



interim statement

For the Three Months Ended March 31, 2006

April 27, 2006

Pacific Northern Gas Ltd.
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Pacific Northern Gas Ltd.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the Three Months Ended March 31, 2006

FORWARD-LOOKING STATEMENTS

Management's discussion and analysis contains certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events predicted in this discussion to differ materially from actual results or events. Factors which could cause the results or events to differ include, but are not limited to: general economic conditions; gas commodity price volatility; decisions by regulators; seasonal weather patterns; the cost and availability of capital; and the ability of the Company to attract and retain quality employees. No assurance can be given that results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Business Environment

The Company continues to monitor the competitiveness of its natural gas retail sales relative to alternative heating sources in its service areas. There were significant increases in the commodity cost of natural gas in the third and fourth quarters of 2005, with prices falling off in the first quarter of 2006. Spot commodity prices during the month of March 2006 were approximately 20 percent lower on average than prices in the twelve month period ended December 30, 2005. Substantial increases in gas supply commodity prices over the last few years, combined with increases in the Company's delivery margins for residential, commercial and small industrial customers located in the west-central region of northern British Columbia have led to retail gas rates which are comparable to electricity rates, or higher in the case of residential customers,.

In 2005 the Company commenced preliminary study and investigation of a project to loop its main line transmission system from Kitimat to Summit Lake (the "KSL Project"). The KSL Project would be required to provide gas transportation services for the proposed Kitimat LNG Inc. liquefied natural gas ("LNG") receiving and regasification terminal to be located on the Douglas Channel approximately 15 kilometers southwest of Kitimat. The Company is working with Kitimat LNG Inc. to utilize the Company's natural gas transportation services to deliver the regasified LNG into the Duke Energy Gas Transmission ("Duke") system at the point of the existing interconnection. If the terminal is constructed as planned, the Company will seek the necessary approvals to reverse the flow of its pipeline and expand pipeline capacity from the current 115 million cubic feet ("MMcf") per day to accommodate the delivery of 610 MMcf per day from the terminal. Kitimat LNG Inc., a private company based in Calgary, Alberta is in the process of obtaining a Project Approval Certificate from the British Columbia Environmental Assessment Office and the Canadian Environmental Assessment Agency for its proposed LNG terminal.

Construction of the KSL Project is subject to a number of conditions including obtaining necessary permits for the Kitimat LNG Inc. terminal and the Company's pipeline expansion, acceptable commercial terms being negotiated between the Company and Kitimat LNG Inc., financing of both projects, and the securing of LNG supply by Kitimat LNG Inc. The Company can give no assurances that the construction of the terminal by Kitimat LNG Inc. or the expansion of the Company's pipeline will proceed.

Negotiated Settlement of 2006 Revenue Requirements Applications

On March 15, 2006 settlements of the 2006 revenue requirement applications for all of the Company's operating divisions were reached between the Company and customer representatives, excepting one item of dispute for the western system, through a negotiated settlement process facilitated by staff of the British Columbia Utilities Commission (the "Commission"). The terms of the settlements and letters of comment from the participants in the process were made public at the end of March, 2006 and considered by the Commission in early April, 2006. The Commission issued an Order on April 10, 2006 setting out the terms of a written process to review the one matter in dispute. The issue concerns the recovery in customer rates of the 2006 revenue deficiency due to the termination by Methanex Corporation ("Methanex") of its transportation contract with the Company. This process is expected to result in the Commission rendering a decision on the 2006 revenue requirements applications late in the second quarter of 2006.

Income Trust Decision

By decision dated September 9, 2005 and modified on October 28, 2005 (together the "income trust decision"), the Commission granted conditional approval of the Company's December 2004 application to recapitalize under an income trust ownership structure. On November 18, 2005, the Commission requested that the Lieutenant Governor in Council of the Province of British Columbia approve the corporate amalgamation of the Company and its subsidiaries, a requirement before the conversion to an income trust can proceed. As of the date of this report, the Provincial approval is still pending.

The Company believes it is highly desirable to resolve regulatory uncertainty arising from the transportation contract termination by Methanex, prior to commencing the conversion process. The uncertainty, related to the level of future revenues the Company will be permitted to recover from its remaining customers, will have a direct impact on cash flow and therefore the value of the Company as an income trust. The Commission is reviewing this issue as part of the approval of the Company's negotiated settlement for 2006 revenue requirements and a decision is expected late in the second quarter of 2006. In addition, the Company is evaluating the efficiency of raising capital for the KSL Project under an income trust structure.

