



Pacific Northern Gas

TSX:PNG

Investor Presentation
2009



Forward Looking Statements

This presentation includes forward-looking statements. The forward-looking statements reflect management's current beliefs and assumptions with respect to such things as the outlook for general economic trends, industry trends, commodity prices, capital markets, and the governmental, legal and regulatory environment.

Forward-looking statements relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments.

By its nature, such forward-looking information is subject to various risks and uncertainties, including those material risks discussed in Pacific Northern Gas Ltd.'s ("PNG") 2009 Annual Information Form under "Risk Factors" and in the management's discussion and analysis in PNG's 2008 Annual Report and 2009 interim reports, which could cause actual results and experience to differ materially from the anticipated results or other expectations expressed.

Undue reliance should not be placed on this forward-looking information, which is given as of the date of this presentation, and PNG undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

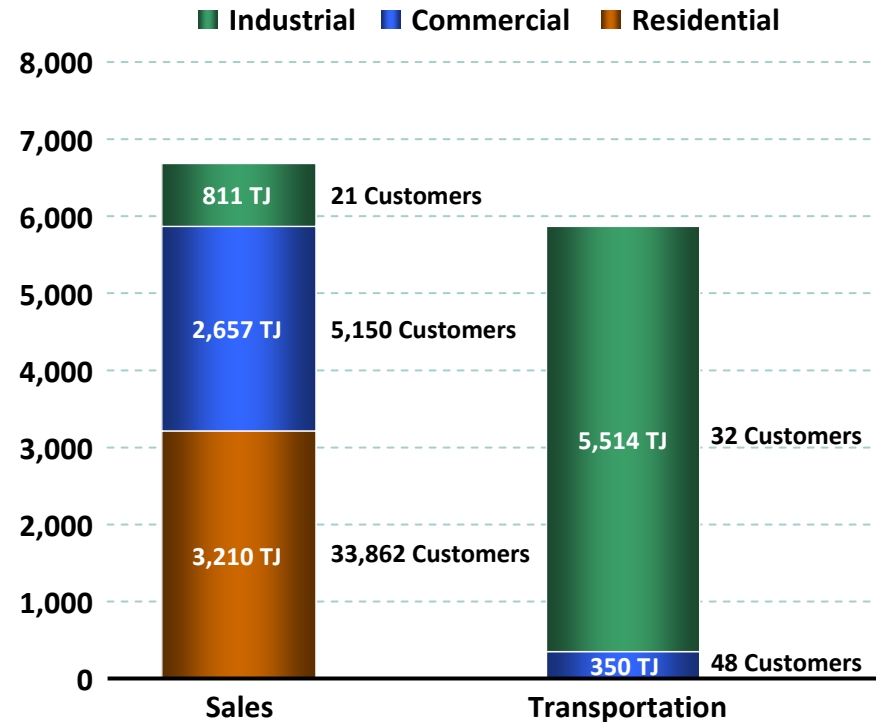
- Company Operations
- Regulation
- Competition
- Financial Overview
- Strategic Overview
- Trading Comparables
- Growth Potential
- Enhancing Shareholder Value
- Investment Considerations

Company Operations: Safe, Reliable & Efficient

- Regulated natural gas utility, publicly traded for 40 years
- Operates over 3,500 km of transmission & distribution pipeline
- Serves residential, commercial & industrial customers in two service areas in B.C. (Western & Northeast Divisions)
- Both Divisions are resource based economies:
 - Western: forestry, aluminum smelting, mining
 - Northeast: oil & gas

