

Pacific Northern Gas Ltd.

2012 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 20,400 natural gas customers along this corridor. PNG also serves approximately 155 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 2012 Revenue Requirements Application (the "Application") with the Commission on November 30, 2011 seeking approval to increase the gas delivery charge component of its gas rates to recover a projected revenue deficiency in 2012 of approximately \$0.9 million. 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	%
Operating, maintenance, administrative and general Expenses	\$18,329	\$16,879	\$1,451	
Transfers to capital operating, administrative and general	(981)	(823)	(158)	
Other cost of service Items including property taxes, depreciation, amortization, shared service cost recovery and NSP 2011 settlement allowances.	4,973	4,620	353	
West Fraser Termination Payment	(1,806)	(1,687)	(118)	
Return components including return on equity, income taxes and debt costs.	12,211	12,450	(240)	
Cost of Service Excluding Company Use Gas	\$32,726	\$31,438	\$1,288	4.1%
Operating Margin Using 2011 Rates	\$31,840	\$31,438	(\$402)	(1.3%)
Test Year 2012 Revenue Deficiency			\$886	2.8%

PNG has requested the Commission to approve the applied for rate increases on an interim basis, effective January 1, 2012. The average delivery rate increase is estimated to be approximately \$23 per year for a typical residential customer consuming 68.0 gigajoules per year. This represents an increase of 2.6 percent compared to October 2011 delivery rates. Similarly, an average small commercial customer consuming 320 gigajoules per year will pay approximately \$85 per year more for gas delivery service. This corresponds to an increase of 2.5 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:

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