

## Pacific Northern Gas (N.E.) Ltd.

### 2010 REVENUE REQUIREMENTS APPLICATION (Fort St. John/Dawson Creek 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 Fort St. John/Dawson Creek Division (the "Application").

PNG(N.E.) is seeking Commission approval to increase the gas delivery charge component of its natural gas rates to recover a projected revenue deficiency in 2010 of approximately \$896,000. PNG(N.E.)'s cost of service in 2010 is projected to increase by an estimated \$881,000 while revenue in 2010 is forecast to be \$15,000 lower. The following Table summarizes the derivation of the 2010 revenue deficiency by comparing forecast 2010 figures with the corresponding budgeted 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	\$5,835	\$5,553	\$282	5.1%
Transfers to capital from operating, administrative and general expenses	(\$506)	(\$415)	(\$91)	(21.9%)
Other cost of service items including property taxes, depreciation and amortization	\$2,396	\$2,154	\$242	11.2%
Return components including return on equity, income taxes and debt costs	\$2,764	\$2,316	(\$448)	(19.3%)
<b>Cost of service excluding Company use gas</b>	<b>\$10,489</b>	<b>\$9,608</b>	<b>\$881</b>	<b>9.2%</b>
<b>Operating margin using 2009 rates</b>	<b>\$9,593</b>	<b>\$9,608</b>	<b>\$15</b>	<b>0.1%</b>
<b>Total 2010 Revenue Deficiency</b>			<b><u>\$896</u></b>	<b><u>9.3%</u></b>

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 113 gigajoules per year is \$32 per year which represents an annual bill increase of 8.9 percent compared to delivery rates in effect as of October 2009. Similarly, an average small commercial customer consuming 564 gigajoules per year will pay approximately \$107 more per year for gas delivery service or an increase of 9.2 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](http://www.png.ca) under Investor Relations.

Any questions should be directed to:

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