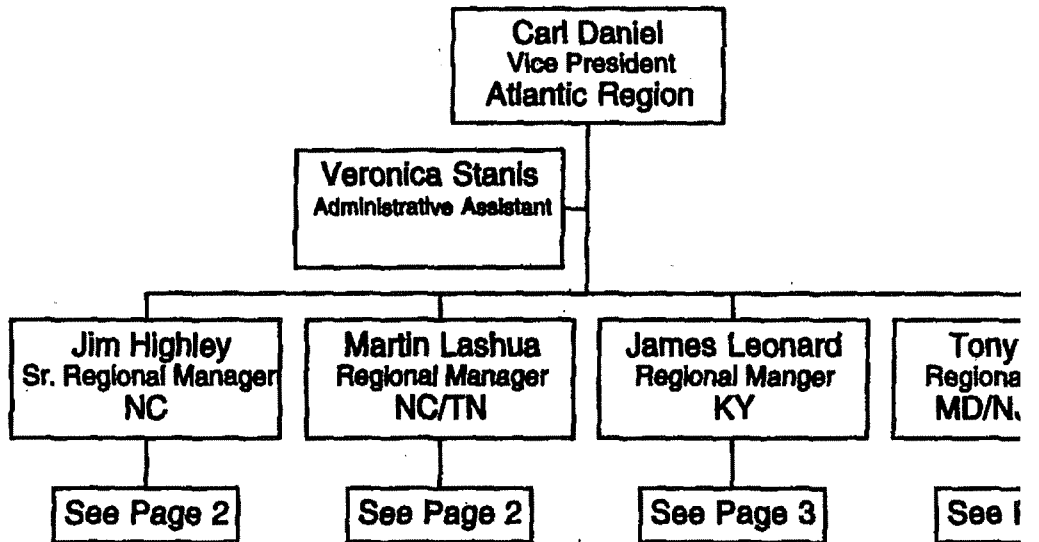
NOTE: AIG Highstar Capital GP II, L.P. is the general partner of each fund entity and will be the general partner of any co-investment vehicles

