

MP

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 12th
day of November, 1998.

In the Matter of the Application	)	
of MCN Corporation d/b/a MCN Energy	)	
Group, Inc., a Michigan Corporation	)	
for Certification Pursuant to Section	)	<u>Case No. GO-98-562</u>
33(a)(2) of the Public Utility Holding	)	
Company Act of 1935.	)	

ORDER APPROVING STIPULATION AND AGREEMENT

On June 17, 1998, MCN Corporation d/b/a MCN Energy Group, Inc. (MCN) filed an application (the Application) with the Commission requesting: (A) certification pursuant to Section 33(a)(2) of the Public Utility Holding Company Act of 1935 that this Commission has jurisdiction, authority, and intent to protect MCN's Missouri ratepayers; (B) approval of MCN's application to invest up to \$500 million in Canada, Central America, South America, Asia, Africa, Europe, and Australia; and (C) notification of the Securities and Exchange Commission of the certification in (A).

MCN, a holding company, owns 47.5% of Southern Missouri Gas Company, L.P. (SMG), a natural gas utility company regulated by the Commission. MCN also owns MCN Investment Corporation (MCNIC), a sub-holding company with subsidiaries engaged in oil and gas businesses and power generation. MCN proposes to make the \$500 million investments through MCNIC.

On July 31, MCN and the Staff of the Commission filed a Stipulation and Agreement. In that Stipulation, Staff and MCN agree that Staff will

recommend approval of the Application and that MCN will provide certain information to the Staff. Specifically, MCN agrees:

A) to make available all books, records, and personnel of MCN and of all subsidiaries and affiliates;

B) to notify Staff of all affiliate transactions involving SMG, and to maintain records related to these transactions;

C) to inform the Commission by written notice within thirty days summarizing investments, if any, which equal increments of \$250 million; and

D) that, if it has not invested the entire \$500 million within three years of the effective date of this order, it will reapply for certification before making additional investments.

On October 14, Staff filed its Memorandum in which it recommends that the Commission approve the Application, subject to additional conditions not in the Stipulation and Agreement. These are:

E) that the Commission reserve ratemaking treatment;

F) that the Commission's approval not be considered precedent;

G) that any adverse financial effects be borne by shareholders rather than ratepayers;

H) that the Staff Memorandum and this order be attached to the letter to the SEC; and

I) that the certification letter be modified as proposed by Staff in its Memorandum.

The modification to the certification letter the Staff proposes would make clear that the Commission's ability to protect SMG's ratepayers is contingent on MCN's commitments A) through D).

On October 20, the Commission issued a notice allowing MCN to respond to the additional conditions in the Staff Memorandum. On October 29, MCN filed a letter stating that those conditions are acceptable.

The Office of the Public Counsel has taken no action in this case.

The Commission has reviewed the Application, the associated information, the Stipulation and Agreement, and the Staff memorandum, and determines the proposed transaction to be reasonable and not detrimental to the public interest. The Commission will approve the requested financing with the conditions recommended by the Staff.

IT IS THEREFORE ORDERED:

1. That MCN Corporation d/b/a MCN Energy Group, Inc. is granted authority to invest up to \$500 million in projects in Canada, Central America, South America, Asia, Africa, Europe, and Australia, subject to the following conditions:

- A) MCN Corporation d/b/a MCN Energy Group, Inc., its affiliates and its subsidiaries shall make available to the Missouri Public Service Commission and its Staff at reasonable times and places all books, records, employees and officers of MCN Corporation d/b/a MCN Energy Group, Inc. and any affiliate or subsidiary of MCN Corporation d/b/a MCN Energy Group, Inc., provided that MCN Corporation d/b/a MCN Energy Group, Inc. and any affiliate or subsidiary of MCN Corporation d/b/a MCN Energy Group, Inc. 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.
- B) MCN Corporation d/b/a MCN Energy Group, Inc. shall notify the Missouri Public Service Commission of any and all affiliate transactions in which any costs, assets or equity could be assigned from, or to Southern Missouri Gas Company, L.P., from MCN Corporation d/b/a MCN Energy Group, Inc. or any MCN Corporation d/b/a MCN Energy Group, Inc. affiliate or

subsidiary and shall maintain all records of any such affiliate transaction for Commission Staff review.

- C) No single investment by MCN Corporation d/b/a MCN Energy Group, Inc. may be greater than \$250 million, and MCN Corporation d/b/a MCN Energy Group, Inc. shall inform the Commission within thirty (30) days after its investments have reached each increment of \$100 million. In the event that MCN Corporation d/b/a MCN Energy Group, Inc. does not invest the entire \$500 million within three (3) years of the effective date of this order, MCN Corporation d/b/a MCN Energy Group, Inc. shall re-apply for certification from the Commission before making additional investments in energy related projects.
- D) No investments shall be made inconsistent with the specific investments and corporate structure proposed in the Application.
- E) MCN Corporation d/b/a MCN Energy Group, Inc. shall notify the Missouri Public Service Commission and its Staff of any transaction between any affiliate foreign company or any affiliate or associated company thereof and any public utility subject to Missouri Public Service Commission jurisdiction.

2. That nothing in this order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these transactions and their results in cost of capital in any later proceeding.

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

4. That any adverse financial effects of these transactions shall be borne by MCN Corporation d/b/a MCN Energy Group, Inc. stockholders and not by Missouri ratepayers.

5. That the Secretary of the Commission shall certify to the Securities and Exchange Commission, by a letter substantially similar to that attached to the Staff Memorandum and including this order and the Staff Memorandum as attachments, that the Commission has the authority, resources, and intent to protect Missouri ratepayers.

6. That this order shall become effective on November 24, 1998.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Drainer and
Murray, CC., concur.
Crumpton and Schemenauer,
CC., absent.

Mills, Deputy Chief Regulatory Law Judge