

Pacific Northern Gas (N.E.) Ltd.

**2012 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 11,200 customers in the Fort St. John area, 6,600 customers in the Dawson Creek area and 1,190 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 2012 Revenue Requirements Application filed by PNG(N.E.) with the Commission on November 30, 2011 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 2012 of approximately \$0.33 million. PNG(N.E.)'s cost of service in 2012 is projected to increase by an estimated \$0.12 million while revenue in 2012 is forecast to be \$0.21 million lower. The following Table summarizes the derivation of the 2012 revenue deficiency by comparing forecast 2012 figures with the corresponding budgeted figures used to set gas delivery rates effective January 1, 2011.

Cost of Service Items	Test Year	NSP	Difference 2011 to 2012	
	2012	2011	000's	%
	000's	000's	000's	
Operating, maintenance, administrative and general expenses	\$7,069	\$6,554	\$516	
Transfers to capital operating, administrative and general	(305)	(176)	(130)	
Other cost of service Items including property taxes, depreciation and amortization	2,051	2,545	(494)	
Return components including return on equity, income taxes and debt costs.	3,379	3,150	228	
Cost of Service Excluding Company Use Gas	\$12,194	\$12,073	\$121	1.0%
Operating Margin Using 2011 Rates	\$11,863	\$12,073	\$210	1.7%
Test Year 2012 Revenue Deficiency			\$331	2.7%

The 2011 to 2012 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.). Lower amortization expenses account for most of the decrease in the other cost of service items. The return components are higher due to increases in income taxes, return on equity and debt interest costs.

PNG(N.E.) has requested the Commission to approve the applied for rate increases on an interim basis, effective January 1, 2012. The average delivery rate increase applicable to a typical residential customer consuming 107 gigajoules per year is approximately \$11 per year. This represents an increase of 2.7 percent compared to October 2011 delivery rates. Similarly, an average small commercial customer consuming 473 gigajoules per year will pay approximately \$34 per year more for gas delivery service. This also corresponds to an increase of 2.7 percent compared to October 2011 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:

C.P. Donohue
Director, Regulatory Affairs and Gas Supply
Pacific Northern Gas (N.E.) Ltd.
#950 - 1185 West Georgia St.
Vancouver, British Columbia V6E 4E6

Telephone: (604) 691-5673
Fax: (604) 697-6210
E-mail: cdonohue@png.ca