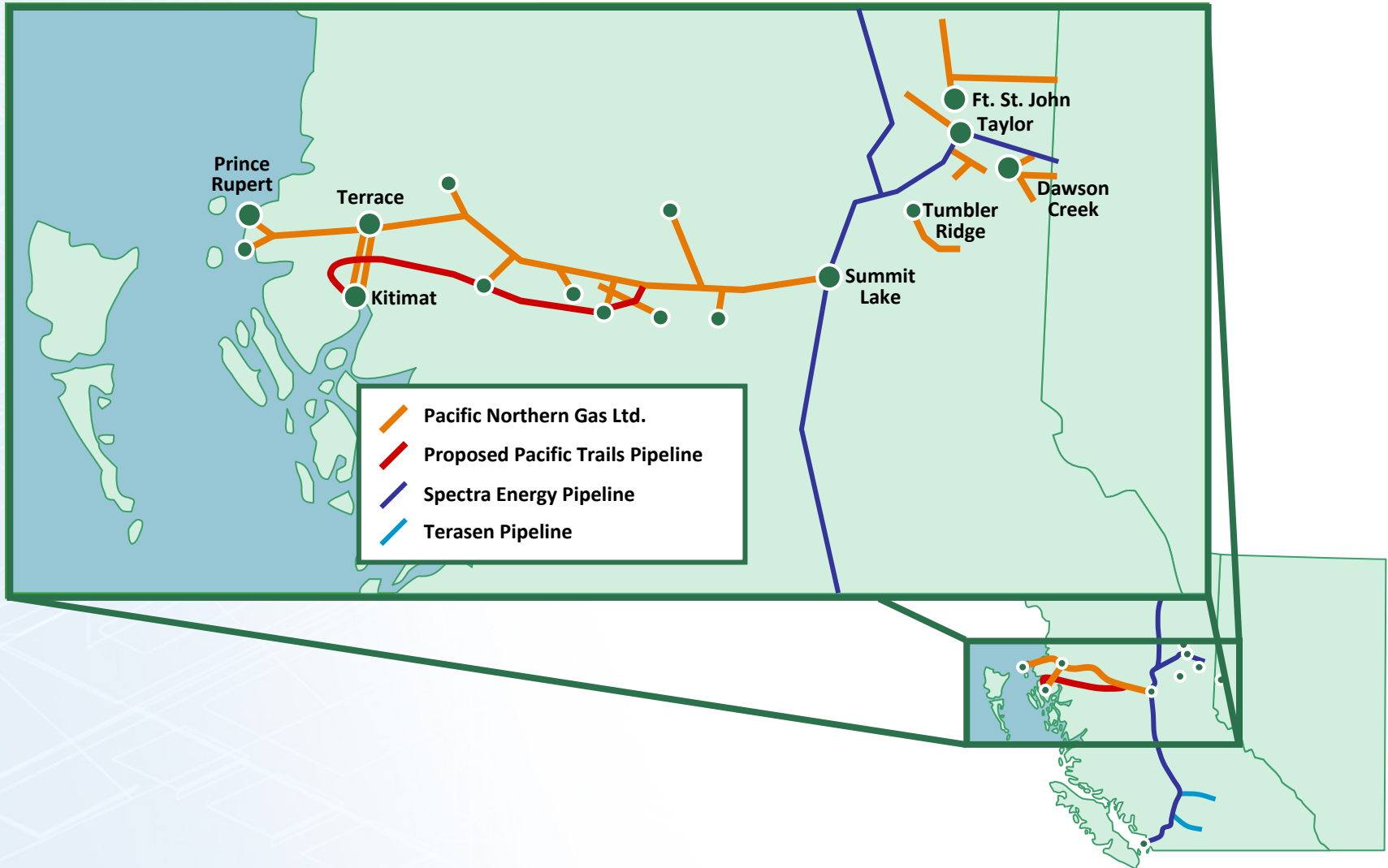


2008 Deliveries and Customers



Providing safe and reliable service for over 40 years

Company Operations: Service Area



Regulation: Cost of Service

- PNG subject to the Utilities Commission Act (B.C.) with B.C. Utilities Commission as the regulator
- BCUC reviews ‘cost of service’ including ROE in setting rates; not the economic impact of prices on customers
- PNG allowed to recover ‘cost of service’ by law
- PNG reached a “negotiated settlement” for its 2009 Revenue Requirements Applications (both Divisions)
 - Regulatory risk of recovery of the Methanex lost margin is now behind PNG
- A recent decision by the NEB on T,Q & M significantly increased their ROE providing optimism as PNG prepares to submit its ROE filing this summer
 - Each 100 basis point ROE increase results in ~ \$0.20 EPS increase