In addition to the provincial Order in Council, the approval of the shareholders of the Company, court approval, consent of the existing bondholders and acceptable market conditions will also be necessary for the conversion to proceed. No assurances can be given by the Company that the required approvals will be obtained, or that the change to an income trust ownership structure will occur.

Overall Performance

Net income for the three months ended March 31, 2006 was \$4.9 million, compared with \$4.0 million for the corresponding period in 2005. After providing for preferred share dividends, the earnings per common share in the three months ended March 31, 2006 were \$1.33 compared with \$1.08 for the same period in 2005. The higher net income in 2006 is primarily the result of deliveries to residential and commercial customers making up a higher proportion of annual deliveries compared to 2005, when Methanex was operating its methanol/ammonia facility in Kitimat. Deliveries to residential and commercial customers tend to be more temperature sensitive, with deliveries in the first and fourth quarters accounting for more than 75 percent of annual deliveries. As a consequence, the Company's operating margin is approximately \$1.2 million higher in the first quarter of 2006 than in the same period in 2005. Accordingly, assuming all other things remained equal, the Company would expect to record \$1.2 million less operating margin during the remainder of 2006 relative to the same period in 2005.

The rate stabilization adjustment mechanism approved by the Commission continues to contribute to the stability of the Company's earnings. This mechanism allows the Company to record the after-tax revenue variances arising from differences between actual and forecast sales volumes for residential

and small commercial customers in a deferral account for collection or refund in future rates. The Company's net income was increased by \$0.4 million for the three months ended March 31, 2006 as a result of this account.

Residential deliveries were lower by 11 percent in the three months ended March 31, 2006 relative to deliveries over the same period in 2005. The reduction in deliveries to residential customers in the quarter is partially due to weather as January 2006 was 24 percent warmer than in 2005, while February and March 2006 were, on average, 19 percent colder than in the same period in 2005. Overall, it was one percent warmer in the three months ended March 31, 2006 compared to the same period in 2005. The Company expects residential deliveries were also affected by a reaction to increased prices which averaged 28 percent higher in the first quarter of 2006 relative to the first quarter of 2005.

Commercial deliveries were lower by one percent in the first quarter of 2006 relative to deliveries over the same period in 2005. Deliveries to commercial customers tend to be less temperature sensitive than deliveries to residential customers.

Industrial deliveries for the three month period ended March 31, 2006 were lower by 77 percent, compared to the same period in 2005. The reduction in industrial deliveries is primarily attributable to the closure of Methanex's Kitimat facility in the fourth quarter of 2005. Excluding the effect of the closure of Methanex's Kitimat facility, deliveries to large industrial customers in the three months ended March 31, 2006 were 9 percent lower than deliveries to the same customers in the first quarter of 2005. A deferral account is in place that recovers or refunds margin differences resulting from large industrial customers' demand varying from the forecast approved for ratemaking purposes.

Results of Operations

Operating revenues in the three months ended March 31, 2006 increased to \$56.6 million as compared with \$47.8 million in the corresponding period in 2005. The increase in operating revenues was primarily due to higher gas supply costs embedded in sales customers' rates compared with the corresponding period in 2005, as well as an increase of \$2.1 million in revenues from the sale of gas surplus to the needs of the Company's sales customers ("off system gas sales"). Natural gas commodity prices, which are passed through to the Company's sales customers without mark-up, are very volatile and result in significant variability of the Company's reported operating revenues, but do not affect net income. Any profit or loss realized on off system gas sales is deferred for future recovery from, or refund to, the Company's sales customers.

Operating margin in the three months ended March 31, 2006 increased to \$17.3 million, as compared with \$16.1 million in the same period in 2005. The increase in operating margin is largely a result of a higher proportion of annual operating margin being recovered from residential and commercial customers in the first quarter, compared to the prior year. It is expected that this will be offset by lower levels of operating margin in the second and third quarters of 2006, compared to 2005.

The Company filed a report with the Commission in March 2006 on past and projected gas supply costs compared to gas cost recoveries from customers. On the basis of the report, and at the Company's request, the Commission issued an order effective April 1, 2006 to decrease the gas supply commodity charge components of rates for customers in the PNG-West and Fort St. John/Dawson Creek divisions by \$1.65 per gigajoule and for customers in the Tumbler Ridge division by \$2.00 per gigajoule.

