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In the Matter of the Application of MCN Corporation d/b/a MCN Energy Group Inc., a Michigan Corporation, for Certification Pursuant to Section 33(a)(2) of the Public Utility Holding Company Act of 1935.

MCN is a diversified energy holding company with natural gas markets and investments throughout North America. These operations encompass both utility and nonutility activities. The utility subsidiaries of MCN are Michigan Consolidated Gas Company ("MichCon"), a natural gas distribution and intrastate transmission company serving 1.2 million customers in more than 500 communities throughout Michigan; Citizens Gas Fuel Company, a natural gas utility serving the City of Adrian, Michigan, and surrounding communities; and Southern Missouri Gas Company, L.P. ("SMGC"), of which MCN owns 47.5 percent. SMGC is a natural gas utility serving 15 communities in southern Missouri. MCN Investment Corporation ("MCNIC") is a sub-holding company of MCN that owns subsidiaries engaged

in oil and natural gas exploration and production, natural gas gathering and processing, gas marketing, gas storage, and power generation.

MCN jointly owns Torrent Power Private Limited ("TPPL"), a corporation formed under the laws of India, with Torrent Exports Limited, also a corporation formed under the laws of India. The Commission approved MCN's application for certification of an initial investment of approximately \$60 million in TPPL in Case No. GO-97-352 on March 28, 1997. In that case, MCN represented that its initial investment in TPPL accounted for less than two percent of MCN's total assets. In Case No. GO-97-352, MCN's application referred to TPPL as Torrent Power Limited Holding Company ("TLP").

MCN seeks to invest an additional \$150 million in TPPL. TPPL will use \$100 million to purchase a controlling interest in Ahmedabad Electricity Ltd. ("AECL") and Surat Electricity Company, Ltd. ("SECL"). Currently TPPL owns 21.4 percent of AECL and 42.5 percent of SECL. MCN believes that with a controlling interest in these two electric distribution companies, TPPL will be better positioned to improve operations, enhance the distribution area, increase generating capacity and reduce transmission losses.

Of the remaining \$50 million, TPPL and MCN are evaluating the possibility of acquiring an additional 28 percent share in Gujurat Torrent Energy Corporation 1 ("GTEC 1"). GTEC 1 is a project company set up to build, own and operate a 655 MW power generation facility near Bharuch, Gujurat. The 28 percent share may become available if the government of India decides to make the shares available to partners currently owning a stake in GTEC 1.

MCN states that TPPL will continue to operate totally separate from MCN or any of its American-based subsidiaries. MCN further asserts that the proposed transaction will have no detrimental impact on the financial viability, capital structure or cost of capital of MCN, MCNIC, or SMGC. MCN commits that no SMGC assets will be pledged or encumbered in connection with this investment. In addition, MCN asserts that the proposed transaction will have no impact on the tax revenues of Missouri political subdivisions in which any structure, facility or equipment of MCN or its subsidiaries are located, and that the proposed transaction is not detrimental to the public interest.

MCN states that it will not seek to recover from its Missouri customers the direct or indirect costs of the investment in TPPL. In addition, MCN commits to providing access to books and records reasonably necessary for the Commission to exercise its jurisdiction. MCN acknowledges that the requested certification does not constitute approval of the proposed investment or a finding that the investment is reasonable.

MCN represents that it is exempt from regulation as a holding company under PUHCA pursuant to Section 3(a)(1), 15 U.S.C. § 79(a)(1). MCN further represents that TPPL is a foreign utility as defined by PUHCA and will be exempt from regulation under PUHCA if every state commission having jurisdiction over the electric or gas rates of an affiliated utility company, certifies that the state commission has the authority and resources to protect the utility's ratepayers and it intends to exercise that authority. MCN therefore requests that the Commission grant that certification with respect to SMGC.

On July 31, 1997, the Staff of the Missouri Public Service Commission (Staff) filed a memorandum to the official case file and a

Stipulation and Agreement. In order to ensure that Staff has information necessary to protect SMGC's ratepayers, MCN has agreed to five conditions in consideration for the Staff memorandum recommending that the Commission issue a certification letter. The Stipulation and Agreement is attached to this order and designated Attachment B.

