



LETTER NO. L-50-07

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

Log No. 18955

VIA E-MAIL
cdonohue@png.ca

June 21, 2007

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. ("PNG")
Annual Gas Contracting and Price Management Plan for 2007/08
PNG-West, Fort St. John/Dawson Creek and Tumbler Ridge

The Commission accepts PNG's 2007/08 Annual Gas Contracting Plan ("ACP") and Price Risk Management Plan ("RMP") as described on its Application dated April 2007. The gas supply resources for the 2007/08 gas year described on page 10 are accepted.

PNG's PRMP is built on five objectives as follows:

- Develop a gas price management strategy which focuses on managing and reducing short-term gas price volatility;
- Levelize gas prices over a longer period;
- Ensure price diversity by contracting through various gas supply resources;
- Reduce the volume of the off-system sales to minimize the quantity of surplus gas purchased at monthly and/or hedged prices and sold at daily prices (i.e., to minimize the monthly/hedged purchase price to daily price variance risk; and
- Execute PRMP hedges within the limits of PNG's hedge line of credit.

The hedging implementation schedules cover both the 2007/08 and 2008/09 gas years to better meet the identified objectives. PNG is also recommending the introduction of an accelerated hedging program to potentially take advantage of lower prices that may develop under two different stages identified as a first and second level price triggers. This is an advantage if prices decline significantly.

As in past years, all individual gas supply contracts and amendments should continue to be filed prior to November 1, 2007 pursuant to Section 71 of the Utilities Commission Act. The ACP and GCP for 2007/08 will be held confidential, except for the Executive Summary.

Yours truly,

Original signed by

Robert J. Pellatt

RB/rt