*** Hydro Star co-invest more limited partner AIG Highstar Capital partner.**

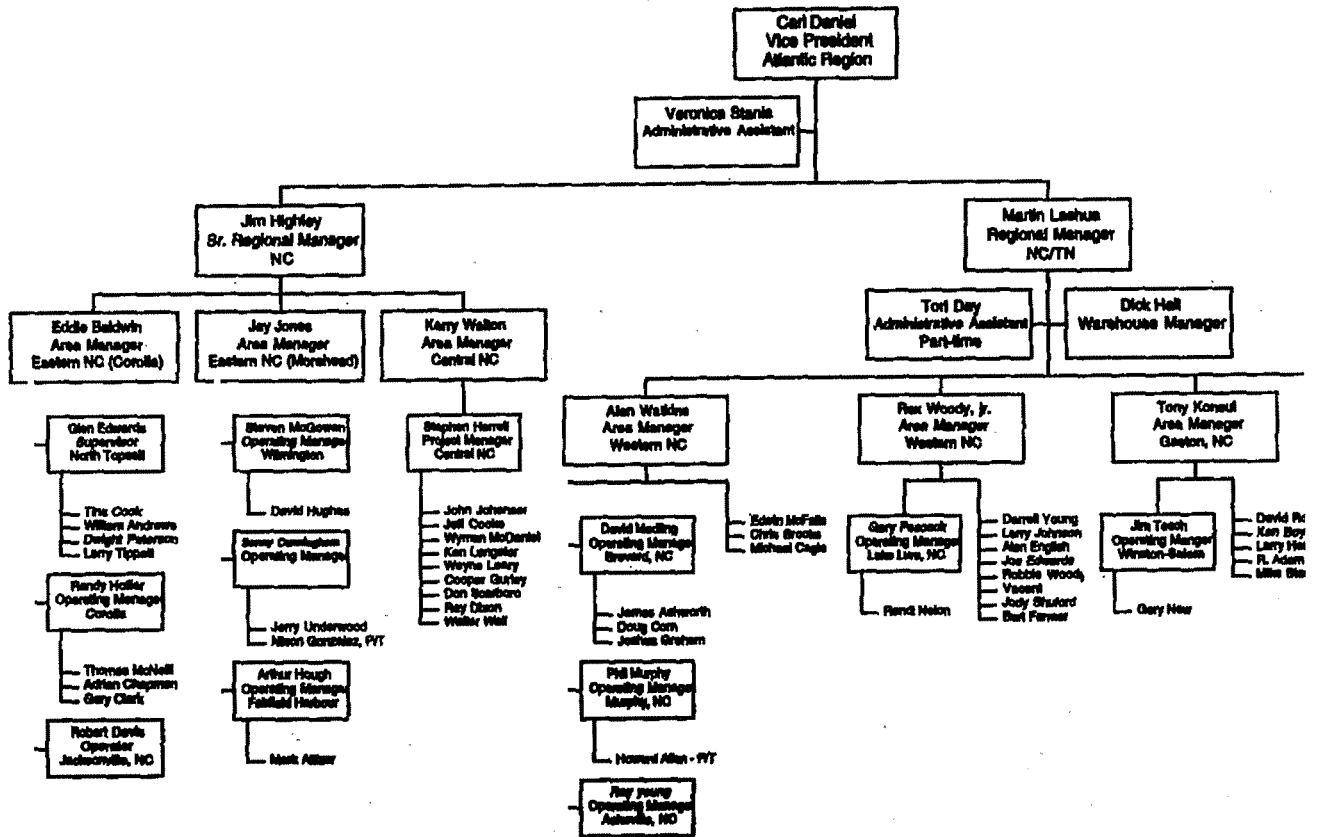


Utilities, Inc.