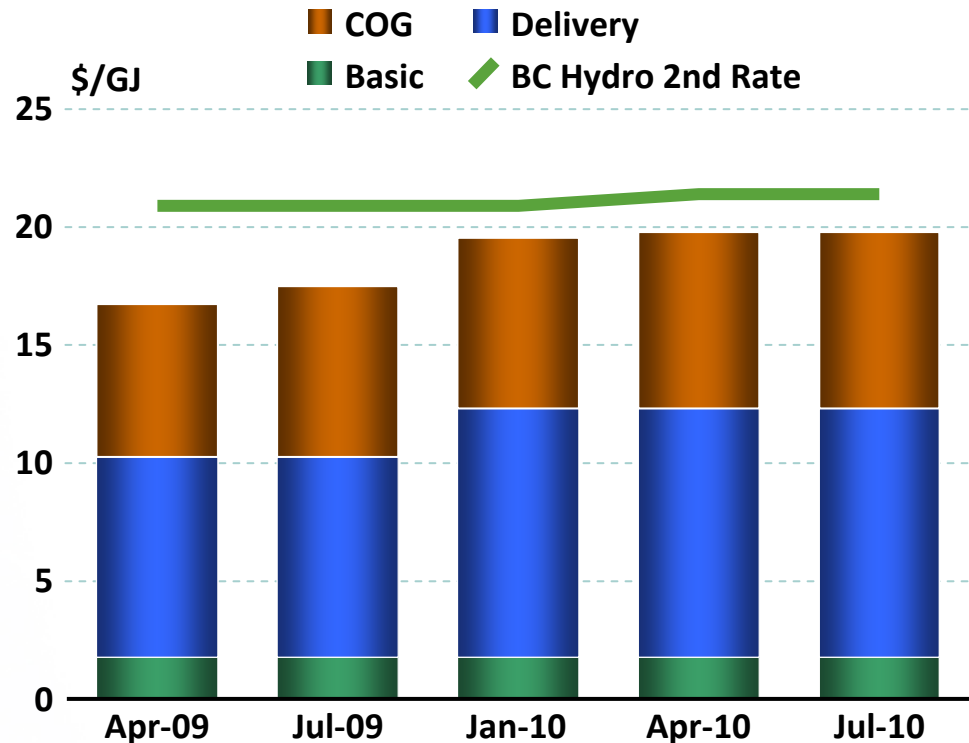
Cost of service including ROE is recoverable from customers

Competition: Electricity

- Higher electricity rates and changing rate structure
- Western system remains competitive
- Analysis based on embedded gas cost of approx \$6.50/GJ
- Action taken to further improve competitiveness:
 - Merrill Lynch Commodities has optioned excess pipeline capacity which if exercised would generate up to \$15M/yr in additional revenues for at least 2-5 years

➤ *Additional detail in Appendix C*

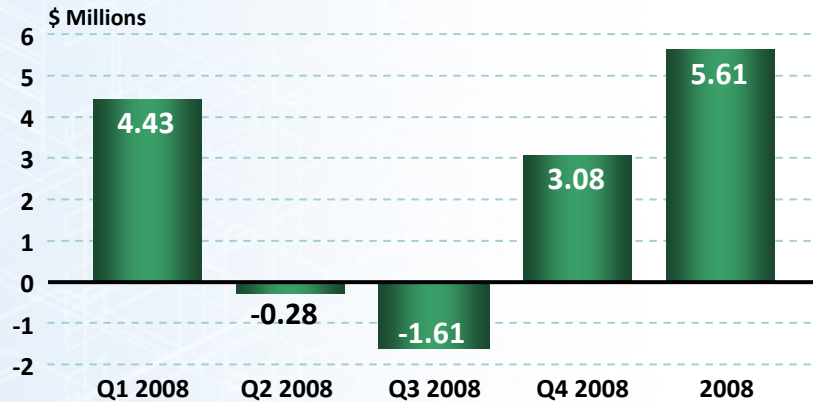
Comparison of PNG-West and 2nd Tier Electricity Rates



