FORM U-1/A

Application or declaration under the act 1935 [amend]

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File No. 70-8731

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 1

TO

FORM U-1

APPLICATION AND DECLARATION

UNDER THE

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

MCN CORPORATION
500 Griswold Street
Detroit, Michigan 48226

(Name of companies filing this statement and address of principal executive offices)

None

(Name of top registered holding company parent of each applicant or declarant)

Daniel L. Schiffer, Esq.
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and Secretary
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(Name and address of agent for service)

The Commission is requested to mail copies of all orders, notices and communications to:

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Pursuant to Section 9(a)(2) and 10 of the Public Utility Holding Company Act of 1935 (the "Act"), MCN Corporation, a Michigan corporation ("MCN") hereby requests that the Securities and Exchange Commission (the "Commission") authorize the acquisition (the "Acquisition"), as described herein, of a 1% general partnership interest in Southern Missouri Gas Company, L.P., a Missouri limited partnership (the "Partnership"), which will construct, own and operate a gas pipeline and distribution system (the "System") in southern Missouri that is currently under construction and owned by Tartan Energy Company of Missouri, L.C., a Missouri limited liability company ("TEC"). Prior to the consummation of the Acquisition, ownership of the System will be transferred to the Partnership, as described below.

MCN is currently a public utility holding company exempt from all provisions of the Act except Section 9(a)(2) under Section 3(a)(1) pursuant to Rule 2. MCN owns all of the issued and outstanding common stock of two public utility companies as defined under the Act: Michigan Consolidated Gas Company ("MichCon") and Citizens Gas Fuel Company ("Citizens"), both of which are organized and operate virtually exclusively in the state of Michigan. MCN believes that following the

consummation of the Acquisition and the commercial operation of the Partnership, it will continue to be a public utility holding company entitled to an exemption under Section 3(a)(1) of the Act because the Partnership, which when it begins commercial operation will be a public utility subsidiary of MCN organized and operating exclusively in Missouri, will not account for a material part of MCN's income<F1> and thus, MCN and each public utility subsidiary from which it derives a material part of its income will continue to be organized and operating predominantly in the state of Michigan.

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<F1> Specifically, under current plans, in its first full year of commercial operation (1997), MCN's share of Partnership revenue will account for 0.18% of MCN's consolidated revenues, which according to current projections, will be the highest such percentage reached, and it is projected that in 1998, that percentage will decrease to approximately 0.17%. Although the term "material part of its income" is not defined in the Act, in many instances, holding companies with out-of-state utility subsidiaries accounting for an equivalent amount of revenues have been permitted to claim an exemption under Section 3(a)(1). For example, in In re Yankee Atomic Electric Co., 36 S.E.C. 552 (1948), the Commission granted an exemption under Section 3(a)(1) in a case where 2% of the holding company's revenues were derived from an out-of-state utility subsidiary. Indeed, the amount of income generated by the Partnership and contributed to MCN will be well within the traditional parameters of the term materiality as discussed in Commission precedent. See e.g., Commonwealth Edison, 28 S.E.C. 172 (1948) (holding that utility subsidiary accounting for between 2.7% and 3.3% of system revenues is not providing a material part of income); Wisconsin Electric Power Company, 28 S.E.C. 909 (1948) (holding utility subsidiary accounting for 10.31% of income and doing substantial business out-of-state is material and not predominantly intra-state).

Item 1 DESCRIPTION OF PROPOSED TRANSACTION

A. Description of MCN

MCN was organized in 1988 and is the holding company for (i) MichCon, a gas utility company as defined under the Act engaged in the distribution, transmission and storage of natural gas to approximately 1.1 million customers in Michigan; (ii) Citizens, a gas utility as defined under the Act and was acquired by MCN in 1990, is engaged in the distribution of natural gas in the city of Adrian, Michigan, and (iii) MCN Investment Corporation, a subsidiary holding company for nonutility businesses. As mentioned above, MCN is exempt from all provisions of the Act except Section 9(a)(2) under Rule 3(a)(1) because both MCN and its material public utility subsidiaries are organized and conduct virtually all of their operations in the same state (Michigan). See, Form U-3A-2, "Statement by a Holding Company Claiming Exemption under Rule 2 from the Provisions of the Public Utility Holding Company Act of 1935," dated February 24, 1995, filed by MCN and incorporated herein by reference. MCN's common stock is publicly traded on the New York Stock Exchange. MCN's principal executive office of located at 500 Griswold Street, Detroit, Michigan 58226.

B. Existing Utility Operations

As mentioned above, MichCon is engaged in the distribution, transmission and storage of natural gas to approximately 1.1 million customers in Michigan and Citizens is engaged in the distribution of natural gas in to the City of

Adrian, Michigan. MichCon and Citizens provide retail gas distribution services primarily to residential and small volume commercial customers and MichCon provides transportation services to large volume commercial and industrial customers. MichCon also provides intrastate transportation services to other gas utilities, gas marketers and producers. In the fiscal year ended December 31, 1994, MCN reported consolidated revenues of approximately $1,545.8 million, of which amount MichCon's revenues accounted for $1,111.7 million or 71.9% and Citizens revenues were $14.4 million or 0.9%.

Approximately 46% of MichCon's gas supply originates in the Midcontinent and Southern basins, 40% in Michigan, 10% in Canada and 4% from other sources. Similarly, approximately 55% of Citizen's gas supply originates in the Midcontinent and Southern basins, 35% in Michigan and 10% in Canada. MichCon and Citizens take gas from the Midcontinent and Southern basins through the ANR and Panhandle pipelines pursuant to firm and interruptible contracts with these pipelines.

MichCon is subject to regulation by the Michigan Public Service Commission (the "Michigan PSC") with regard to rates and other corporate matters and Citizens is subject to regulation by the City of Adrian, Michigan with respect to its rates and by the Michigan PSC with regard to other corporate matters.