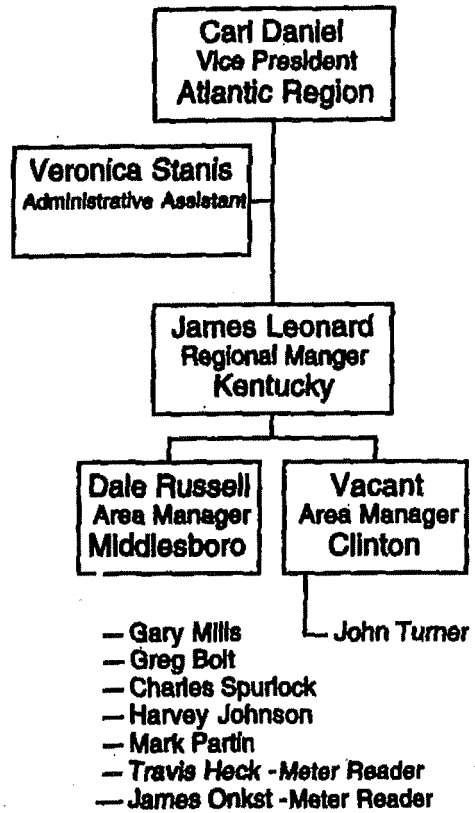
Atlantic Region



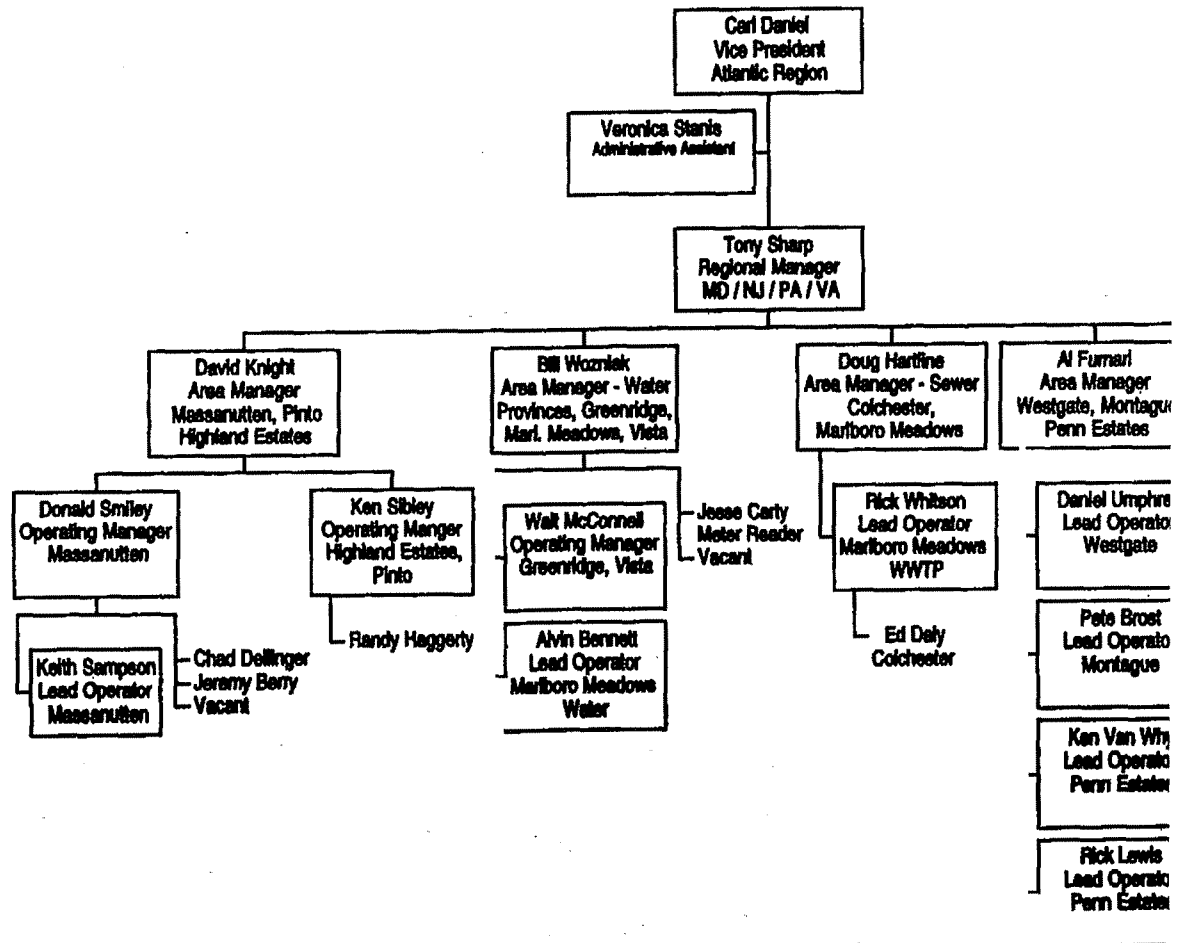
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Atlantic