



# Annual General Meeting

30 April 2009

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## 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.

# Outline



- Then and Now
- Financial Results
- Enhancing Shareholder Value
- Challenges
- Competitive Positioning
- Contract
- Shareholder Value Initiatives
- Summary

# Then



- 2008 marked 40 years of safe and reliable service to PNG's Western system service area customers.
  - Recipient of the 2008 Corporate Safety Award from the Canadian Gas Association
- The PNG pipeline was built to serve to industrial customers along the Highway 16 corridor.
- PNG has faced significant challenges in the recent past:
  - the closing of its largest customer, Methanex
  - the prolonged slowdown in the forestry industry

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# Now

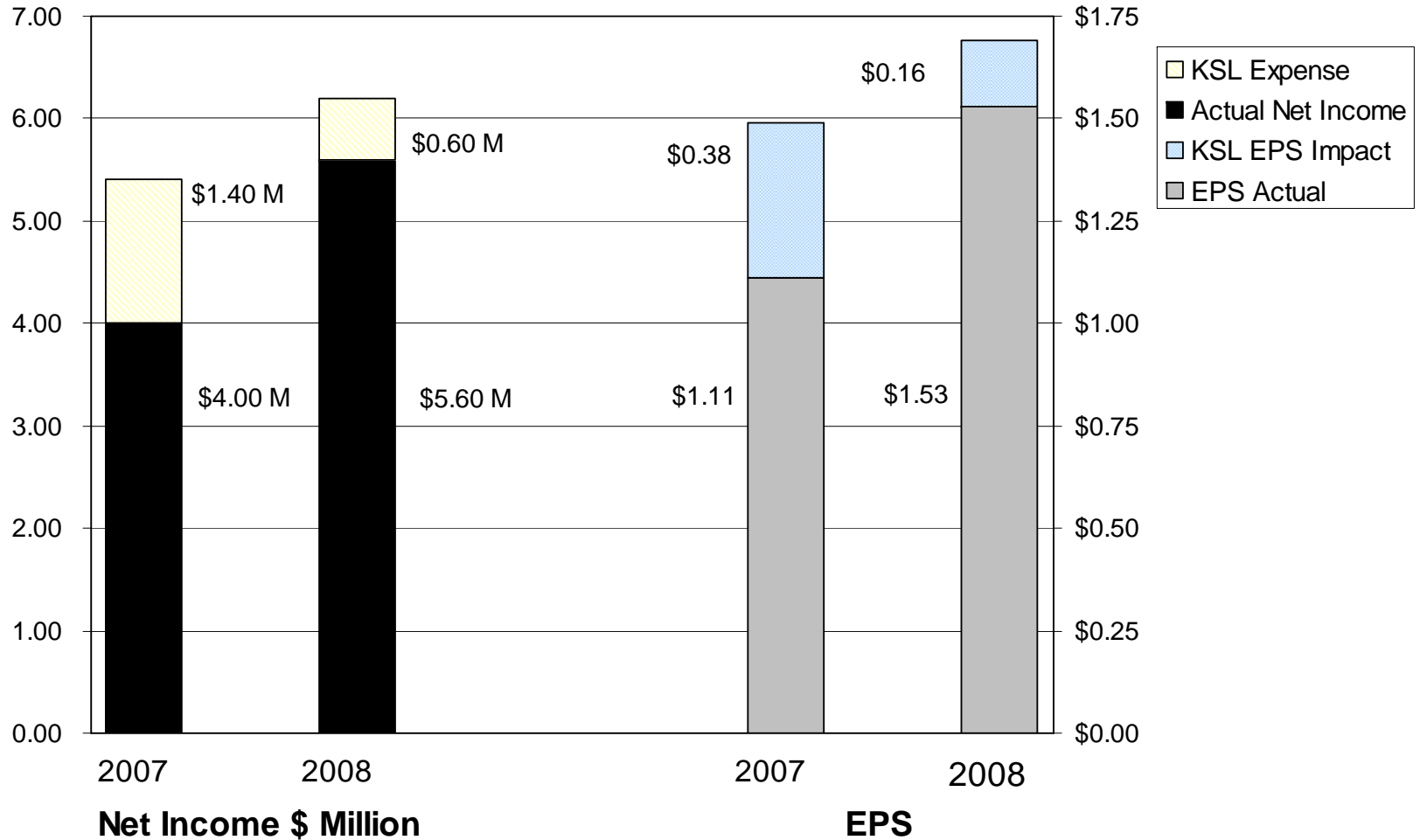


- Challenges met head on
- Have emerged with confidence that we can handle any challenges that lie ahead
- Maximizing the value of our existing assets
- Cultivating a portfolio of growth opportunities

