



ROBERT J. PELLATT  
COMMISSION SECRETARY

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VIA FACSIMILE

September 4, 1997

Mr. Craig P. Donohue  
Manager of Regulatory Affairs  
Pacific Northern Gas Ltd.  
Suite 1400  
1185 West Georgia Street  
Vancouver, B.C.  
V6E 4E6

Dear Mr. Donohue:

Re: Pacific Northern Gas Ltd.  
Application - Disposition of Skeena Cellulose Inc. ("Skeena") Deferral Account

This letter is further to your Application of July 18, 1997 for Commission approval of the disposition of the Skeena Deferral Account, set up in accordance with Commission Letter No. L-14-97.

The Commission has reviewed the Application and also the comments received from intervenors/interested parties and further responses to those comments from PNG. After consideration of all of the issues identified, the Commission has determined that the net costs in the Skeena Deferral Account are recoverable through rates. The closure of the Skeena mill is an extraordinary event that was not reasonably foreseeable at the time of the rate setting for 1997 and PNG took prudent actions as the closure became evident. However, the Commission has concluded that an Order permitting the amortization of a specific balance in the Skeena Deferral account is not warranted at this time.

PNG should apply to the Commission at a later date for the amortization of the balance in the deferral account. This balance should identify and record the costs as permitted under Letter No. L-14-97, net of deductions for avoided costs and net of incremental revenues achieved through mitigation efforts of the Company.

Upon review of this future Application and a determination that the net costs recorded are appropriate, the Commission will issue an Order permitting the recovery of the Skeena Deferral Account balance through its amortization in rates commencing in 1998.

Yours truly,

A handwritten signature in black ink, appearing to read "R. Pellatt", is written over a horizontal line.

Robert J. Pellatt

FSJ/cms

cc: PNG 97Revenue Requirement Intvrs.

PNG/Cor/Skeena Deferral Acct