Region
NC & TN



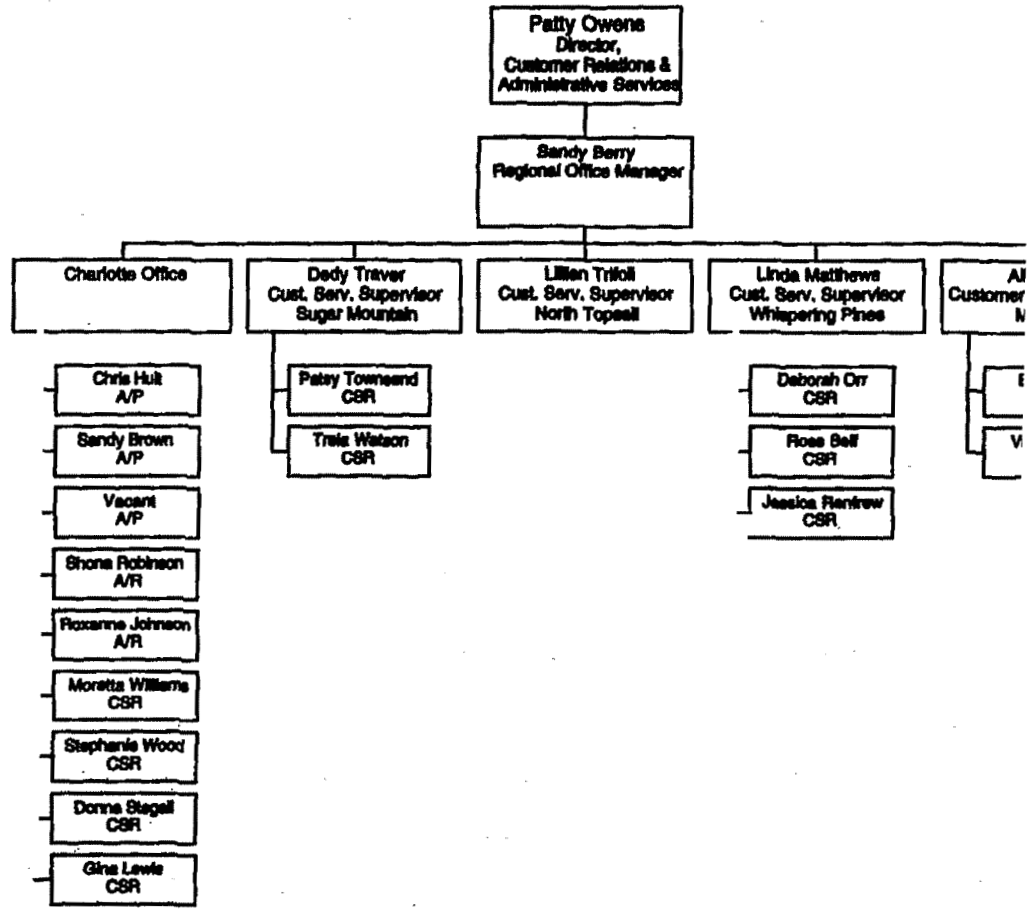
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Atlantic Region
KY

