



LETTER No. L-63-07

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VIA EMAIL

cdonohue@png.ca

July 23, 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")
Accounting Treatment for MP 302 Pipeline Break

Further to your July 4, 2007 letter summarizing the MP 302 Pipeline Break and associated repair cost estimates, this letter confirms that PNG intends to record the temporary repair costs in the pre-existing Line Break Costs Deferral Account, amortized over ten years. Also, pending Commission approval of the final costs, permanent repair costs will be capitalized in Plant Assets.

The accounting treatment is consistent with past practices.

PNG indicates that the plant losses due to the pipeline break have not yet been determined. PNG is to report on the permanent repair plans, the actual plant losses and its proposed regulatory accounting treatment as part of its 2008 Revenue Requirements Application.

Yours truly,

Original signed by:

Robert J. Pellatt

SM/cms