Competitive with electricity post Methanex

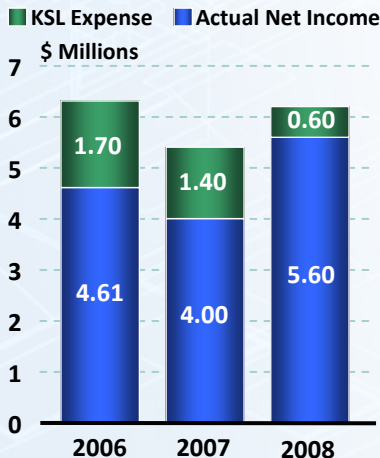
Financial Overview

2008 Quarterly Net Income to Common Shares

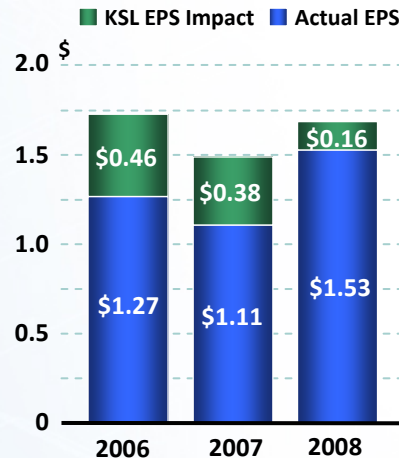


Annual Net Income to Common Shares & EPS

Net Income



EPS



- Seasonal but stable earnings
- Stability of underlying earnings achieved through use of deferral accounts
 - RSAM
 - Gas Cost Pass Through
 - No significant multi-year deferral accounts exist
- KSL expenses are declining
- Approved return on equity (PNG-West):
 - 2006: 9.45%
 - 2007: 9.02%
 - 2008: 9.27%
 - 2009: 9.12%

Financial Overview con't

- Strong liquidity position after 2007 refinancings
- Current leverage less than 50%
- Standby liquidity of \$20 million, looking to increase to \$35 million
- Debt rated BBB (low) with Negative trend by DBRS – see Appendix A for news release
 - Change in trend from Negative to Stable expected

Strong financial liquidity

Strategic Overview

- Objective is to grow asset value and market cap
 - Expand the core
 - Develop new platforms
- Current shareholder value initiatives

Utility Trading Comparables

Company	FD Mkt Cap (\$MM)	EV (\$MM) ⁽¹⁾	Debt / Cap	2009E Net ⁽²⁾				
				P/E	EV / EBITDA	Debt / EBITDA	Yield	Payout Ratio
Canadian Energy Infrastructure								
TransCanada	\$20,994	\$42,057	63.0%	15.8x	9.7x	4.6x	4.5%	71.4%
Enbridge	\$14,945	\$25,948	64.3%	17.3x	10.2x	4.9x	3.7%	64.9%
Canadian Utilities	\$4,542	\$7,785	49.8%	12.0x	6.7x	2.1x	3.9%	46.7%
Fortis	\$4,227	\$10,497	59.5%	16.6x	9.4x	4.9x	4.2%	69.8%
Emera	\$2,315	\$4,837	60.5%	14.6x	8.4x	4.7x	4.9%	71.6%
Caribbean Utilities	\$242	\$421	51.8%	11.1x	9.2x	3.9x	7.8%	85.8%
AltaGas Utility Group ⁽³⁾	\$48	\$169	60.6%	7.2x	8.6x	6.1x	n/a	n/a
Average			58.5%	13.5x	8.9x	4.5x	4.8%	68.4%
Median			60.5%	14.6x	9.2x	4.7x	4.4%	70.6%
U.S. Gas Utilities								
AGL Resources	\$2,426	\$4,512	54.5%	11.5x	7.2x	3.3x	5.5%	63.5%
WGL Holdings	\$1,690	\$2,532	41.6%	12.5x	7.5x	2.4x	4.6%	58.1%
Nicor	\$1,567	\$2,331	48.2%	13.5x	6.1x	2.3x	5.4%	72.7%
New Jersey Resources	\$1,492	\$1,735	38.5%	13.9x	7.1x	1.6x	3.6%	49.8%
Northwest Natural	\$1,199	\$1,865	50.4%	16.4x	8.3x	3.0x	3.6%	58.6%
Southwest Gas	\$964	\$2,192	53.5%	11.8x	5.2x	2.9x	4.4%	51.4%
Average			47.8%	13.3x	6.9x	2.6x	4.5%	59.0%
Median			49.3%	13.0x	7.2x	2.7x	4.5%	58.4%
Pacific Northern Gas	\$58	\$138	46.3%	10.1x	6.8x	3.7x	5.9%	59.4%

Source: Bloomberg, Thomson, public disclosure as of June 15, 2009.

Note: All Canadian company values in C\$ millions unless otherwise noted; all U.S. Company values in US\$ millions unless otherwise noted.

1. Fully diluted market capitalization plus total debt, less cash (convertible debentures treated as debt).

2. Consensus estimates from Thomson One Analytics.

3. 2009 dividend estimates unavailable; based on annualized quarterly dividend of \$0.05/share implied yield and payout ratio are equal to 3.4% and 24.4% respectively.