C. Description of the Proposed Transaction

MCN has entered into an agreement (the "Formation Agreement") containing the terms on which MCN intends to acquire

a 1% general partnership interest and a 46.5% limited partnership interest in the Partnership. The remaining interests in the Partnership will be owned as follows: 1% general partnership and 4% limited partnership interest owned by Tartan Management Company of Missouri, L.C. or its successor ("Tartan") and 47.5% limited partnership interest owned by Torch Energy Marketing, Inc. or its successor ("Torch"). Torch, a Delaware corporation, is a wholly owned subsidiary of Torch Energy Advisors Incorporated ("TEAI"), which in turn is a wholly owned subsidiary of United Investors Management, Inc. which is owned by Torchmark Corporation. Torchmark Corporation has publicly announced its intended disposition of TEAI to a newly formed investor group that includes TEAI management and United Investors Management, Inc. The limited liability company interests in Tartan will be held by three individuals (the "Individuals"). Tartan will also serve as operator of the System in accordance with the terms and conditions set forth in the Construction and Management Agreement attached hereto as Exhibit B-3.

The terms of the Partnership Agreement among MCN, Tartan and Torch will provide that the limited partners will take no part in the management or control of the Partnership's business and the general partners will have exclusive management and control of the business of the Partnership in accordance with the provisions of the Missouri Uniform Limited Partnership Act. The Partnership Agreement will also provide that the general

partners will have the exclusive right, without any requirement of prior consultation with the limited partners, to do all things that, in their sole and reasonable judgment, are necessary, proper or desirable to carry out their duties and responsibilities as general partners. The prior approval of a majority in interest of the limited partners will be required only for certain major events materially affecting the business of the Partnership. These events will include, but will not necessarily be limited to, (i) the sale, exchange, lease, mortgage, or other disposition of 25% or more of the fair market value of the business or assets of the Partnership, or the merger or consolidation with another entity; (ii) incurring or prepaying indebtedness (or providing guaranties of another entity's indebtedness) other than in the ordinary course of business or, if in the ordinary course of business, in an amount in excess of $1,000,000; (iii) admitting any additional limited or general partner or adjustment in a partners percentage ownership; (iv) dissolving or liquidating the Partnership or appointing a liquidating partner other than the general partners; (v) commencing a voluntary, or admitting a material allegation in an involuntary, proceeding in bankruptcy in the name of the Partnership; (vi) entering into or effecting a material amendment of any gas purchase agreement, any firm gas transportation contract, any negotiated third-party gas sales contract in excess of $10,000 or certain contracts with third parties in excess of $100,000 per year; (vii) making any capital expenditure in excess

of $500,000; (viii) materially amending any material government permit or materially amending any material filing with any governmental body, or seeking any governmental action other than is ordinarily required in the ordinary conduct of business; (ix) making a determination with respect to the disposition of insurance proceeds in excess of $500,000 or the repair or rebuilding of the facilities in the event of substantial damage or destruction; (x) settling a dispute or litigation involving the Partnership that would materially adversely affect the Partnership or require payment by the Partnership of more than $1,000,000; (xi) engaging in any transaction with the general partner or partners or an affiliate of either general partner except where such transaction is effectuated on terms no less favorable to the Partnership in a modified arm's-length transaction with an unaffiliated entity; (xii) adopting and operating under an annual budget that includes an increase of 10% for any category of expenses over the amount included in the prior year's budget, or an aggregate increase of 5% or (xiii) modifying the annual budget to result in an increase of 10% for any category of expenses or an aggregate of 5%. In addition, the Partnership Agreement will require the limited partners to vote for the removal of either Tartan or MCN as a general partner for cause and that Tartan or MCN may be removed upon the affirmative vote of 66 rds of the interests of the limited partners.<F2> On September 25, 1995, Torch

submitted a no-action request letter to the Division request that the Division state it will not recommend enforcement action under the Act upon Torch's acquisition of a 47.5% limited partner interest in the Partnership.

<F2> "Cause" will be defined in the Partnership Agreement to include, but will not be limited to, (i) the failure of a general partner to timely make a required capital contribution; (ii) the failure of a general partner to obtain the approval of a majority in interest of the limited partners before undertaking those actions which require the approval of the limited partners; (iii) the commencement of bankruptcy or insolvency proceedings by or against a general partner or certain of its affiliates; (iv) a general partner's breach of any provision of the Partnership Agreement which has a material adverse effect on the construction, operation or maintenance of the operations of the Partnership or on the limited partners' equity investment in the Partnership; (v) a general partner's gross negligence, fraud or breach of its fiduciary duties pursuant to the Partnership Agreement; or (vi) in the case of Tartan, a 45% or greater change in its stock ownership.

The Partnership will initially distribute gas to the residents of approximately fifteen communities in Greene, Webster, Wright, Howell, Douglas and Texas counties, Missouri, all of which are located in south-central Missouri. Currently, the System is being constructed by TEC which also holds fifteen local franchises for providing service issued by the Missouri Public Service Commission (the "MPSC"). These licenses were initially held by a predecessor of TEC, Tartan Energy Company L.C., an Oklahoma limited liability company, which was merged with and into TEC in accordance with the order of the MPSC dated September 29, 1995 and attached hereto as Exhibit D-2. When

fully developed and serving the fifteen franchised communities, the System will have over 300 miles of trunk pipeline and distribution piping, serving over 10,000 customers. The Partnership will operate exclusively in the state of Missouri and once the System is operational, will be subject to MPSC regulation with regard to rates and other corporate matters.

The MPSC has already approved TEC's application for the first three years of expenditures for developing the system (estimated to be $39 million at the time of the application) to serve approximately 9,000 customers in ten of the franchised communities and construction for the first seven communities began in March 1995 (the "Phase One Construction"). Attached as Exhibit D-4 is a copy of this order, which was initially issued to TEC's predecessor (the "MPSC April Order"). The MPSC has recently approved construction of the system for an additional five communities and the Partnership intends to begin construction to these five additional communities plus one of the original ten communities, which should be completed in late 1996 ("Phase Two Construction"). As the result of planned highway construction, the Partnership is unable to predict when construction to the final two communities will take place ("Final Construction"). Attached as Exhibit D-5 is a copy of this recent order (the "MPSC September Order"). The Phase One Construction, the Phase Two Construction and the Final Construction are referred to here in collectively as the "Construction Phase". The cost of the Phase One Construction is currently estimated to

be $35 million and it is estimated that the cost of the Phase Two Construction will be approximately $8 million, which additional amount has been taken into account by the MPSC in the MPSC September Order. Effective upon the consummation of the transactions described below, the terms of the MPSC April Order and the MPSC September Order will be applicable to the Partnership.