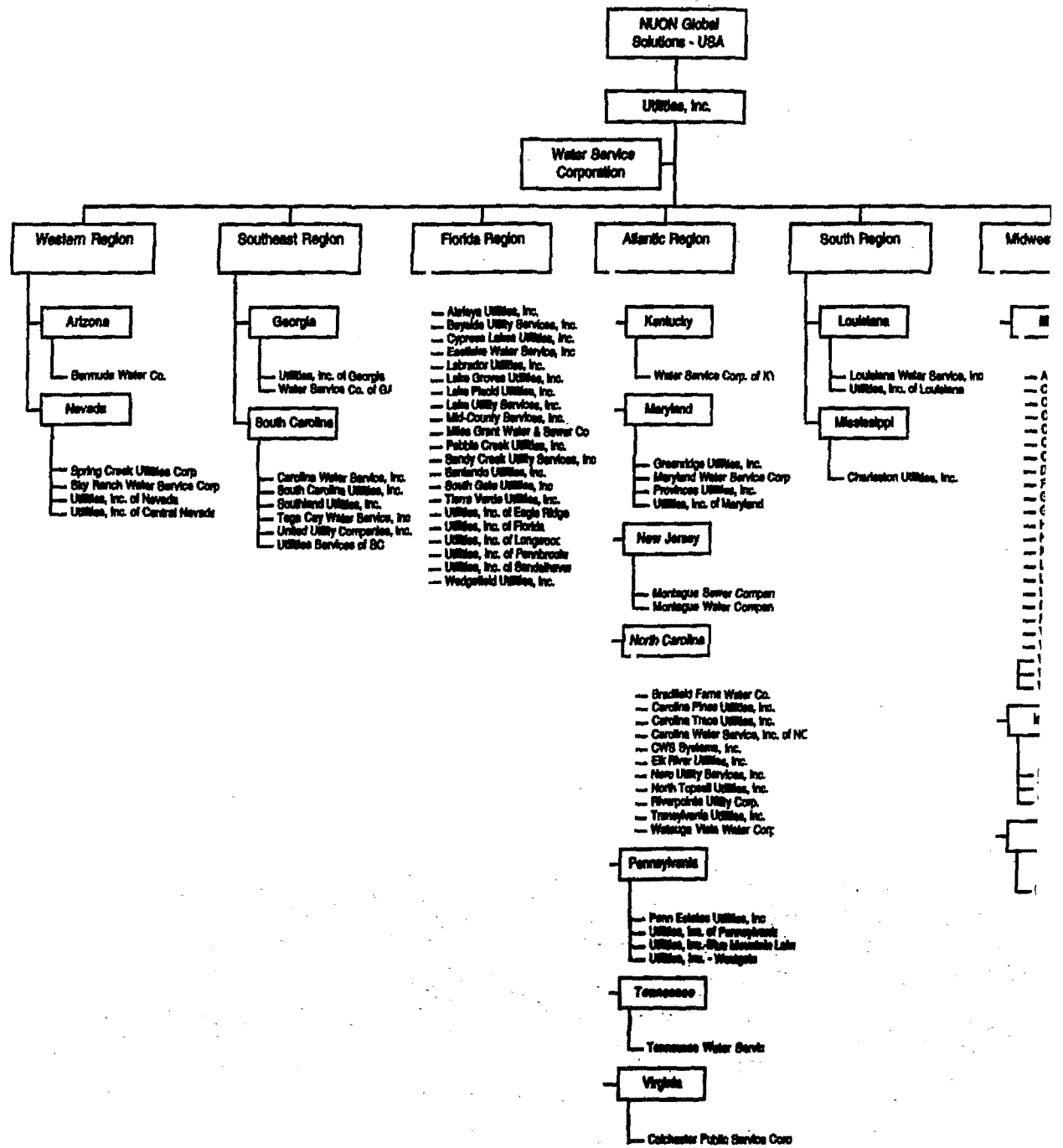


Utilities, Inc.
Atlantic Region
MD - NJ - PA - VA

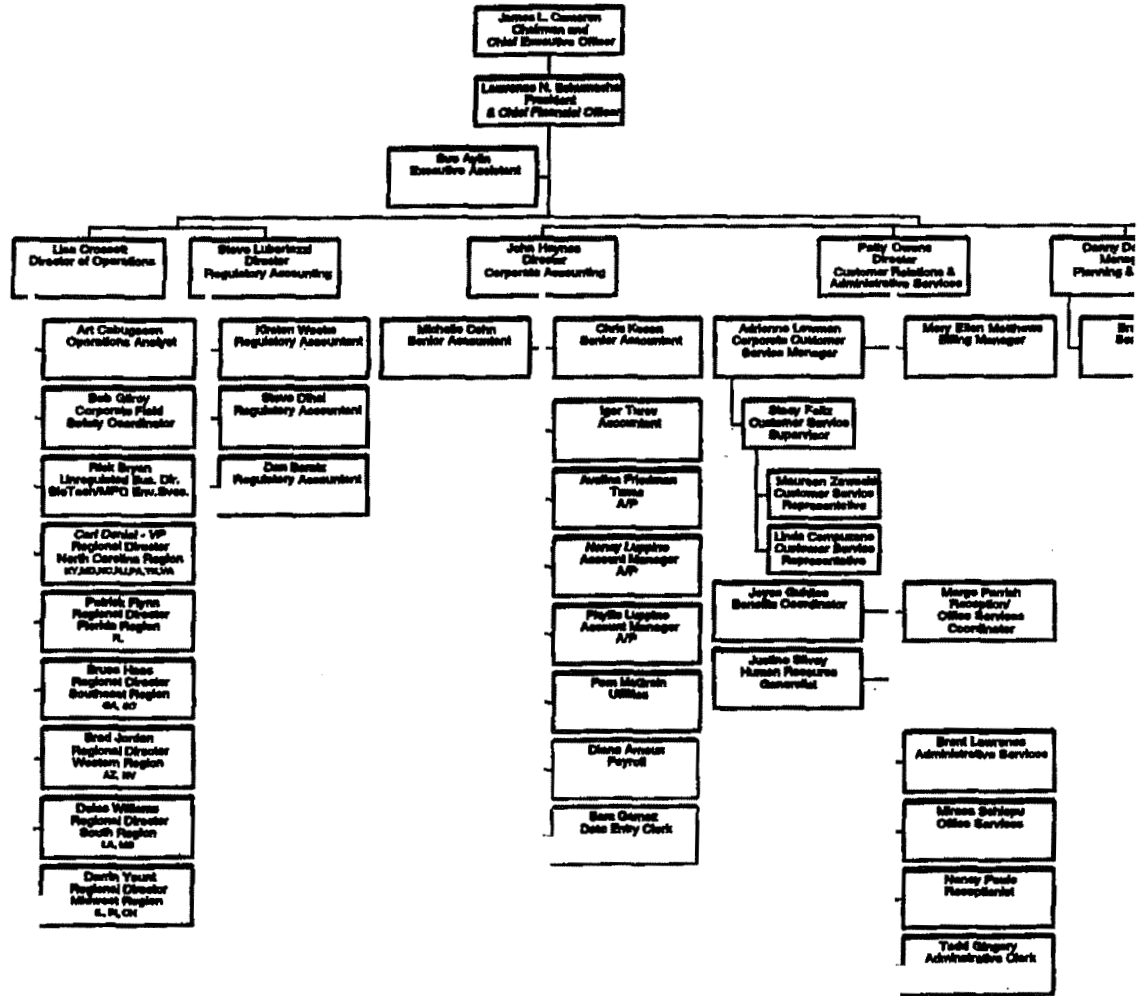


Utilities, Inc.
Atlantic Region
Administration





Utilities, Inc.
Corporate Office
Northbrook, Illinois



BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of Penn Estates Utilities, :
Inc., and, Utilities, Inc. of Pennsylvania, and, :
Utilities, Inc.-Westgate for Approval of Stock :
Transfer Leading to a Change in Control of :
their Parent Corporation, Utilities, Inc. :