After review of the application, the Stipulation and Agreement and Staff's memorandum, the Commission finds that approval of the application and Stipulation and Agreement is appropriate. The Commission concludes that it should grant the requested certification while reserving the right to prospectively revoke it, as permitted by Section 715 of the 1992 Energy Policy Act, and on the condition that SMGC not seek to recover from its ratepayers any direct or indirect costs of the investment in foreign utilities. Furthermore, the granting of the certificate is not approval or endorsement of the transaction. Finally, the Commission finds that the certification letter attached hereto as Attachment A fulfills the requirements of PUHCA and should be sent to the Securities and Exchange Commission.

**IT IS THEREFORE ORDERED:**

1. That the application filed by MCN Corporation d/b/a MCN Energy Group, Inc. on July 11, 1997 is approved.

2. That the Stipulation and Agreement filed by MCN Corporation d/b/a MCN Energy Group, Inc. and the Staff of the Missouri Public Service Commission on July 31, 1997 is hereby approved.

3. That nothing in this order shall be considered a finding by the Commission of the value of this transaction for ratemaking purposes, and the Commission reserves the right to consider the ratemaking treatment

to be afforded these financing transactions and their results in cost of capital in any later proceeding.

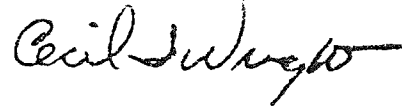
4. That this order shall not be deemed to be precedent for any future financing even if the facts may be similar.

5. That any adverse financial effects of this acquisition shall be borne by company stockholders and not by Missouri ratepayers.

6. That the Executive Secretary of the Commission shall send the letter attached hereto as Attachment A, including the recommendation of the Staff of the Commission in this case and a copy of this order as attachments to the letter, to the Securities and Exchange Commission.

7. That this order shall become effective on August 11, 1997.

**BY THE COMMISSION**

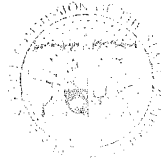
A handwritten signature in black ink, appearing to read "Cecil I. Wright", with a stylized flourish at the end.

**Cecil I. Wright  
Executive Secretary**

(S E A L)

Zobrist, Chm., Crumpton, Murray,  
Lumpe and Drainer, CC., concur.

ALJ: George



Commissioners

KARL ZOBRIST  
Chair

HAROLD CRUMPTON

SHEILA LUMPE

CONNIE MURRAY

M. DIANNE DRAINER  
Vice Chair

## Missouri Public Service Commission

POST OFFICE BOX 360  
JEFFERSON CITY, MISSOURI 65102  
573-751-3234  
573-751-1847 (Fax Number)  
573-526-5695 (TT)  
<http://www.ecodev.state.mo.us/psc/>

August 6, 1997

CECIL I. WRIGHT  
Executive Secretary

SAM GOLDAMMER  
Director, Utility Operations

GORDON L. PERSINGER  
Director, Policy & Planning

VACANT  
Director, Utility Services

DONNA M. KOLILIS  
Director, Administration

DALE HARDY ROBERTS  
Chief Administrative Law Judge

DANA K. JOYCE  
General Counsel

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

RE: MCN Corporation d/b/a MCN Energy Group Inc.

Gentlemen:

MCN Corporation d/b/a MCN Energy Group Inc. ("MCN"), doing business in the state of Missouri as a public utility through its operating subsidiary, Southern Missouri Gas Company, L.P. ("SMGC"), has advised this Commission that MCN Investment Corporation ("MCNIC"), a sub-holding company of MCN, has reached a preliminary agreement with Torrent Exports Limited ("TEL"), a corporation formed under the laws of India, to jointly own Torrent Power Private Limited ("TPPL"), a corporation formed under the laws of India. TPPL will initially own interests in: (1) a 655 MW natural gas/naphtha fired electric generation project currently under construction near the city of Bharuch, India ("Bharuch Project"); (2) the Surat Electric Company ("SECL"), an electric distribution company; and (3) Ahmedabad Electric Company ("AECL"), an electric distribution company. MCNIC made an initial equity investment of approximately \$60 million in TPPL. MCNIC has now expressed its intention to make an additional equity investment of approximately \$150 million in TPPL.