Pursuant to the MPSC April Order, the maximum financing for the construction of the project to the original ten communities will be $24 million (plus interest during construction). The financing may be with recourse to the System only. The MPSC April Order and the MPSC September Order both require that the Partnership maintain a 40% equity level and thus approximately $17.2 million of project funding ($16 million pursuant to the MPSC April Order and $1.2 million pursuant to the MPSC September Order) must be in the form of equity contributions from the project partners. In accordance with the MPSC April Order, the project partners must make an equity contribution for at least the initial $8 million in project funding, which may be followed by the expenditure of up to $24 million in debt financing, with construction finally being completed with at least $7 million in equity funds. The MPSC September Order permits additional debt financing for the additional construction.

Currently, Torch has $1.4 million outstanding in loans

to TEC for project development costs and MCN has $6.6 million outstanding in loans to TEC for construction equity. These loans were secured by a pledge of 98.5% of Tartan's and certain of the Individuals' interests in TEC. Tartan and such Individuals have subsequently transferred the 98.5% interest in TEC subject to the pledge to Tartan Limited Partnership of Missouri (the "Interim Entity"). Tartan is the general partner of the Interim Entity and certain of the Individuals are the limited partners. The Interim Entity has assumed TEC's debt to Torch and MCN.

In order to transfer the assets of the System as well as the franchises held by TEC to the Partnership to establish the initial ownership structure for the Partnership and pursuant to the terms of the Formation Agreement, the following transactions will take place: MCN and Torch will contribute $8 million to the Interim Entity in consideration of the subsequent distribution of the general and limited partnership interests of the Partnership. The $8 million will be used by Interim Entity to repay the loans from Torch and MCN. The Interim Entity will cause the Partnership to be formed. The Partnership will issue 98.5% of its limited and general partnership interests to the Interim Entity and 1.5% of its limited partnership interest to certain of the Individuals. The Individuals will contribute their interest in the Interim Entity to Tartan. The Interim Entity will distribute the Partnership's limited partnership interest and general partnership interests to Tartan (1% general and 4% limited), MCN (1% general and 46.5% limited) and Torch (46%

limited) and the Individuals will sell their 1.5% limited partnership interest in the Partnership to Torch. The Interim Entity subsequently will be dissolved, leaving the Partnership as the surviving entity owning the System and whose interests are owned by MCN, Torch and Tartan.

Torch and MCN will equalize their equity contributions to the Partnership to $8 million each in apportioning equity by the end of 1996. As a result, the Partnership will have received $16 million in equity contributions from Torch and MCN. In order to maintain the 40% equity level of the Partnership, MCN and Torch may contribute an additional $600,000 each toward the Phase Two Construction costs. No determination has been made as to the source of any additional equity required for Final Construction, if it occurs. In order to facilitate the initial debt financing of the Partnership, MCN has agreed to provide credit support to the Partnership during the Construction Phase. Specifically, MCN has agreed to cause the Partnership to maintain a positive net worth and has agreed to provide the Partnership with funds (either as equity or a loan) if the Partnership is unable to make timely payments under its credit facility. Finally, Tartan has contributed its interest in the Missouri franchises to the Partnership as consideration for its general partnership interest.

The merger of TEC into the Partnership is subject to the approval of the MPSC. Although formal approval of the

Acquisition by the Michigan PSC is not required under Michigan law, the staff of the Michigan PSC has stated that it does not object to the Acquisition by MCN as set forth in the letter from the staff of Michigan PSC attached as Exhibit D-1.

The timetable for the construction of the System is currently estimated as follows: Phase One Construction from May 1995 to June 1996 and Phase Two Construction from March 1996 to December 1996. The System began commercial operation in six communities in December 1995. No current plans to expand the System beyond the fifteen franchised communities exist and any such expansion, and the financing therefore, would require the approval of the MPSC.

The natural gas supply for the System will be sourced via the Williams Natural Gas Company ("Williams") pipeline, with whom a ten year Transportation Service Agreement for firm transportation has been negotiated. Williams has agreed to construct, at its sole cost and expense, a pipeline lateral, tap and measurement/regulation facilities in order to deliver gas to the System.

MCN's current budget and projections for the next ten years indicate that MCN's aggregate 47.5% share of the capital expenditures of the Partnership will amount to approximately $6 million in 1996 (from the initial equity contribution of MCN), less than $400,000 in 1997 and around $120,000 per year for the following eight years (which amounts the parties intend to be taken from the profits of the Partnership and not additional

equity contributions). Moreover, MCN's share of the assets of the Partnership are not projected to exceed $20 million at any time in this period. For purposes of their internal analysis, MCN and Torch have estimated the projected revenues and net income for the Partnership as follows:

($ million)	1996	1997	1998
Revenue	$3.9	$6.9	$6.8
Net Operating Income	2.0	2.0	2.8

MCN currently has approximately $2 billion in assets on a consolidated basis and in excess of $1 billion in utility assets.

It should be noted that Tartan has filed a Form U-3A-2 with the Commission to claim an exemption from all provisions of the Act (except section 9(a)(2)) under Section 3(a)(1).

Item 2 FEES, COMMISSIONS AND EXPENSES

The fees, commissions and expenses of MCN expected to be paid or incurred, directly or indirectly, in connection with the transactions described above are estimated as follows:

Commission filing fee relating to Application on Form U-1	$2,000
Legal Fees	50,000
Miscellaneous	5,000
Total	57,000

Item 3 APPLICABLE STATUTORY PROVISIONS

The following sections of the Act are directly or indirectly applicable to the proposed transaction: Sections

9(a)(2) and 10.

