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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 15th
day of October, 1997.

In the Matter of the Application of	-)	
MCN Corporation d/b/a MCN Energy Group)	
Inc., a Michigan Corporation for)	<u>Case No. GO-98-80</u>
Certification Pursuant to Section)	
33(a)(2) of the Public Utility Holding)	
Company Act of 1935.)	

**ORDER APPROVING APPLICATION,
APPROVING STIPULATION AND AGREEMENT,
AND DIRECTING EXECUTIVE SECRETARY
TO ISSUE CERTIFICATION LETTER**

On August 25, 1997, MCN Corporation d/b/a MCN Energy Group Inc. ("MCN") filed an application for certification pursuant to Section 33(a)(2) of the Public Utility Holding Company Act of 1935 ("PUHCA"), 15 U.S.C. § 79z-5b. MCN requests that the Missouri Public Service Commission ("Commission") order its Executive Secretary to send a letter of certification to the Securities and Exchange Commission ("SEC") stating that the Commission "has the authority and resources to protect ratepayers subject to its jurisdiction and that it intends to exercise that authority" regarding MCN's proposal to invest \$500 million in utility-related projects throughout India. MCN's application states that the proposed investments will not encumber Missouri utility assets.

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.

The Commission approved MCN's application for certification of an additional investment of approximately \$150 million in TPPL in Case No. GO-98-17 on August 6, 1997. In that case, MCN sought to purchase a controlling interest in two electric distribution companies to be better positioned to improve operations, enhance the distribution area, increase generating capacity and reduce transmission losses.

MCN now seeks certification to invest an additional \$500 million in equity investments in energy projects throughout India. MCN states in its application that it will agree that no single investment by it will be greater than \$100 million, and MCN will inform the Commission within thirty days after its investments have reached each increment of \$100 million.

MCN states in its application that the government of India has sought to correct shortages in energy supply by providing greater investment opportunities in energy projects. MCN states that the market for energy-related investments in India is growing and is intensely competitive so that opportunities for investment require quick action and flexibility in timing. According to MCN, its investments in India are enhanced because (1) MCN has extensive experience in the oil and natural gas exploration production, natural gas gathering and processing, gas marketing, gas storage and power generation; (2) MCN has gained additional experience and knowledge for investing in energy related assets in India through its recent acquisition of an interest in TPPL and through ongoing investigation of further investment opportunities; (3) India has a stable political climate; (4) risks associated with currency fluctuation will be mitigated through agreement of specific terms which MCN has negotiated in the past; and (5) effective dispute resolution methods will be used which MCN has negotiated in the past.

MCN states that the proposed investments will have no material 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 the investments. In addition, MCN asserts that the proposed transactions 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.

MCN states that it will not seek to recover from its Missouri customers the direct or indirect costs of the investments. 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 investments 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 all investments will be deemed 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. Michigan and Missouri are the only states where MCN subsidiaries provide retail gas service, and therefore the only states from which certification is needed. MCN therefore requests that the Commission grant that certification with respect to SMGC.

On September 12 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: (1) MCN and its affiliates and subsidiaries will make all books, records, employees and officers available to the Commission and its Staff; (2) MCN will notify Staff of any and all affiliated transactions pertaining to SMGC and will maintain all related records for review by Staff; (3) MCN will inform the Commission within 30 days if its investments have reached each increment of \$100 million, and in the event that MCN does not invest the entire \$500 million within three years of the effective date of the Commission's order, then MCN must re-apply for certification before making additional investments; (4) MCN agrees that no investments will be made inconsistent with the specific investments and corporate structure proposed in the Application; and (5) MCN will notify the Commission and Staff of any transaction between any affiliated foreign company and any public utility subject to Commission

jurisdiction. The Stipulation and Agreement is attached to this order and designated Attachment B.

On September 25 the Commission issued an order directing MCN to file a response to address the effect of the proposed investments on the affiliates of SMGC and to specify the locations and entities into which the proposed investments will be made. On October 3 MCN filed its response and provided additional information concerning the locations of the proposed projects and the entities involved. The response emphasized that SMGC will not guarantee any obligations of any foreign investment and that none of the assets of SMGC will be pledged.

After review of the Application, the Stipulation and Agreement, the Staff's memorandum, and the response of MCN, 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 transactions. 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 August 25, 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 September 12, 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 October 28, 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)

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

George, Regulatory Law Judge



Commissioners

SHEILA LUMPE
Chair

HAROLD CRUMPTON

CONNIE MURRAY

M. DIANNE DRAINER
Vice Chair

Missouri Public Service Commission

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Executive Secretary
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Director, Utility Operations
GORDON L. PERSINGER
Director, Advisory & Public Affairs
VACANT
Director, Utility Services
DONNA M. KOLILIS
Director, Administration
DALE HARDY ROBERTS
Chief Administrative Law Judge
DANA K. JOYCE
General Counsel

October 15, 1997

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 requests the Commission to grant MCN certification for up to \$500 million in additional equity investments primarily in India.

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 additional 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 \$500 million in additional equity investments, primarily in India. The Commission notes that this certification may be revised or withdrawn prospectively as to any future acquisition.

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In making this certification, this Commission is relying on the belief that the Securities and Exchange Commission will enforce all sections of PUHCA which govern MCN's proposed investments 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

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

FILED
SEP 12 1997
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-98-80

STIPULATION AND AGREEMENT

On August 25, 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 believes that there are additional potential investment opportunities in India in energy related projects.¹ MCN intends to invest up to US \$500 million dollars in additional equity investments primarily in India. 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:

¹MCN previously received similar certifications from the Commission in Case Nos. GO-97-352 and GO-98-17 in connection with energy-related investments in India.

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. MCN will receive certification for up to \$500 million investment in projects primarily in India. However, MCN agrees that no single investment by it will be greater than \$100 million, and MCN will inform the Commission within thirty (30) days after its investments have reached each increment of \$100 million. In the event that MCN does not invest the entire \$500 million within three (3) years of the effective date of the Commission's Order Approving Application, Approving Stipulation and Agreement, And Directing Executive Secretary to Issue Certification Letter in this proceeding, MCN agrees that it must re-apply for certification from the Commission before making additional investments in energy-related projects.

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 1994,² 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.

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

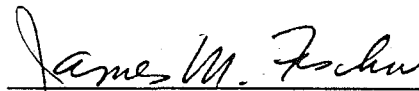
²All statutory references are to Revised Statutes of Missouri 1994, unless otherwise noted.

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,



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



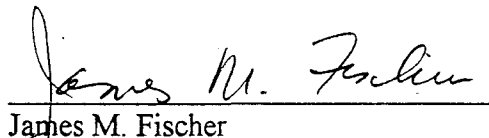
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Attorney for the Staff of the
Missouri Public Service Commission

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 12th day of September, 1997, to:

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


James M. Fischer