



LETTER NO. L-18-08

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VIA E-MAIL
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May 15, 2008

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 Risk Management Plan - April 2008
PNG-West, Fort St. John/Dawson Creek and Tumbler Ridge

The Commission accepts PNG's Annual Gas Contracting ("ACP") and Price Risk Management Plan ("PRMP") dated April 2008. The ACP for the November 2008 to October 2009 gas year as described on page 10 of the application is accepted.

The PRMP 2008 sets out the gas price hedging activities over the May 2008 to February 2010 period to manage gas prices applicable to gas purchases over the November 2008 to October 2010 timeframe. PNG's Price Risk Management Plan 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.

PNG is including an accelerated hedging program to potentially take advantage of lower prices that may develop in the natural gas market. The objective is to ensure that accelerated hedging will contribute towards lowering the rates for all customers compared to the average seasonally adjusted commodity charge.

As in past years, all individual gas supply contracts and amendments should continue to be filed prior to November 1, 2008 pursuant to Section 71 of the Utilities Commission Act. The Plan will be held confidential.

Yours truly,

Original signed by:

Erica Hamilton
Commission Secretary

RB/cms
Confidential Attachment