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LETTER NO. L-13-00

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VIA FACSIMILE

February 22, 2000

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

Dear Mr. Donohue:

Re: Pacific Northern Gas Ltd.
Updated Gas Supply Price Risk Management Plan ("RMP")

The PNG letter of January 27, 2000 updated the Price Risk Management Plan ("RMP") in response to Commission Order No. G-137-99. A meeting on this subject was held on February 9, 2000 between Commission staff and representatives of PNG that served to clarify a number of issues surrounding the operation of the Risk Management Committee ("RMC") and the format of its meetings.

The implementation of the RMP is a difficult balance to insure that the gas portfolio has adequate insurance against price spikes and at the same time maintains flexibility to capture price declines. The market dynamics do not always cooperate. However, insurance protection must be acquired at a reasonable cost and simply adopting the Sumas or Station #2 indexes during volatile pricing periods without any hedging would indicate utility management may not be fulfilling its mandate. Therefore, it is always the responsibility of the RMC to monitor the situation on an ongoing basis and apply judgement in the most prudent manner possible so that the overall lowest and most stable gas cost alternatives are executed. The Commission accepts that the actions of the RMC, as set out in the Update, are not imprudent but there would appear to be room for future improvement.

Yours truly,

Original signed by:

Robert J. Pellatt

RB/cms

PNG/Cor/Updated Gas Sply Risk Mgmnt Plan