Section 9(a)(2) makes it unlawful, without approval of the Commission under Section 10, "for any person ... to acquire, directly or indirectly, any security of any public utility company, if such person is an affiliate ... of such company and of any other public utility or holding company, or will by virtue of such acquisition become such an affiliate." Because MCN presently is an affiliate of two public utility companies, MichCon and Citizens, and by virtue of the proposed transaction will also become an affiliate of the Partnership, Section 9(a)(2) requires approval by the Commission of the proposed transaction under Section 10. MCN believes that the proposed transaction meets the requirements of Sections 9(a)(2) and 10.

A. Section 10(b)(1)

Section 10(b)(1) provides that, if the requirements of Section 10(f) are satisfied, the Commission shall approve an acquisition unless:

> (1) such acquisition will tend towards interlocking relations or the concentration of control of public utility companies, of a kind or to an extent detrimental to the public interest or the interest of investors or consumers.

Section 10(b)(1) requires a finding that control is "of a kind or to an extent detrimental to the public interest or the interest of investors or consumers." The framers of the Act sought through Section 10(b)(1) to avoid "an excess of concentration and bigness" while preserving the "opportunities for economies of

scale, the elimination of duplicative facilities and activities, the sharing of production capacity and reserves and generally more efficient operations" afforded by certain combinations. American Electric Power Co., Inc., 46 S.E.C. 1299, 1309 (1978). The acquisition of a 1% general partner interest, even coupled with a 46.5% limited partner interest the latter of which does not convey control for purposes of the Act, in the small distribution system of the Partnership by MCN will not create an "excess of concentration and bigness," but, as discussed in more detail below, will afford the Partnership the opportunity to achieve the economies of scale and efficiencies, particularly in the areas of management expertise and gas supply, that the Act's framers intended to preserve for the benefit of investors and consumers.

B. Section 10(b)(2)

Section 10(b)(2) provides that the Acquisition should be approved unless the price paid:

> is not reasonable or does not bear a fair relation to the sums invested in or the coming capacity of the utility assets to be acquired or the utility assets underlying the securities to be acquired.

MCN will make a capital contribution of up to $8.4 million for its 47.5% aggregate interest in the Partnership. The other partners will make capital contributions of various intangible property (i.e., the franchises) as well as a total of $8.4 million for an aggregate 52.5% in interests. As previously noted, these financing arrangements have been essentially

mandated by the MPSC and any permanent financing will require additional approval. The staff of the Michigan PSC does not object to the arrangement. The MPSC can continue to monitor the Partnership's expenditures through its ratemaking proceedings and the Michigan PSC, as well as the City of Adrian in the case of Citizens, can monitor MCN through ratemaking and other proceedings designed to protect MichCon's and Citizen's customers. In addition, each partner's contribution is to be used to finance the construction and start up of the system and effectively amounts to a purchase made at cost. Overall, the fact that the amount of the equity contributions to be made have been either approved or not objected to by these state commissions, these arrangements were negotiated among the partners on an arm's length basis and, as discussed below, the investment constitutes a small portion of MCN's overall capital expenditures, all lead to the conclusion that the price to be paid by MCN is fair and does not warrant any of the negative findings that call for disapproval under Section 10(b)(2).

C. Section 10(b)(3)

Section 10(b)(3) directs approval of the acquisition unless the Commission finds that:

> (3) such acquisition will unduly complicate the capital structure of the holding-company system of the applicant ... or will be detrimental to ... the proper functioning of such holding-company system.

Section 10(c)(1) provides that the Commission not approve an

acquisition that "is detrimental to the carrying out of the provisions of section 11." Together they relate to the corporate simplification standards of Section 11(b)(2), which require that each registered holding company take the necessary steps

> to ensure that the corporate or continued existence of any company in the holding-company system does not unduly or unnecessarily complicate the structure ... of such holding-company system.

The intent of these requirements is to assure the financial soundness of the holding-company system, with a proper balance of debt and equity. No such complexities will result from the acquisition.

The following table shows the capitalization of MCN at December 31, 1994:

Capitalization of MCN - as of December 31, 1994
(in thousands of dollars, except percentages)

	Amount	Percentage
Long term debt, including capital lease obligations	$685,519	53%
Redeemable Cumulative Preferred Securities of Subsidiaries	102,618	8
Common shareholders equity	511,495	39
Total:	$1,299,632	100%

MCN's investment in the Partnership will take the form of a straightforward capital contribution which will not complicate or indeed, involve MCN's capital structure.

D. Section 10(c)(1) and 10(c)(2)

Section 10(c) provides for two distinct findings with respect to a proposed acquisition, and both are related to the

standards prescribed in Section 11(b). Section 10(c)(1) requires that the proposed acquisition not be "detrimental to the carrying out of the provisions of Section 11." As discussed below, Section 11 of the Act relates to the simplification of holding company systems, which was one of the major purposes behind the passage of the Act. Section 11(b)(1) discusses two main elements to this simplification: reform of the corporate structure of utility holding companies and confining the properties and business of the companies within holding company systems to an "integrated public utility system."

Section 10(c)(2) is a more specialized provision. It requires that an acquisition not be approved unless the Commission finds that:

> [S]uch acquisition will serve the public interest by tending towards the economical and efficient development of an integrated public-utility system.

Section 2(a)(29)(B) defines an "integrated public utility system" as applied to gas utility companies as:

> [A] system consisting of one or more gas utility companies which are so located and related that substantial economies may be effectuated by being operated as a single coordinated system confined in its operation to a single area or region, in one or more States, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation: Provided, that gas utility companies deriving natural gas from a common source of supply may be deemed to be included in a single area or region.

