

Pacific Northern Gas Ltd.

2010 REVENUE REQUIREMENTS APPLICATION (PNG-West Service Area)

EXECUTIVE SUMMARY

Pacific Northern Gas Ltd. ("PNG") owns and operates a natural gas transmission and distribution system in west central British Columbia. The pipeline system commences at Summit Lake, just north of Prince George, and extends west to the deep water ports of Prince Rupert and Kitimat. PNG serves approximately 21,000 natural gas customers along this corridor. PNG also serves approximately 163 propane customers in Granisle, B.C. PNG's gas rates and operations are regulated by the British Columbia Utilities Commission (the "Commission").

PNG filed its 2010 Revenue Requirements Application (the "Application") with the Commission on October 2, 2009 seeking approval to increase the gas delivery charge component of its gas rates to recover a projected revenue deficiency in 2010 of approximately \$7.7 million. 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	\$15,960	\$15,158	\$802	5.3%
Transfers to capital from operating, administrative and general expenses	(\$1,327)	(\$1,344)	\$17	1.3%
Property taxes	\$3,560	\$3,527	\$33	0.9%
Other cost of service items including depreciation and amortization	\$5,351	\$5,079	\$272	5.4%
Methanex termination payment credit	0	(\$5,466)	\$5,466	100%
Return components including return on equity, income taxes and debt costs	\$12,490	\$11,575	\$915	7.9%
Cost of service excluding Company use gas	\$36,034	\$28,529	\$7,505	26.3%
Operating margin using 2009 rates	\$28,332	\$28,529	\$197	0.7%
Total 2010 Revenue Deficiency			<u>\$7,702</u>	<u>27%</u>

The revenue deficiency is due to higher costs, conclusion of the credit amortization for the Methanex contract termination payment, lower gas deliveries and increases in the common equity thickness and return on common equity.

PNG has requested the Commission to approve the applied for rate increases on an interim basis, effective January 1, 2010. The average delivery rate increase is estimated to be approximately \$213 per year for a typical residential customer consuming 73 gigajoules per year. This represents an increase of 28.5 percent compared to October 2009 delivery rates. Similarly, an average small commercial customer consuming 334 gigajoules per year will pay approximately \$779 per year more for gas delivery service. This corresponds to an increase of 28.3 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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