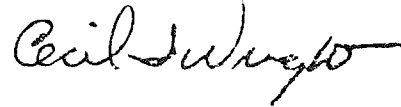
MCN has filed or will file a Notification of Foreign Utility Company Status with the Securities and Exchange Commission under Section 33 of the Public Utility Holding Company Act of 1935, as amended ("PUHCA" or the "ACT"), in respect to the TPPL investments. In connection therewith, MCN will file with this Commission a copy of its Notifications to the Securities and Exchange Commission. MCN has asked this Commission to provide you with the certification contemplated by the applicable provisions of the PUHCA.

The Missouri Public Service Commission has jurisdiction over the retail natural gas rates of SMGC in the state of Missouri and hereby certifies that it has the authority and resources to protect the ratepayers subject to its jurisdiction and that the Commission intends to exercise its authority with respect to MCN's proposed investment in TPPL. The Commission notes that this certification may be revised or withdrawn prospectively as to any future acquisition. In making this certification, this Commission is relying on the belief that the Securities and Exchange Commission will enforce all sections of

Securities and Exchange Commission  
Page two  
August 6, 1997

PUHCA which govern MCN's proposed investment in TPPL for which it has jurisdiction.

Sincerely,



Cecil I. Wright  
Executive Secretary  
(573) 751-3048

Attachments

cc: Mr. Robert Wason  
Securities and Exchange Commission  
Office of Public Utility Regulation  
Division of Investment Management  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Mr. William K. McCrackin  
Vice Chairman and Chief Financial Officer  
c/o Jamie Fields  
MCN Energy Group Inc.  
500 Griswold Street  
Detroit, Michigan 48226

Mr. James M. Fischer  
Attorney at Law  
101 West McCarty Street, Suite 215  
Jefferson City, Missouri 65101

**FILED****JUL 31 1997****BEFORE THE PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI****PUBLIC SERVICE COMMISSION**

In the Matter of the Application of MCN       )  
Corporation d/b/a MCN Energy Group Inc.    )  
a Michigan corporation for certification       )  
pursuant to Section 33(a)(2) of the Public   )  
Utility Holding Company Act of 1935.        )

Case No. GO-98-17

**STIPULATION AND AGREEMENT**

On July 11, 1997, MCN Corporation d/b/a MCN Energy Group, Inc. ("MCN" or "Applicant") filed an Application with the Commission requesting certification pursuant to Section 33(a)(2) of the Public Utility Holding Company Act of 1935. MCN is a Michigan holding corporation that owns 47.5% of Southern Missouri Gas Company, L.P. ("SMGC"), a Commission regulated natural gas utility that serves 15 communities in southern Missouri. According to the Application, MCN intends to invest through Torrent Power Private Limited ("TPPL") an additional US \$100 million dollars in shares of Ahmedabad Electricity Company Ltd ("AECL") and Surat Electricity Company Ltd ("SECL"), two electric distribution companies located in the state of Gujarat, India.<sup>1</sup> In addition, the Application states that MCN, along with its partner Torrent Exports, Ltd, is evaluating the possible investment of US \$50 million for an additional 28% share in Gujarat Torrent Energy Corporation 1 ("GTEC 1") GTEC 1 is a project company set up to build, own and operate a 655 MW power

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<sup>1</sup>MCN previously received a similar certification from the Commission in Case No. GO-97-352 in connection with its plan to invest up to US \$70 million in Torrent Power Private Ltd ("TPPL"). TPPL currently owns 21.4% and 42.5% of AECL and SECL, respectively. If successful in purchasing additional shares, TPPL will have an controlling interest in AECL and SECL.



generation facility near Bharuch, Gujarat.<sup>2</sup> The Application sought certification by the Commission that it has the authority and resources to protect ratepayers of SMGC from any impacts of the India investments and that it intends to exercise that authority.