The acquisition of an interest in the Partnership by MCN will meet the standard set forth in Section 2(a)(29)(B) and, therefore, will satisfy the requirements of Sections 10(c)(1) and (2) and should be approved by the Commission. First, both the Commission's limited precedent and current technological realities point to the conclusion that, with the Partnership included, MCN's gas utility system will operate as a coordinated system confined in its operation to a single area or region because they will derive natural gas from a common source of supply. None of the Act, the Commission's orders and rulings or the Commission's staff's no-action letters provide a definition as to what constitutes a "common source of supply." Nevertheless, the Commission has not traditionally required that the pipeline facilities of an integrated system be interconnected,<F3> has looked to such issues as from whom the distribution companies within the system receive much, although not all, of their gas supply,<F4> and has considered both purchases of gas from a common pipeline<F5> as well as from different pipeline's when the gas originates from the same gas field.<F6> Since the time of most of these decisions, the state of the art in the industry has developed to allow efficient operation of systems whose gas supplies derive from many sources.

<F3> See In the Matter of Pennzoil Company, HCAR No. 15963 (1968) (finding an integrated system where facilities both connected with an unaffiliated transmission company but not

each other). See also, American Natural Gas Company, HCAR 15620 (1966) ("it is clear the integrated or coordinated operations of a gas system under the Act may exist in the absence of such interconnection").

<F4> See e.g., In the Matter of Philadelphia Company and Standard Power and Light Company, HCAR No. 8242 (1948) ("most of the gas used by these companies in their operations is obtained from common sources of supply"); Consolidated Natural Gas Company, HCAR No. 25040 (1990) (finding integrated system where each company derived natural gas from two transmission companies, although one such company also received gas from other sources).

<F5> In the Matter of the North American Company, HCAR No. 10320 (1950) (finding Panhandle Eastern pipeline to be a common source of supply).

<F6> See In the Matter of Central Power Company and Northwestern Public Service Company, HCAR 2471 (1941), in which the Commission declared an integrated system to exist where two entities purchase from different pipeline companies since "both pipelines rule out of the Otis field, side by side, and are interconnected at various points in their transmission system; and that they are within two miles of each other at Kearney."

Following the Acquisition, MCN's gas utility company subsidiaries will derive some of their gas from a common source of supply as defined in Section 2(a)(29)(B). As previously mentioned, MichCon receives approximately 46% of its gas supply from the Midcontinent and Southern basins through the ANR and Panhandle pipelines. The Partnership will take gas from the Williams pipeline, which is interconnected with the ANR and Panhandle pipelines. It is currently anticipated that the Partnership's gas purchasing needs may be met in part by the same MCN subsidiary that provides gas to Citizens.<F7> In the past two years, MichCon and Citizens have obtained their gas supply from the same gas field in numerous instances and both

companies transport substantial portions of their gas supply through the Panhandle and ANR pipelines. Although gas purchases for the Partnership will be made on an economic basis and not with the main goal of ensuring a common source of supply, given economies of scale and the past practice by the same purchasers, it can be expected that the Partnership, Citizens and MichCon will purchase gas from the same fields and that much of their gas will travel thorough the same pipelines even if it is not from the same field. As noted above, both purchases from a common pipeline as well as from a common gas field have been found to satisfy to "common source of supply" requirement of Section 2(a)(29)(B) of the Act.

<F7> Although MichCon and Citizens do exchange information on the subject, MichCon's and Citizens' gas purchasing operations are basically separate from each other.

In addition, MCN's ownership of an interest in the Partnership will be beneficial to the management and operations of the Partnership's system. MCN's management, through MichCon and Citizens, is highly trained and experienced in providing gas distribution services and will bring its technological, customer service and regulatory expertise to the Partnership, and can pass on that expertise to Tartan, the local operator of the Partnership project. In addition, MCN's access to gas supplies could prove useful to the Partnership, and complements the financial strength MCN brings to the Partnership's operations.

While final arrangements are not yet in place, it is anticipated that MCN will provide the Partnership with assistance and expertise relating to the efficient operation of gas utility companies. At the moment, MCN has agreed to provide engineering, consulting (gas purchasing, planning and coordination) as well as billing services to the Partnership at cost. At this point, no specific estimate of the magnitude of the savings for the Partnership that will result from this arrangement is possible, but we believe the tangible benefits to the Partnership will be substantial and additional intangible benefits will result from access to MCN's management's expertise. Similarly, by increasing the purchasing power of MCN, who will provide such services to the System, the addition of the system to MCN's existing system will create a stronger combined system able to capture economies of sale in purchasing activities.

Item 4 REGULATORY APPROVALS

No federal commission, other than this Commission has jurisdiction over the Acquisition as described herein. As discussed above, the MPSC has approved the financing arrangements for the System and the merger of TEC's predecessor with and into TEC. Application to the MPSC for approval of the merger which will result in ownership of the System and the related franchises and certificates being transferred to the Partnership will be made. In addition, the Partnership will hold a number of franchises issued by local authorities allowing it to provide

service in those areas. No other state regulatory commission has jurisdiction over the transactions for which approval is sought herein, although the staff of the only other state commission where any public utility companies involved in the transaction are located has indicated that it does not object to the transaction.

Item 5 PROCEDURE

MCN hereby requests that there be no hearing on this Application and that the Commission issue its order as soon as practicable after the filing hereof. The Commission is respectfully requested to issue and publish the requisite notice under Rule 23 with respect to the filing of this Application not later than February 16, 1996, such notice to specify a date not later than March 12, 1996, by which comments may be entered and a date not later than March 15, 1996, as the date after which an order of the Commission granting and permitting the Application to become effective may be entered by the Commission. A form of Notice if filed herewith as Exhibit G-1.

Without prejudice to its right to modify the same if a hearing should be ordered on this Application, MCN hereby makes the following specifications required by paragraph (b) of Item 5 of Form U-1:

1. There should not be a recommended decision by a hearing officer or any other responsible officer of the Commission.

2. The Division of Investment Management may assist in the preparation of the Commission's decision and/or order.

3. There should not be a 30-day waiting period between issuance of the Commission's order and the date on which the order is to become effective.

It is requested that the Commission send copies of all communications to MCN as follows:

Daniel L. Schiffer, Esq.
Vice President, General Counsel
and Secretary
MCN Corporation
500 Griswold Street
Detroit, MI 48226

with concurrent copies to:

William S. Lamb, Esq.
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
125 West 55th Street
New York, NY 10019-4513

Item 6 EXHIBITS AND FINANCIAL STATEMENTS

a) Exhibits

B-1 Form of Partnership Agreement (previously filed).