Growth Potential

Expand the Core

M&A – gas distribution assets

KSL Looping Project

Develop New Platforms

Clean electricity generation

Other distribution assets

Use available liquidity to grow enterprise value through targeted investments

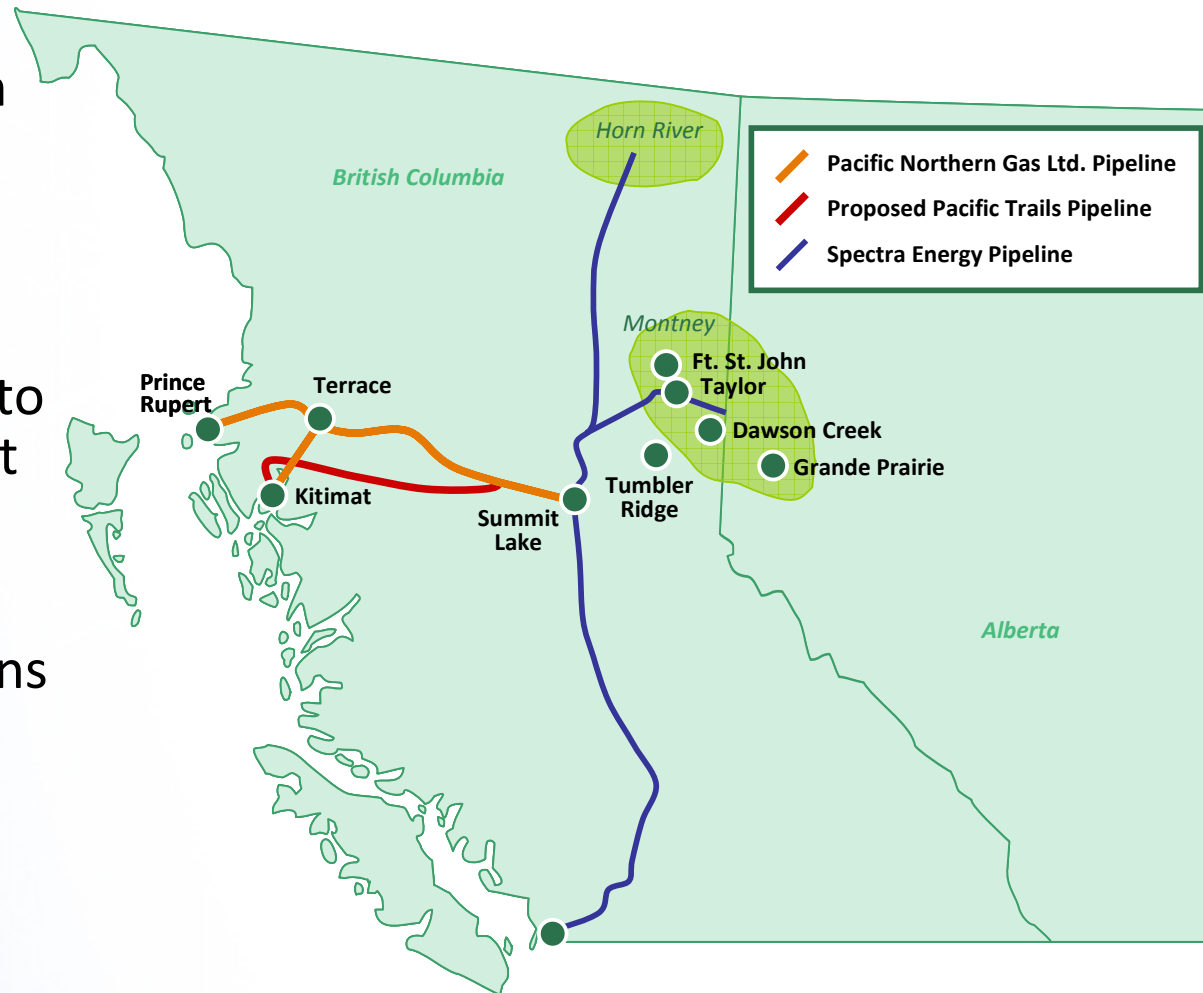
Expand the core: M&A Gas Distribution

- Exploring options but limited opportunity to acquire Canadian distribution assets
 - Heritage Gas
 - Province of Nova Scotia driven conversion of industrials from oil to natural gas (similar to Centra Gas BC)
 - Large revenue deficiency account
 - Largest shareholder is SaskEnergy (50.1%)
 - Has been mandated to sell all out of province assets