Summary of Quarterly Results for Eight Quarters Ending March 31, 2006

<i>Thousands of dollars except per share amounts</i>	Mar 31, 2006	Dec 31, 2005	Sept 30, 2005	June 30, 2005	Mar 31, 2005	Dec 31, 2004	Sept 30, 2004	June 30, 2004
Operating Revenues	\$56,605	\$49,621	\$32,238	\$30,293	\$47,798	\$40,757	\$25,169	\$28,245
Net income (loss) ¹	4,920	3,311	(772)	137	3,984	2,670	(1,427)	317
- per share ²	1.33	0.89	(0.24)	0.02	1.08	0.72	(0.42)	0.06
- per share diluted ²	1.31	0.88	(0.24)	0.01	1.06	0.71	(0.42)	0.06

¹ The Company did not have any extraordinary items which impacted net income over the most recently completed eight quarters.

² Per share amounts are after provision for preferred share dividends of approximately \$84,000 per quarter.

The Company's natural gas distribution business is very seasonal, with higher sales in the colder winter months and lower sales in warmer months. Given that a substantial portion of its gas sales are used for space heating purposes, the Company earns in excess of its annual net income in the first and fourth quarters of its fiscal year and generally realizes losses in the other two quarters.

Liquidity

The Company has several credit facilities, including a \$20 million operating line and a \$15 million risk management facility. The operating line is subject to borrowing base requirements and financial covenants which may act to restrict the amount the Company can borrow under the operating line. As of March 31, 2006, the calculated borrowing base was \$20 million, of which \$1.6 million had been utilized in the form of a letter of credit. The credit facilities are collateralized by the pledge of a \$40 million debenture and a charge on certain accounts receivables and inventories.

In addition to the borrowing base, the Company has provided certain financial covenants to its operating lender. One of these covenants is a restricted payments test which, in essence, prevents the Company from borrowing under the operating line to fund capital expenditures, making scheduled debt amortization payments, or making dividend payments. The Company is in compliance with the covenants under its operating line through the end of March 2006.

The risk management facility allows the Company to hedge natural gas purchases in accordance with its annual gas contracting and gas supply price management plan and to enter into interest rate hedging transactions to the extent of a total maximum exposure of \$15 million, with exposure calculated by the facility provider using its standard methodology.

Cash and short term investments at March 31, 2006 are \$16 million higher than at December 31, 2005 due to receipt of the Methanex Termination Payment in February 2006, which was partially used to repay outstanding bank indebtedness. In addition, accounts payable and accrued liabilities at the end of the first quarter are \$8 million lower due to lower commodity prices for natural gas in March, 2006 compared to December, 2005. Income and other taxes payable at March 31, 2006 are \$11 million higher than at December 31, 2006 primarily due to the current tax liability associated with the receipt of the Methanex Termination Payment.

The Company purchases gas for resale to its gas sales customers and passes through the commodity cost of gas to those customers without mark-up. The rates charged to gas sales customers are based, in part, on projected gas supply prices. The Company's liquidity requirements are affected by delays between increases or decreases in the cost of gas purchased by the Company and regulatory approval of rate adjustments to reflect the cost increases or decreases.

Capital Resources

The Company does not have material commitments for capital expenditures at this time. Planned capital expenditures in the last three quarters of 2006 are approximately \$7.4 million in order to maintain the transmission and distribution system and to provide for minor expansions of its distribution system to service new customers. The Company expects to finance these expenditures through operating cash flows.

Off-Balance Sheet Arrangements

As of March 31, 2006, the Company had no off-balance sheet arrangements, other than the natural gas hedging contracts described in Financial and Other Instruments below.

Transactions with Related Parties

The Company has not had any transactions with related parties during the first quarter of 2006.

Critical Accounting Estimates

Operating revenues include natural gas sales that are recorded on the basis of regular meter readings and estimates of customer usage from the last meter reading date to the end of the reporting period for such operating revenues. These estimates are made assuming normal consumption patterns, adjusted for weather variations, which may differ from actual consumption patterns. The estimates of unbilled operating revenue at March 31, 2006 comprise 14 percent of the Company's operating revenues for the three month period ended March 31, 2006. Through future meter readings, the usage estimates are replaced with actual delivered volumes which will be reflected in the Company's financial results at that time.

