



LETTER No. L-38-02

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VIA FACSIMILE

September 24, 2002

Mr. C.P. Donohue
Director, Regulatory Affairs & Gas Supply
Pacific Northern Gas Ltd.
950 - 1185 West Georgia Street
Vancouver, B.C. V6E 4E6

Dear Mr. Donohue:

Re: Pacific Northern Gas Ltd.
Gas Contracting Plan and Gas Supply Price Management Plan for 2002/03

The Commission accepts PNG's Gas Contracting Plan and Gas Supply Price Management Plan ("GSPMP") for the 2002/03 period subject to the considerations in Appendix A. All individual gas supply contracts and amendments should continue to be filed pursuant to Section 71 of the Utilities Commission Act and PNG will continue to report all hedging transactions and results in a timely fashion.

PNG's Price Management Plan Committee has withdrawn the use of the Cost Management Plan as an instrument in the GSPMP and has reduced the amount of gas to be hedged in summer 2003. This is acceptable to the Commission.

It is the Commission's view that the hedging program should not only dampen volatility but also take advantage of gas prices if they fall below the average price. The Commission is satisfied that the GSPMP has the potential to achieve that objective. As discussed in Appendix A, PNG is directed to file a report involving the use of storage for 2003/04 by January 31, 2003.

The Gas Contracting Plan and Gas Supply Price Management Plan for 2002/03 will be held as confidential.

Yours truly,

Original signed by:

Robert J. Pellatt

RB/cms
Attachment