Limited availability of Canadian gas distribution assets

Expand the core: KSL – transforming event

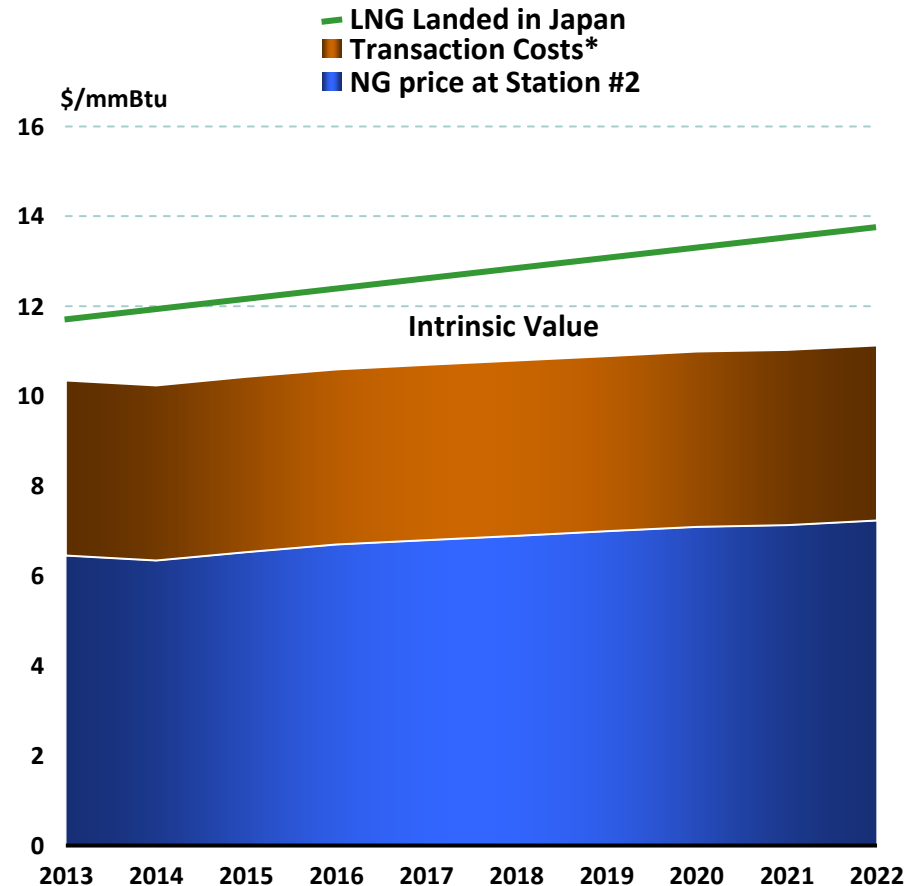
- 465 km of 36” pipe with 0.8 -1.4 bcf/d capacity
- Estimated project cost \$1.2B (\$2006)
- PNG owns 50% subject to First Nations investment option
- If option is exercised, PNG’s ownership remains greater than 40% after contributing its transmission assets at a value of ~ \$100m



Expand the core: KSL – transforming event

- LNG project highlights
 - Long term crude oil / North America natural gas price differential
 - Liquefaction plant capacity of 3-5 mmtpa represents 2.5-4.5% of forecast 2009 Asian demand (112-115 mmtpa)¹
 - Low geopolitical risks and established regulatory regime
 - Indonesia is expected to significantly reduce the volume of LNG it supplies to Japanese utilities from the current 12 mmtpa to 2-3 mmtpa commencing in 2010²
 - Superior strategic location
 - Offers flexibility due to its relative proximity to the key markets in the Pacific Basin
 - LNG supply source
 - Backstopped by supply that includes the unconventional gas plays in the Horn River Basin and Montney, which have combined potential reserves of ~70 Tcf

Kitimat LNG Project Economics



1. Energy Intelligence Group, Inc. www.energyintel.com

2. LNG Intelligence, 27 January 2009 pg 1

* Includes transportation, liquefaction and shipping costs
Data based on forward NYMEX prices from 22 May 2009
All prices in USD/mmBtu