DOCKET NOS. A-_____; A-_____; A-_____;

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SECRETARY'S BUREAU

**JOINT APPLICATION FOR APPROVAL OF TRANSFER
OF STOCK OF PARENT CORPORATION**

Penn Estates Utilities, Inc. ("PEUI"), Utilities, Inc. of Pennsylvania ("UIP") and Utilities, Inc.-Westgate ("Westgate") (collectively, "Applicants") hereby jointly submit this Application to the Pennsylvania Public Utility Commission ("Commission" or "PUC") pursuant to 66 Pa. C.S. § 1101, et seq., and such other statutory and regulatory authority deemed appropriate by the Commission, requesting regulatory approval of the transfer of all the common stock of their grandparent corporation Nuon Global Solutions USA, Inc. ("NGSU Inc.") from Nuon Global Solutions USA, BV ("NGSU BV") to Hydro Star, LLC ("Hydro Star"). This transaction does not involve any administrative or operational change at the parent corporation, Utilities, Inc., or the Applicants. Hydro Star is simply "stepping in the shoes" of NGSU BV. The Applicants submit that this transfer is in the public interest and will result in the continuous and seamless provision of reliable service to all of their customers at just and reasonable rates. In support hereof, Applicants state as follows:

I. The principal business address, telephone number and contact person for Utilities, Inc., and its subsidiaries, including PEUI, UIP and Westgate, are:

Mr. Steven M. Lubertozzi
Director, Regulatory Accounting
Utilities, Inc.
2335 Sanders Road
Northbrook, IL 60062-6196
(847) 498-6440
(847) 498-6498 (fax)

2. The names and address of Applicants' attorneys are:

James P. Dougherty
Susan E. Bruce
McNEES WALLACE & NURICK LLC
100 Pine Street
P. O. Box 1166
Harrisburg, PA 17108-1166
(717) 237-5249
(717) 237-5300 (fax)
jdougherty@mwn.com
sbruce@mwn.com

Applicants request that all telephone inquiries and written correspondence regarding this filing be served on their counsel.

3. PEUI is a Pennsylvania public utility that provides water and wastewater services to approximately 1,275 customers and 400 "availability" service customers in its authorized service territory in portions of Stroud and Pocono Townships in Monroe County, Pennsylvania. PEUI received its authority from the Commission by Final Order and Certificate of Public Convenience issued on February 10, 1997 at Docket Nos. A-210072 and A-230063.

4. UIP is a Pennsylvania public utility that provides wastewater service to approximately 941 customers and two elementary schools in its authorized service territory in portions of West Bradford Township in Chester County, Pennsylvania. UIP received its authority from the Commission by Order and Certificate of Public Convenience issued on August 26, 1992 at Docket No. A-230013.

5. Westgate is a Pennsylvania public utility that provides water service to approximately 670 residential and commercial customers in its authorized service territory near Bethlehem, Pennsylvania. Westgate received its authority from the Commission by Order and Certificate of Public Convenience issued on June 21, 2001 at Docket No. A-210093.

I. Description of the Transaction

6. By this Application, PEUI, UIP and Westgate, operating subsidiaries of Utilities, Inc., which is a wholly owned subsidiary of NGSU Inc., seek Commission approval of the transfer of all the common stock of their former corporate parent, NGSU Inc. The transfer will be accomplished through a shareholder substitution between NGSU BV and Hydro Star. The result of the transaction is that PEUI, UIP and Westgate will remain operating subsidiaries of Utilities, Inc., which will become a wholly owned subsidiary of Hydro Star. Applicants will remain intact and will continue the seamless provision of service to all of their customers in Pennsylvania. No personnel changes are presently planned. An organizational chart that depicts the corporate structure of PEUI, UIP and Westgate before and after the transaction is attached hereto as Exhibit A.

II. The Parties

7. Utilities, Inc. ("UI") is an Illinois corporation and the largest privately owned water utility and water service company in the United States, providing water and wastewater services to more than 300,000 residential customer equivalents in 17 states, including Pennsylvania. Since 1996, UI has experienced significant growth through the acquisition and development of water and wastewater systems in developing residential areas, primarily in the Southeast and Mid-Atlantic States. From January 1, 1996, through December 31, 2004, UI's customer base grew from 146,000 to 300,000 customers, and UI's operating revenues increased from \$40.1 million in 1996 to \$85.8 million in 2004. See Consolidated Financial Statements of UI and Subsidiary Companies (attached