



ROBERT J. PELLATT
COMMISSION SECRETARY

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VIA FACSIMILE

January 14, 1998

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

Dear Mr. Donohue:

Re: Pacific Northern Gas Ltd.
Application for Approval of Heating Insurance Plan/Burner Tip Service

The Commission has reviewed PNG's application for the Heating Insurance Plan and Burner Tip Service Program that would be provided through the non-regulated business ("NRB"), identified as PNG Marketing Ltd. In the case presented, the NRB draws all of its services from the parent utility, PNG. It is the Commission's decision that this application should not be approved, as the proposed corporate arrangement presents a high risk of cross-subsidization between the utility and the NRB. A stand-alone non-regulated NRB would present a corporate structure that would lower the risk of cross-subsidization.

Yours truly,

A handwritten signature in black ink, appearing to be "RJP", written over a horizontal line.

Robert J. Pellatt

RJP/ssc