B-2 Formation Agreement (previously filed).

B-3 Construction and Operation Agreement (previously filed).

C-1 Form U-3A-2 of MCN (Incorporated herein by reference to Form U-3A-2 filed by MCN on February 24, 1995 (File No. 69-352).

D-1 Letter from the staff of the State of Michigan Public Service Commission dated September 18, 1995 (previously filed).

D-2 Order of the Missouri Public Service Commission, dated September 29, 1995 (previously filed).

D-3 Order of the Missouri Public Service Commission, dated September 16, 1995 (previously filed).

D-4 Order of the Missouri Public Service Commission, dated April 15, 1995 (previously filed).

D-5 Order of the Missouri Public Service Commission, dated September 13, 1995.

F-1 Opinion of Counsel.

F-2 "Past Tense" Opinion of Counsel (to be filed by amendment).

G-1 Proposed Form of Public Notice (previously filed).

b) Financial Statements

1.1 Balance Sheet MCN (consolidated), as of September 30, 1995 (Incorporated herein by reference to Form 10-Q filed by MCN on November 7, 1995).

1.2 Statement of Income and Retained Earnings MCN (consolidated), for the six months ended September 30, 1995 (Incorporated herein by reference to Form 10-Q filed by MCN on November 7, 1995).

Item 7 INFORMATION AS TO ENVIRONMENTAL EFFECTS

None of the matters that are the subject of this application and declaration involve a "major federal action" nor do they "significantly affect the quality of the human environment" as those terms are used in section 102(2)(C) of the National Environmental Policy Act. The transaction that is the subject of this application will not result in changes in the operation of the company that will have an impact on the environment. MCN is not aware of any federal agency that has prepared or is preparing an environmental impact statement with

respect to the transactions that are the subject of this application.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this application and declaration to be signed on its behalf by the undersigned thereunto duly authorized.

MCN CORPORATION

By:
Daniel L. Schiffer
Vice President, General
Counsel and Secretary

Date: February 8, 1996

February 8, 1996

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

Gentlemen:

This opinion is furnished to the Securities and Exchange Commission (the "Commission") in connection with the filing with the Commission of the Application/Declaration on Form U-1 (File 70-8731) of MCN Corporation (the "Company") under the Public Utility Holding Company Act of 1935 (the "Application"). The Application requests that the Commission issue an order authorizing the acquisition (the "Acquisition") by the Company of a 1% general partnership interest in Southern Missouri Gas Company, L.P., which will be a gas utility company organized and operating in the state of Missouri.

I have acted as counsel for the Company and in connection with this opinion I have examined originals or copies certified or otherwise identified to my satisfaction of:

(1) the charter documents and by-laws of the Company, as amended to date;

(2) minutes of meetings of the Company's shareholders and directors, as kept in its minute books;

(3) the Agreement of Limited Partnership of Southern Missouri Gas Company, L.P.; and

(3) the documents and agreements pertaining to the Acquisition and such other certificates, documents and papers as I deemed necessary or appropriate for the purpose of rendering this opinion.

In such examination, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals and the conformity to the original documents of all documents submitted to me as copies. As to any facts material to my opinion, I have, when relevant facts were not independently established, relied upon the aforesaid agreements, instruments, certificates and documents. In addition, I have examined such questions of law as I have considered necessary or appropriate for the purpose of rendering this opinion.

Based on the foregoing, and subject to the final paragraph hereof, I am of the opinion that when the Commission has taken the action requested in the Application:

(1) All state laws applicable to the Acquisition have been complied with;

(2) The Company is a corporation validly organized, duly existing and in good standing in the State of Michigan;

(3) The Company may legally acquire the partnership interests of Southern Missouri Gas Company, L.P.; and

(4) The consummation of the Acquisition will not violate the legal rights of the holders of any securities issued by the Company.

I hereby consent to the use of this opinion as an exhibit to the Application.

I am not, in this opinion, opining on laws other than the laws of the State of Michigan and the federal laws of the United States.

Very truly yours,

/s/
Daniel L. Schiffer

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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY

September 13, 1995

CASE NO: GA-95-349

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

Enclosed find certified copy of ORDER in the above-numbered case(s).

Sincerely,

David L. Rauch
Executive Secretary

Uncertified Copy:

Office of the Public Counsel, P.O. Box 7800, Jefferson City, MO 65102
Tom M. Taylor, President, Missouri Southern Gas Company, 8801 South
Yale, Suite 385, Tulsa, OK 74137
Pat Odom, 223 West Center, Rogersville, MO 65742
Mary Jane Burr, P.O. Box 65, Fordland, MO 65652
Rhonda Coatney, P.O. Box 100, Norwood, MO 65717
Greg Fox, 516 South Division, Seymour, MO 65746
Jimmy Crisp, P.O. Box 301, Seymour, MO 65746
Linda Wrinkles, 106 North Mill, Rogersville, MO 65742
Bill Elgie, Rt. 1 Carpenter Street, Fordland, MO 65652
Regina Harper, 526 N. Eagle, Norwood, MO 65717
Roger McCormack, P.O. Box 261, Seymour, MO 65746
Dennis Cody, Rt. 3, Box 3102, Seymour, MO 65646
To the county commission of Greene, Wright and Webster County.

To the mayor of Rogersville, Fordland, *Diggins, Norwood and Seymour.

* not incorporated

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service Commission held at its office in Jefferson City on the 13th day of September, 1995.

In the matter of the application of Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C., for certificate of convenience and necessity authorizing it to construct, install, own, operate, control, manage and maintain gas facilities and to render gas service in and to residents of certain areas of Greene, Wright and Webster Counties, including the incorporated municipalities of Rogersville, Fordland, Diggins, Norwood and Seymour, Missouri.	CASE NO. GA-95-349

ORDER GRANTING CERTIFICATE OF CONVENIENCE AND NECESSITY

On May 9, 1995, Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. (Tartan), filed an application pursuant to Section 393.170, RSMo 1986 and 4 CSR 240-2.060 for a certificate of convenience and necessity authorizing it to construct, install, own, operate, control, manage, and maintain gas facilities, and to render gas service in and to residents of certain areas of Greene, Wright and Webster Counties, including the incorporated municipalities of Rogersville, Fordland, Diggins, Norwood and Seymour, Missouri.