Expand the core: KSL – transforming event

- Achieving major milestones:
 - B.C. Environmental Assessment Certificate – June 2008
 - Canadian Environmental Assessment Agency approvals – March 2009
 - First Nations economic partnership agreement with the Province of BC – April 2009
- Recent significant gas discoveries in northeast B.C. are looking for markets and Asian demand for LNG will likely not subside
 - Merrill transaction validates export facility
- On 1 June 2009, Korea Gas Corporation signed an MOU with Kitimat LNG to purchase up to 40% (2 mmtpa) of the plant production for 20 years

Major milestones achieved, Merrill transaction validates

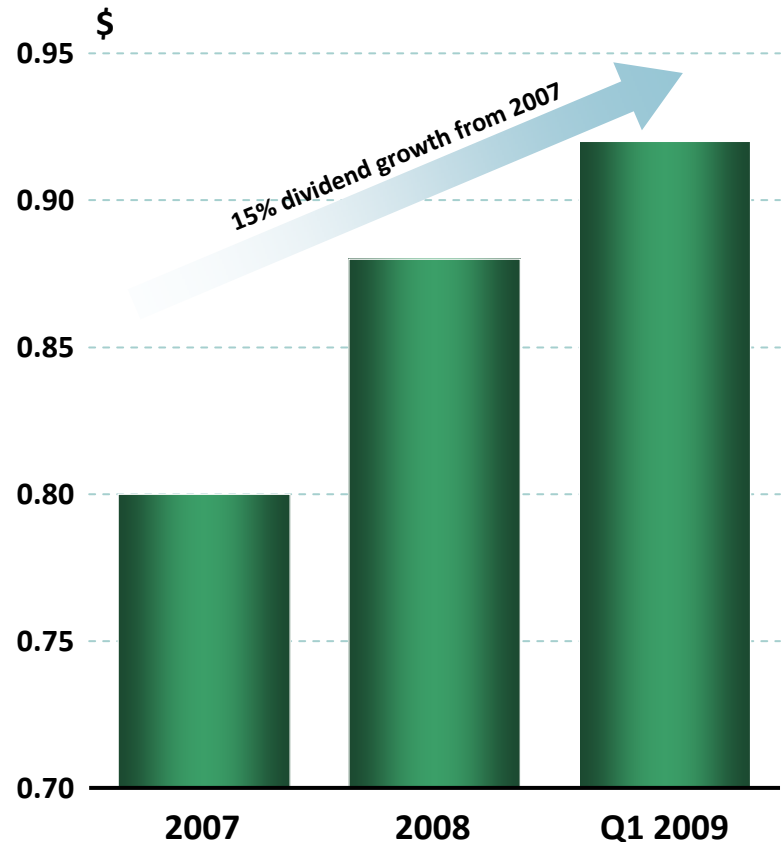
Develop New Platforms

- New business platforms are required to achieve asset value and market cap growth and risk diversification
- Build a portfolio of clean electricity generation
 - Initial focus on run of river
 - Low technology risk with 30-40 yr EPA
- Potential to broaden scope to other distribution assets
 - Recent market transaction:
 - Sierra Pacific Power Company was sold to newly formed company jointly owned by Algonquin Power Income Fund and Emera Inc.

New business platforms are required for growth

Enhancing Shareholder Value

- Annual dividends increased from \$0.80 to \$0.92/share
- Strategy is to increase target payout ratio to be more in line with other publicly traded utilities
- NCIB is underway to purchase up to 300,000 shares
 - Accretive



Growing dividends with capital preservation

Investment Considerations

- Stable attractive dividend yield of 5.9%, with capital preservation thru NCIB
- Current trading at P/E of 10.1x and ~\$7 Under BV
- Potential transforming event in evidence
- Largest shareholder on Board of Directors
- Regulated assets and competitive with electricity
- Excellent financial liquidity
- Focus on increasing asset value and market cap growth to enhance liquidity in stock

Opportunity to invest at attractive yield with growth upside

Appendix A: DBRS News Release

23 January 2009

DBRS Confirms Pacific Northern Gas Ratings at BBB (low) & Pfd-3 (low) with Negative Trends

DBRS has today confirmed the Secured Debentures and Cumulative Redeemable Preferred Share ratings of Pacific Northern Gas Ltd. (PNG or the Company) at BBB (low) and Pfd-3 (low) respectively, both with Negative trends.

