



LETTER NO. L-25-06

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VIA E-MAIL

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June 8, 2006

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 2006/07 and Price Management Plan for 2006/2008
PNG-West, Fort St. John/Dawson Creek and Tumbler Ridge

The Commission accepts PNG's Annual Gas Contracting Plan ("ACP") for the period November 2006 to October 2007 and Price Risk Management Plan ("PRMP") that manages gas prices from November 1, 2006 to October 2008. Commission directions are outlined in the confidential attachment, Appendix A.

Two of the PRMP main objectives are to reduce short term volatility and levelize gas prices over a longer time period. However the customer's response to the magnitude of price volatility and the resultant bill impact remain unclear. Therefore the Commission remains concerned about a balance between the cost of dampening gas price volatility and the impact to customer bills when electricity is a very competitive option.

PNG should file an amendment to either the ACP or the PRMP if it contemplates change to this application as a result of market conditions (or otherwise) and provide a report justifying that position. As in past years, all individual gas supply contracts and amendments should continue to be filed prior to November 1, 2006 pursuant to Section 71 of the Utilities Commission Act.

The ACP and PRMP will be held confidential, except for the Executive Summary.

Yours truly,

Original signed by:

Constance M. Smith

for: Robert J. Pellatt

RB/yl