In order to ensure that it has the information necessary to protect SMGC ratepayers, the Staff has requested certain commitments from MCN. In consideration for the Staff recommendation that the Commission issue a certification letter, the Company agrees that:

1. MCN, its affiliates and its subsidiaries agree to make available to the Missouri Public Service Commission and its staff at reasonable times and places all books, records, employees and officers of MCN and any affiliate or subsidiary of MCN, provided that MCN and any affiliate or subsidiary of MCN shall have the right to object to such production of records or personnel on any basis under applicable Missouri law and Missouri Public Service Commission rule, excluding any objection that such records and personnel are not subject to the Missouri Public Service Commission's jurisdiction.

2. MCN will notify the Commission Staff of any and all affiliated transactions in which any costs, assets or equity could be assigned from, or to, Southern Missouri Gas Company, L.P., from MCN or any MCN affiliate or subsidiary, and will maintain all records related to such affiliated transactions for review by Commission Staff.

3. The Staff is recommending that MCN receive approval for a \$175 million investment in TPPL. MCN shall file a new certification letter from the Missouri Public Service Commission for any additional outlays in TPPL which may be made in the future.

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<sup>2</sup>MCN previously received a similar certification from the Commission in Case No. GO-97-352 in connection with its plan to invest through TPPL in GTEC 1.

4. MCN agrees that no investments will be made inconsistent with the specific investments and corporate structure proposed in the Application.

5. MCN will notify the Missouri Public Service Commission and its staff of any transaction between any affiliated foreign company or affiliate or associated company thereof and any public utility subject to Missouri Public Service Commission jurisdiction.

None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost allocation, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1, RSMo 1994,<sup>3</sup> to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2; and their respective rights to judicial review pursuant to Section 386.510.

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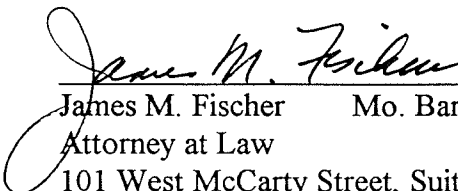
<sup>3</sup>All statutory references are to Revised Statutes of Missouri 1994, unless otherwise noted.

If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of Record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules; shall be maintained on a confidential basis by all Parties; and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other Parties with advance notice of when the Staff shall respond to the Commission's request from Staff (and afford all such parties, to the maximum extent practicable, the right to be present at such oral explanation). Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters which are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

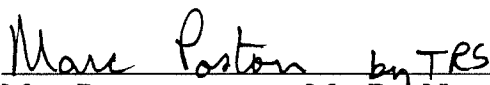
In the event the Missouri Public Service Commission does not issue a certification letter in this docket, this Stipulation and Agreement shall be void.

Respectfully submitted,

  
James M. Fischer Mo. Bar No. 27543  
Attorney at Law  
101 West McCarty Street, Suite 215  
Jefferson City, Missouri 65101

Telephone: (573) 636-6758  
Fax: (573) 636-0383

Attorney for  
MCN Corporation d/b/a  
MCN Energy Group Inc.

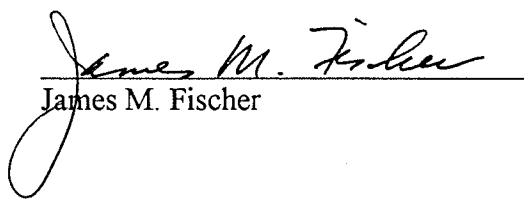
  
Marc Poston Mo. Bar No. 45722  
Assistant General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Missouri 65102  
Telephone: (573) 751-8701  
Fax: (573) 751-9285

Attorney for the Staff of the  
Missouri Public Service Commission

**CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered or mailed, postage prepaid, this 31st day of July, 1997, to:

Office of the Public Counsel  
P.O. Box 7800  
Jefferson City, Missouri 65102

  
James M. Fischer