Operating revenues for the three months ended March 31, 2006 are based on the rates which reflect the Company's best estimate of the rates which will be approved by the Commission. These rates were recently agreed between the Company and customer representatives under negotiated settlements, save for one item of dispute for PNG-West which is being addressed by the Commission via a written process, with a final determination of the 2006 rates expected before the end of the second quarter of 2006.

Financial and Other Instruments

The Company utilizes natural gas commodity hedging contracts in order to manage the volatility inherent in the prices of its natural gas purchases. It also utilizes interest rate hedging contracts to reduce the volatility of the interest expense associated with its floating rate debt instruments. As of March 31, 2006 the Company had no interest rate hedging contracts outstanding.

During the first quarter of 2006 the Company commenced the preparation of its annual gas contracting and gas supply price management plan. The plan calls for gas price hedging, covering purchases over the November 1, 2006 through October 31, 2008 period, to be completed in stages beginning in April, 2006. Each hedging transaction is subject to approval by the Company's price management plan committee.

At March 31, 2006, the Company had outstanding fixed price contracts, natural gas swap contracts, and call options relating to natural gas supply as follows:

Financial instrument	Notional Quantity (GJ's)	Percent of Annual Gas Purchases	Delivery period	Price Range (per GJ)	Estimated Fair Value Receivable (Payable)
Natural gas swap contracts	535,000	5.41%	April-Oct. 2006	\$7.845 to \$7.87	(\$580,264)
Call options	535,000	5.41%	April-Oct. 2006	Caps from \$13.10 to \$14.00	14,297
Total	1,070,000	10.82%			\$(565,967)

The fair value reflects the estimated amounts that the Company would receive or pay at March 31, 2006 to terminate the natural gas swap contracts or call options based on the estimated net cash flows under the terms of each contract. These estimated fair market values have no impact on earnings due to the regulated nature of the Company's operations. Based on the current regulatory process, any gains or losses arising from utility related financial instruments would be treated as part of the cost of gas sold.

Dividends

The Board of Directors declared a semi-annual dividend of 84.375 cents per share on the Company's 6-3/4 percent cumulative, redeemable, preferred shares, payable July 1, 2006 to shareholders of record at the close of business on June 9, 2006.

The Board of Directors also declared a quarterly dividend of 20 cents per share on the Company's Common Shares, payable June 23, 2006 to shareholders of record at the close of business on June 6, 2006.

Other

The Company files an Annual Information Form on SEDAR which can be accessed at www.sedar.com.

Pacific Northern Gas Ltd. had 3,626,180 common shares and 200,000 preferred shares outstanding as of April 27, 2006. These are the only issued securities of the Company and it has no securities outstanding which may be converted into voting or equity securities.

"Roy G. Dyce"
 President and Chief Executive Officer
 April 27, 2006

Notice Required Under Part 4.3(3) of National Instrument 51-102

TO THE SHAREHOLDERS OF PACIFIC NORTHERN GAS LTD.

The interim financial statements of Pacific Northern Gas Ltd. for the period ended March 31, 2006 have not been reviewed by an auditor.

PACIFIC NORTHERN GAS LTD.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands)
For the three months ended March 31

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Gas sales and transportation services	\$43,779	\$37,627
Off system sales	12,170	10,050
Other	656	121
	<u>56,605</u>	<u>47,798</u>
Cost of sales:		
Gas sales	27,114	21,617
Off system sales	12,170	10,050
	<u>39,284</u>	<u>31,667</u>
Operating margin	<u>17,321</u>	<u>16,131</u>
Operating and maintenance	2,613	2,909
Administrative and general	2,112	1,692
Amortization of deferred charges	185	214
Municipal and other taxes	1,188	1,030
Depreciation	1,922	1,989
	<u>8,020</u>	<u>7,834</u>
Operating income	9,301	8,297
Investment and other income	82	4
	<u>9,383</u>	<u>8,301</u>
Income deductions:		
Interest on long term debt	1,706	1,773
Other	184	122
	<u>1,890</u>	<u>1,895</u>
Income before income taxes	<u>7,493</u>	<u>6,406</u>
Income taxes		
- Currently payable	11,076	2,297
- Deferred	(8,503)	125
	<u>2,573</u>	<u>2,422</u>
Net income (loss) for the period	<u>\$4,920</u>	<u>\$3,984</u>
For common shares:		
Net income (loss) for the period	\$4,920	\$3,984
Dividends on preferred shares	84	84
Net income (loss) applicable to common shares	<u>\$4,836</u>	<u>\$3,900</u>
Per common share:		
Basic	<u>\$1.33</u>	<u>\$1.08</u>
Diluted	<u>\$1.31</u>	<u>\$1.06</u>
Weighted average number of common shares outstanding:		
Basic	<u>3,626,180</u>	<u>3,308,664</u>
Diluted	<u>3,676,269</u>	<u>3,690,983</u>