The application included a number of exhibits designed to comply with 4 CSR 240-2.060, and indicated that other exhibits would be late-filed when they became available. On May 31, 1995, the Commission issued an Order and Notice, giving notice of Tartan's application and setting an intervention deadline of June 15, 1995. No applications for intervention were received by the Commission.

Tartan explains in its application that the incorporated cities of Rogersville, Fordland, Diggins, Norwood and Seymour, Missouri would be served by city gate facilities and distribution systems connected to Tartan's trunkline, while the unincorporated portions of the proposed certificated areas would be served via farm taps and short segments of distribution pipeline connected to Tartan's trunkline. Tartan notes that the five municipalities for which a certificate of convenience and necessity is now sought were considered "probable additional cities" in the feasibility study previously submitted by Tartan in Case No. GA-95-127.<F1> A new feasibility study was filed in this case as late-filed Exhibit 3. In addition, Tartan filed as Exhibit 4 the franchises and certified election results for the municipalities of Rogersville, Fordland, Norwood and Seymour, Missouri. The ratification election for the municipality of Diggins was late-filed as a supplement to Exhibit 4 on August 23, 1995.

<F1> Tartan was previously granted a conditional certificate of

convenience and necessity to construct a trunkline and provide service in various municipalities and unincorporated areas in the vicinity of the areas for which a new certificate of convenience and necessity is sought. See Tartan, Case No. GA-94-127, Report and Order, issued September 16, 1994. This conditional certificate was made effective as a certificate of convenience and necessity in an Order Approving Tariffs And Authorizing The Commencement Of Construction Of Gas Facilities, issued April 14, 1995. The Commission later issued an Order Granting Certificate of Convenience And Necessity For Mountain View, Missouri, And Authorizing Construction And Distribution Facilities In Mountain View, Missouri, And In Texas And Wright Counties, issued May 19, 1995, which extended the certificate to include a municipality which had not yet ratified its franchise at the time of the original Report and Order.

Tartan states that no other public utility is currently providing natural gas service in the proposed service area, but similar unregulated utility service is available in the area through propane gas distributors. Tartan asserts that the granting of its application is required by the public convenience and necessity because it will make available to the residents of the proposed service area a new, efficient and economical form of energy, which will enhance the economic development of the area and thus aid in attracting new businesses to the area. Tartan maintains that the regulatory issues related to this project were thoroughly reviewed by the Commission in Case No. GA-94-127, including the public interest considerations, rate issues, financial and management issues, safety issues, and gas supply issues. The additional projected load for the five municipalities for which a certificate is currently sought is approximately 144,000 Mcfs per year, which represents approximately 8 percent of the projected load in the service area

approved in Case No. GA-94-127. In addition, at least one industrial customer, with facilities in multiple locations through Tartan's existing service area, seeks to convert all of its facilities at or near the same time, including some facilities in a municipality which is the subject of this application. Furthermore, Tartan notes its construction activity for the facilities approved in Case No. GA-94-127 will span the 1995 and 1996 construction seasons, and that the proposed facilities which would be built to service the areas for which a certificate is sought in the present case can be built most cost effectively by being integrated completely into the on-going construction activity that presently is surrounding and alongside the proposed additional service areas.

No party to this proceeding has requested a hearing, therefore pursuant to State ex rel. Rex Deffendorfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, (Mo. App. 1989), the Commission determines that no hearing is necessary in this case. The Commission will base its decision on the verified application filed by Tartan, and the attachments thereto, including late-filed exhibits, and the recommendation of the Staff of the Commission (Staff).

Tartan is a limited liability company duly organized and existing under the laws of the State of Oklahoma, with its principal place of business located at 8801 South Yale, Suite 385, Tulsa, Oklahoma 74137, and does business in the State of

Missouri as Southern Missouri Gas Company, L.C. It also is a gas corporation and public utility as defined in Section 386.020, RSMo 1994, and is subject to the jurisdiction of the Commission pursuant to Chapters 286 and 393 of the Missouri Revised Statutes.

On August 2, 1995, Staff filed a memorandum containing its recommendation regarding Tartan's application. Staff states that each of the five cities involved in Tartan's application are adjacent to the planned route of the Company's trunkline, and are surrounded by the Company's currently approved service area. Overall voter approval in four of the five cities has been approximately 81 percent, with voter ratification pending in Diggins.<F2> In addition, Staff states that in response to local interest, Tartan is seeking Commission approval to service customers via farm taps in unincorporated areas located along approximately seven miles of its trunkline located in Greene County. Staff indicates that according to Tartan, no franchise is required from Greene County, but right-of-way petitions will

_____

<F2> As previously indicated, the result of the ratification election for the municipality of Diggins was late-filed as a supplement to Exhibit 4 on August 23, 1995.

be filed as needed for access to county right-of-ways. Additionally, Staff notes that the distribution systems for each of the five cities are to be designed, constructed, operated and maintained to the same specifications and criteria as the systems

in the other cities for which service has already been approved. Likewise, Tartan is proposing to serve customers in the requested service area at the same rates, terms and conditions as were approved in Case No. GA-94-127, including the provision of up to $200 per customer for conversion costs, one-half of which is to be included in rate base.