The Company's financial profile has remained stable year-over-year, although at lower levels than in 2006, which was expected. Debt-to-capitalization remains under 50%, with cash flow-to-debt of 11% and EBIT interest coverage of 2.31x, which all remain adequate for the current credit rating. While PNG does not have a stated dividend policy, DBRS expects it will continue to manage its dividend policy in light of its CAPEX program and in a way that preserves its financial and credit profile.

PNG's customer base has remained stable year-over-year despite the challenging economic conditions in its Western service area, mainly due to the challenges in the forestry sector. PNG's Northeast service area continues to experience growth due to the oil and gas sector, which has offset the weakness in its Western system. DBRS expects the Company's service areas to experience modest economic growth over the medium term and, as such, keep residents in the region; however, most of the growth is expected to come from the Northeast service area.

The competitiveness of natural gas as a fuel and heating source also remains a concern for PNG in the Western service area; however, residential and commercial electricity rates are expected to rise in the near term according to B.C. Hydro's Service Plan. The proposed electricity price increase is expected to keep PNG's delivered natural gas rates, including the Methanex impact, competitive with electricity rates in PNG's Western system.

Appendix A: DBRS News Release

While PNG continues to pursue the Kitimat to Summit Lake Looping Project (KSL), no commercial arrangements have been made, and the Company continues to expense its share of the development expenditure, which is immaterial. DBRS also notes that should PNG decide to proceed with KSL, the Company's structure and financial profile will likely change and implications on the credit rating will be evaluated at that time.

PNG has maintained stable credit metrics since 2006, as well as generally stable service territories. These represent two of the three factors pertaining to the Negative trend as outlined in DBRS's October 22, 2007 report. The third factor was if PNG's KSL Project proceeded, and the impact it would have on the Company's structure and credit profile. Whether the project proceeds remains unclear, although this uncertainty does not preclude resolution of the trend (due to the immaterial development expenditures being incurred). The favourable 2006 British Columbia Utilities Commission (BCUC) decision on the Methanex termination was key in maintaining PNG's financial and credit profile. However, the Methanex amortization approved by the BCUC expires in October 2009 and the outcome of PNG's recently filed rate application for increased rates to recover the lost revenue upon expiration remains critical to maintaining a stable financial profile and the current credit rating in the long term.

DBRS has confirmed the ratings and maintained the negative trend, but will look to resolve the trend when the BCUC decision has been rendered. A favorable decision by the BCUC is likely to result in a positive action (change in trend from Negative to Stable), while a negative decision would likely lead to a downgrade of the ratings. Based on the precedent set in the 2006 decision, DBRS expects that PNG will be allowed to recover its full cost of service.

PNG's liquidity is adequate for the ratings, with debt maturities well spread out and no maturities until 2011. The Company's liquidity is supported by three bank lines totaling \$55 million, which mature in 2009 and 2012.

Appendix B: 2008 Operating Statistics

	Customer Class	Deliveries (TJ)	Operating Margin (\$ M)	# of Customers
Sales				
	Residential	3,210	19.08	33,862
	Commercial	2,657	10.63	5,150
	Industrial	811	2.09	21
	Total	6,679	31.80	39,033
Transportation				
	Commercial	350	1.79	48
	Industrial	5,514	6.10	32
	Methanex* TP	n/a	6.59	1
	Total inc Methanex TP	5,864	14.49	80

* When operating at capacity, Methanex contributed approximately \$12.2 million to operating margin.

Appendix C: Competition

- Higher electricity rates and changing rate structure:
 - BC Hydro implemented a two-tiered rate structure which increased the residential 2nd tier electricity rate by over 26% (April 2008 to April 2009)
 - This 2nd tier rate adjusted for efficiency is assumed to be the comparable rate for assessing the competitiveness of natural gas vs electricity for residential heating
- Western system remains competitive
 - PNG's rates incorporating the 2009 negotiated settlement are 20% below B.C. Hydro's 2nd tier rate
 - Full recovery of lost Methanex margin in 2010 will increase monthly residential bills by ~\$12.50 per customer but will still remain 5% below electricity.
- Action taken to further improve competitiveness:
 - Merrill Lynch Commodities exercise of option on excess pipeline capacity would trigger facility reactivation expenses estimated at \$1.5 million and generate \$15M/yr in additional revenues for 2-5 years