**PACIFIC NORTHERN GAS LTD.
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2006 AND DECEMBER 31, 2005
(in thousands)**

	March 31, <u>2006</u>	December 31, <u>2005</u>
ASSETS		
Current assets:		
Cash and short term investments	\$16,030	\$ —
Accounts receivable	27,886	28,831
Income taxes recoverable	—	375
Inventory of supplies and natural gas	1,911	2,688
Prepaid expenses	1,000	1,800
	46,827	33,694
Plant, property and equipment	170,319	171,351
Deferred charges:		
Debt expense	586	615
Rate stabilization adjustment mechanism	2,708	2,311
Pipeline rehabilitation costs	971	1,011
Deactivated assets	4,956	5,050
Other	1,496	1,178
	10,717	10,165
	\$227,863	\$215,210
LIABILITIES		
Current liabilities:		
Bank indebtedness	\$ —	\$ 10,159
Accounts payable and accrued liabilities	12,780	21,121
Gas purchase variance payable	2,648	881
Income and other taxes payable	13,920	3,263
Methanex Termination Payment deferral, current portion	3,891	—
Long term debt due within one year	4,880	4,880
	38,119	40,304
Non-current liabilities	224	224
Long term debt, non-current portion	75,915	76,560
Methanex Termination Payment deferral non-current portion	11,167	—
Deferred income taxes	15,430	15,430
	102,736	92,214
	140,855	132,518
SHAREHOLDERS' EQUITY		
Preferred shares	5,000	5,000
Common shares	9,065	9,065
Contributed surplus	2,949	2,828
Retained earnings	69,994	65,799
Common shareholders' equity	82,008	77,692
	87,008	82,692
	\$227,863	\$215,210

ON BEHALF OF THE BOARD

"Robert F. Chase"
Director

"Roy G. Dyce"
Director

PACIFIC NORTHERN GAS LTD.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(in thousands)
For the three months ended March 31

	<u>2006</u>	<u>2005</u>
Balance, beginning of period	\$65,799	\$62,374
Net income for the period	<u>4,920</u>	<u>3,984</u>
	<u>70,719</u>	<u>66,358</u>
Common dividends	<u>725</u>	<u>722</u>
Balance, end of period	<u><u>\$69,994</u></u>	<u><u>\$65,636</u></u>

CONSOLIDATED STATEMENTS OF CASH FLOW
(in thousands)
For the three months ended March 31

	<u>2006</u>	<u>2005</u>
Operating activities:		
Net income for the period	\$4,920	\$3,984
Add (deduct) items not involving cash:		
Deferred income taxes	(8,503)	125
Depreciation and amortization	2,137	2,238
Amortization of Methanex Termination Payment deferral	(552)	—
Stock option expense	121	23
Other	<u>8,539</u>	<u>(89)</u>
Operating cash flow	6,662	6,281
Non-cash working capital changes	<u>6,952</u>	<u>(3,839)</u>
Net cash provided by operating activities	<u>13,614</u>	<u>2,442</u>
Investing activities:		
Additions to plant, property and equipment	(891)	(1,088)
Increase in deferred charges and credits	(699)	(147)
Methanex Termination Payment deferral	<u>15,535</u>	<u>—</u>
Net cash provided by (used in) investing activities	<u>13,945</u>	<u>(1,235)</u>
Financing activities:		
Increase (decrease) in bank indebtedness	(10,159)	103
Repayment of long term debt	(645)	(645)
Issue of common shares	—	57
Dividends paid	<u>(725)</u>	<u>(722)</u>
Net cash used in financing activities	<u>(11,529)</u>	<u>(1,207)</u>
Increase (decrease) in cash during the period	16,030	—
Cash, beginning of period	<u>—</u>	<u>—</u>
Cash and short term investments, end of period	<u><u>\$16,030</u></u>	<u><u>\$ —</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim consolidated financial statements are prepared, from the records of the Company, in accordance with Canadian generally accepted accounting principles, except that disclosures do not conform, in all respects, to the requirements for annual consolidated financial statements. While management believes that the disclosures presented are adequate to make the information not misleading, these consolidated financial statements and notes should be read in conjunction with the Company's most recent annual consolidated financial statements.