Staff states that it recommends Commission approval of Tartan's application, even though it has some concerns regarding the financial feasibility of the natural gas certificate request. Staff's support is made in view of the current competition from propane and a local desire for natural gas service. However, Staff's support is contingent upon several factors specifically related to the Company's last certificate case in Case No. GA-94-127. Essentially Staff's recommendation is contingent upon the conditions previously contained in the Stipulation and Agreement approved in Case No. GA 94-127 being applied to the certificate in this case as well. These conditions include the continued use of the stipulated volumes and tariffed rate amounts, compliance with the equity financing and capital ratio provisions as originally approved, and the continued commitment of the Company to file a rate case within two year of commencement of service in West Plains, Missouri. Staff adds that the Company has requested expedited approval of the application so that the new construction projects can be efficiently integrated into the on-going construction activity presently surrounding the five cities, and that Staff has no objection to this. Staff therefore

recommends the following:

1) That the Commission grant the requested certificate of convenience and necessity for the proposed service area, including, upon receipt of evidence of voter ratification, the municipality of Diggins, Missouri;

2) That the Commission order Tartan to comply with all the conditions previously outlined in the Stipulation and Agreement approved in Case No. GA-94-127;

3) That the Commission order Tartan to file tariff sheets to reflect the inclusion of the above incorporated and unincorporated service areas in its service area descriptions; and

4) That the Commission order that the certificate of convenience and necessity become effective simultaneously with the effective date of the tariffs to be filed and approved.

The Commission has reviewed Tartan's application and the attachments thereto, as well as Staff's recommendations, and finds that Tartan's application to provide natural gas service in the proposed service area is necessary and convenient for the public service, and is in the public interest. Tartan has provided sufficient indication of the need for natural gas service in the proposed service area. In addition, Tartan's qualification to provide the proposed service were adequately reviewed in Case No. GA-94-127. There are no new facts or unusual circumstances which would indicate a need for further review of Tartan's qualifications. Likewise, Tartan's financial ability to provide the proposed service and the economic feasibility of its original proposal were also addressed in

Case No. GA-94-127. There the Commission found that Tartan's original proposal, as modified by the Nonunanimous Stipulation and Agreement entered into between Tartan, Staff, and the Office of the Public Counsel, represented a viable project. Similarly, the Commission finds that Tartan's current proposal represents a logical and an anticipated extension of its original proposal in Case No. GA-94-127. The Commission is of the opinion that the additional sales volume which may be anticipated from the provision of service to the five municipalities, the one industrial customer specifically referred to, and the anticipated farm taps will assist in the economic viability of the overall project. The Commission also finds that the introduction of natural gas into the proposed service area may assist in the economic expansion of the area. Furthermore the issuance of a certificate at this time which extends Tartan's current service area to contiguous areas will allow the gas facilities needed to provide service to the newly certificated area to be included in Tartan's overall construction plans, thus helping to minimize the construction cost for the new gas facilities.

Just as the Commission views Tartan's current proposed service area as an extension of its proposal in Case No. GA-94-127, so the Commission shares Staff's concern about the financial feasibility of this segment of the overall project. Under Section 393.170, RSMo 1994, the Commission has authority to impose such condition or conditions as it may deem reasonable and necessary in granting permission and approval for the

construction of gas plant and the exercise of a franchise relating thereto. The Commission finds that the conditions suggested by Staff are reasonable and should be adopted in this case. Thus the Commission will grant the requested certificate of convenience and necessity subject to the conditions contained in the Nonunanimous Stipulation and Agreement entered into and approved in Case No. GA-94-127, including, but not limited to, the booking of one-half of the cost of Tartan's conversion incentive program below-the-line for ratemaking purposes, Tartan's continued use of the stipulated volumes and tariffed rate amounts, its continued compliance with the equity financing and capital ratio provisions, and its continued commitment to file a rate case within two years of the commencement of service in West Plains, Missouri.

IT IS THEREFORE ORDERED:

1. That Tartan Energy Company, L.C. d/b/a Southern Missouri Gas Company, L.C., by and is hereby granted a certificate of convenience and necessity authorizing it to construct, install, own, operate, control, manage, and maintain gas facilities and to render gas service in and to the residents of certain areas of Greene, Wright, and Webster Counties, including the incorporated municipalities of Rogersville, Fordland, Diggins, Norwood and Seymour, Missouri. Said certificate shall be in conformity with Attachment 1 attached hereto and incorporated herein by reference, which describes the

service area by county, range, township and section, and Attachment 2, attached hereto and incorporated herein by reference, which is a map which generally depicts the service area.

2. That the variance from Commission's promotional practices rule previously granted to Tartan Energy Company, L.C. d/b/a Southern Missouri Gas Company, L.C., in the Commission's Report and Order issued on September 16, 1994 in Case No. GA-94-127, be and is hereby extended to the service area referenced in Ordered Paragraph 1 above.

3. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C., be and is hereby authorized to account for one-half of the allowed $200 maximum per customer conversion incentive program costs above-the-line, and include those costs in rate base, as set forth in the Commission's Report and Order issued on September 16, 1994 in Case No. GA-94-127.

4. That the conditions contained in the Non-unanimous Stipulation and Agreement approved in the Commission's Report and Order issued on September 16, 1994 in Case No. GA-94-127 shall be applied to the certificate of convenience and necessity issued in this Order, including, but not limited to, the continued use by Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C., of the stipulated volumes and tariffed rate amounts, continued compliance with the equity financing and capital ratio provisions, and continued commitment to file a rate case within two (2) years of the commencement of service in West Plains,

Missouri.

5. That Tartan Energy Company, L.C., d/b/a Southern Missouri Gas Company, L.C. be and is hereby authorized to file tariff sheets to reflect the inclusion of the above incorporated and unincorporated certificated service areas in its service area description.

6. That the certificate of convenience and necessity referenced in Ordered Paragraph 1 above shall become effective simultaneously with the effective date of the tariffs required to be filed and approved pursuant to Ordered Paragraph 5 above.

7. That the Commission makes no finding as to the prudence or ratemaking treatment to be given any costs or expenses incurred as the result of the granting of this certificate of convenience and necessity, except those costs and expenses dealt with specifically in the Nonunanimous Stipulation and Agreement approved in the Report and Order issued on September 16, 1994 in Case No. GA-94-127, and reserves the right to make any disposition of the remainder of those costs and expenses which it deems reasonable, in any future ratemaking proceeding.

8. That this Order shall become effective on September 26, 1995.

BY THE COMMISSION

David L. Rauch

Executive Secretary

(S E A L)

McClure, Kincheloe, Crumpton,
and Drainer, CC., Concur.
Mueller, Chm., Absent.