

Pacific Northern Gas (N.E.) Ltd.

2010 REVENUE REQUIREMENTS APPLICATION (Tumbler Ridge Division)

EXECUTIVE SUMMARY

Pacific Northern Gas (N.E.) Ltd. ("PNG(N.E.)") owns and operates natural gas distribution systems serving the Fort St. John/Dawson Creek and Tumbler Ridge service areas in north-eastern British Columbia. PNG(N.E.) serves approximately 10,700 customers in the Fort St. John area, 6,200 customers in the Dawson Creek area and 1,150 customers in the Tumbler Ridge area. PNG(N.E.)'s natural gas rates and operations are regulated by the British Columbia Utilities Commission ("Commission"). The following summarizes the 2010 Revenue Requirements Application filed by PNG(N.E.) with the Commission on October 5, 2009 for its Tumbler Ridge Division (the "Application").

PNG(N.E.) is seeking Commission approval to increase the gas delivery charge component of its Tumbler Ridge natural gas rates effective January 1, 2010. Expenses in 2010 are projected to be higher than budgeted in 2009 and revenue in 2010 is expected to be slightly higher than the forecast used to set 2009 rates. The projected 2010 revenue deficiency is \$90,000. The following Table summarizes the derivation of the 2010 revenue deficiency by comparing projected 2010 figures with the corresponding figures used to set gas delivery rates effective January 1, 2009.

Cost of Service Items	2010	2009	Difference 2009 to 2010	
	000's	000's	000's	%
Operating, maintenance, administrative and general expenses	\$834	\$771	\$63	8.2%
Transfers to capital from operating, administrative and general expenses	(\$12)	(\$8)	(\$4)	(50%)
Other cost of service items including property taxes, depreciation and amortization	\$166	\$144	\$22	15.3%
Return components including return on equity, income taxes and debt costs	\$149	\$124	\$25	20.2%
Cost of service excluding Company use gas	\$1,138	\$1,032	\$106	10.3%
Operating margin using 2009 rates	\$1,048	\$1,032	(\$16)	(1.6%)
Total 2010 Revenue Deficiency			<u>\$90</u>	<u>8.7%</u>

The 2009 to 2010 increase in operating, maintenance, administrative and general expenses is due to higher wages and costs, including for services provided by Pacific Northern Gas Ltd. (i.e. PNG(N.E.)'s parent company) to PNG(N.E.). Higher depreciation and amortization expenses account for most of the increase in the other cost of service items. The return components are higher due to increases in common equity and the return on common equity.

PNG(N.E.) has requested the Commission to approve the applied for rate increases on an interim basis, effective January 1, 2010. The average delivery rate increase applicable to a typical residential customer consuming 85 gigajoules per year is approximately \$37 per year which represents an annual bill increase of 7.8 percent compared to delivery rates effective October 2009. Similarly, an average small commercial customer consuming 657 gigajoules per year will pay \$209 per year more for gas delivery service, an annual bill increase of 7.8 percent compared to October 2009 delivery rates.

A copy of this Executive Summary and the Application is available on PNG's web site at www.png.ca under Investor Relations.

Any questions should be directed to:

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