These interim consolidated financial statements follow the same accounting policies and methods of their application as the Company's most recent annual consolidated financial statements.

Earnings for the interim periods may not be indicative of results for the fiscal year due to weather variations and other factors.

1. STOCK-BASED COMPENSATION

The Company does not have any plans which result in the direct award of stock, stock appreciation rights and awards that call for settlement in cash or other assets. The Company has one stock-based compensation plan. In March, 2006, the Company issued 35,600 options at an exercise price of \$18.70. The compensation cost that has been charged against income (and credited to contributed surplus) in the quarter ended March 31, 2006 is \$121,000 [2005 - \$23,000] and represents expense for options issued in the current and previous periods which are being amortized over their vesting period.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Three months ended March 31 2006
Risk free interest rate	4.15%
Expected volatility (annualized)	28.2%
Expected years of option life (average)	7.5
Expected annual rate of dividends	4.3%

2. SEASONALITY

Due to the seasonal nature of natural gas sales, the Company generally reports net income in the first and fourth quarters of the year, and losses in the second and third quarters, reflecting the typical timing of the heating season.

3. PREFERRED SHARES

The 6.75 percent preferred shares are redeemable at the option of the Company at \$26 per share plus any accrued and unpaid dividends at the date of the redemption.

4. COMMON SHARES

The Company has outstanding stock options for 290,000 common shares, of which 219,280 are exercisable as at March 31, 2006. There were 131,600 stock options outstanding at March 31, 2006 that could potentially dilute basic earnings per share in the future but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares. During the quarter ended March 31, 2006, the Company did not issue any common shares.

5. METHANEX TERMINATION PAYMENT DEFERRAL

On August 30, 2005, Methanex Corporation gave notice of termination of its Firm and Interruptible Gas Transportation Service Agreement with the Company. Under the terms of the agreement, Methanex made a termination payment to the Company of approximately \$23.3 million on February 28, 2006, the effective date of the termination. Under the terms of a negotiated settlement with registered intervenors and approved by the British Columbia Utilities Commission on

November 17, 2005, the termination payment has been recorded, net of income taxes of \$7.96 million, as an interest bearing credit deferral, and will be amortized into income over the period from March 1, 2006 to October 31, 2009. For the three month period ended March 31, 2006, \$552,000 of the termination payment has been included in other operating revenues.

6. COMMITMENTS

The Company's purchase commitments at March 31, 2006 under various gas supply and transportation service contracts expiring through 2010 were as follows:

(\$ in thousands)

2006	\$20,351
2007	8,152
2008	5,619
2009	941
2010	50
Thereafter	—

7. COMPARATIVE FIGURES

Certain items in the consolidated financial statements have been reclassified to conform to the 2006 presentation.

**PACIFIC NORTHERN GAS LTD.
FORM 52-109FM2
MODIFIED CERTIFICATION OF INTERIM FILINGS DURING TRANSITION PERIOD**

I, Roy Dyce, the Chief Executive Officer of Pacific Northern Gas Ltd., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Pacific Northern Gas Ltd., (the issuer) for the interim period ended March 31, 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings; and
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

"Roy G. Dyce"

Roy G. Dyce
Chief Executive Officer

Date: April 28, 2006

**PACIFIC NORTHERN GAS LTD.
FORM 52-109FM2
MODIFIED CERTIFICATION OF INTERIM FILINGS DURING TRANSITION PERIOD**

I, Elizabeth A. Fletcher, the Chief Financial Officer of Pacific Northern Gas Ltd., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Pacific Northern Gas Ltd., (the issuer) for the interim period ended March 31, 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings; and
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings; and
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

"Elizabeth A. Fletcher"

Elizabeth A. Fletcher
Chief Financial Officer

Date: April 28, 2006