# Financial Results: 2008



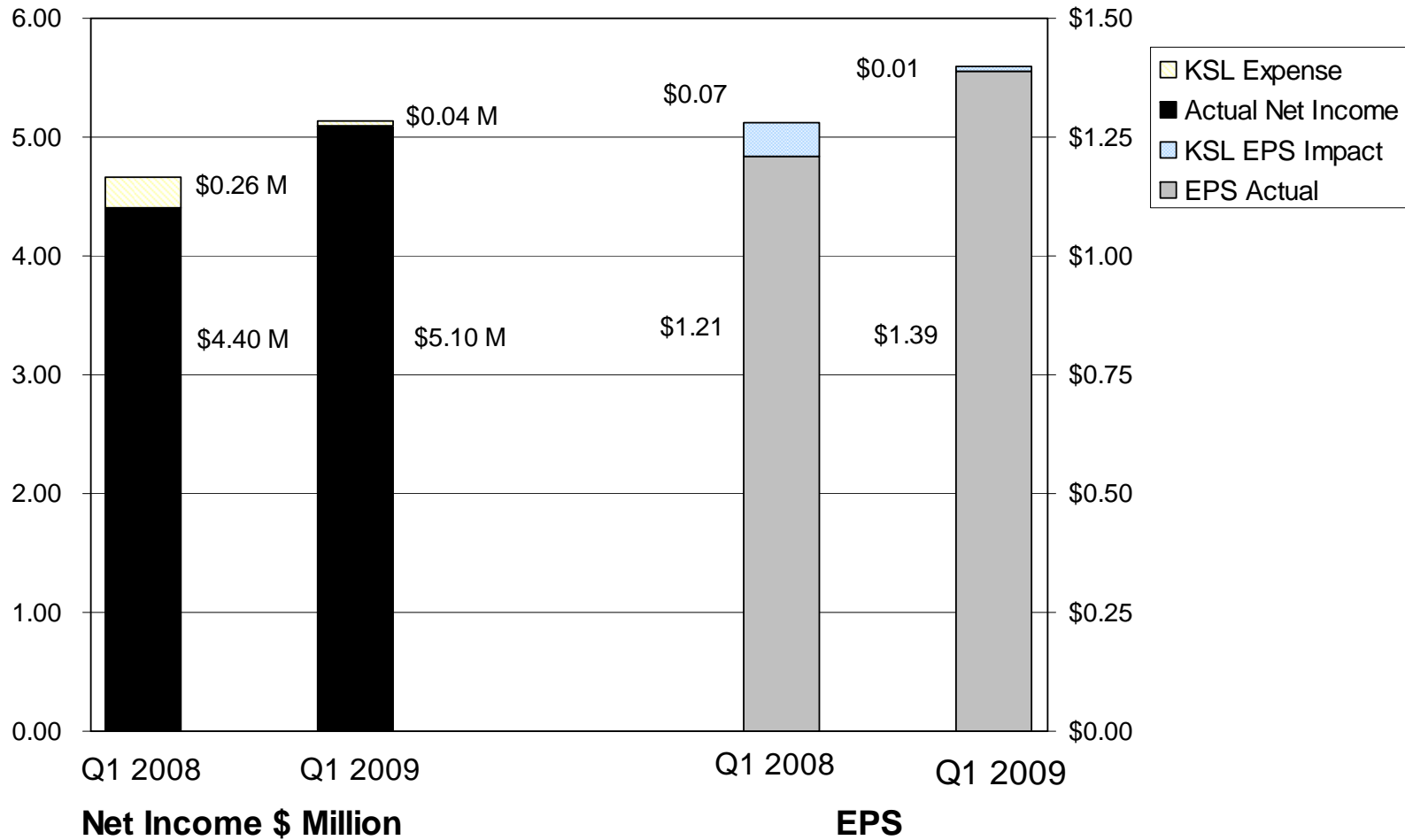
Annual Net Income and EPS



# Financial Results: Q1 2009



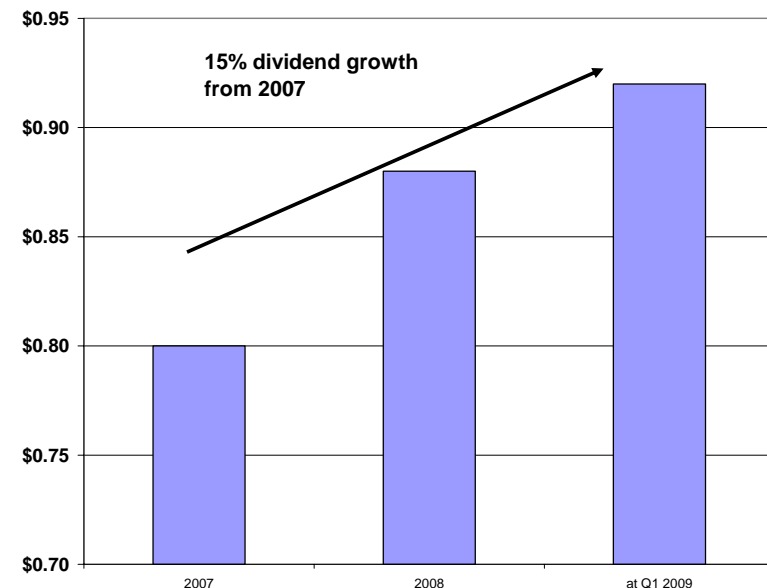
## First Quarter Net Income and EPS



# Enhancing Shareholder Value



- Solid financial performance, balance sheet and cash flows allow us to return value to shareholders:
  - NCIB is underway to purchase up to 300,000 shares
    - Increases EPS
  - Annual dividends increased from \$0.88 to \$0.92/share
  - Strategy to increase target payout ratio to be in line with other publicly traded utilities

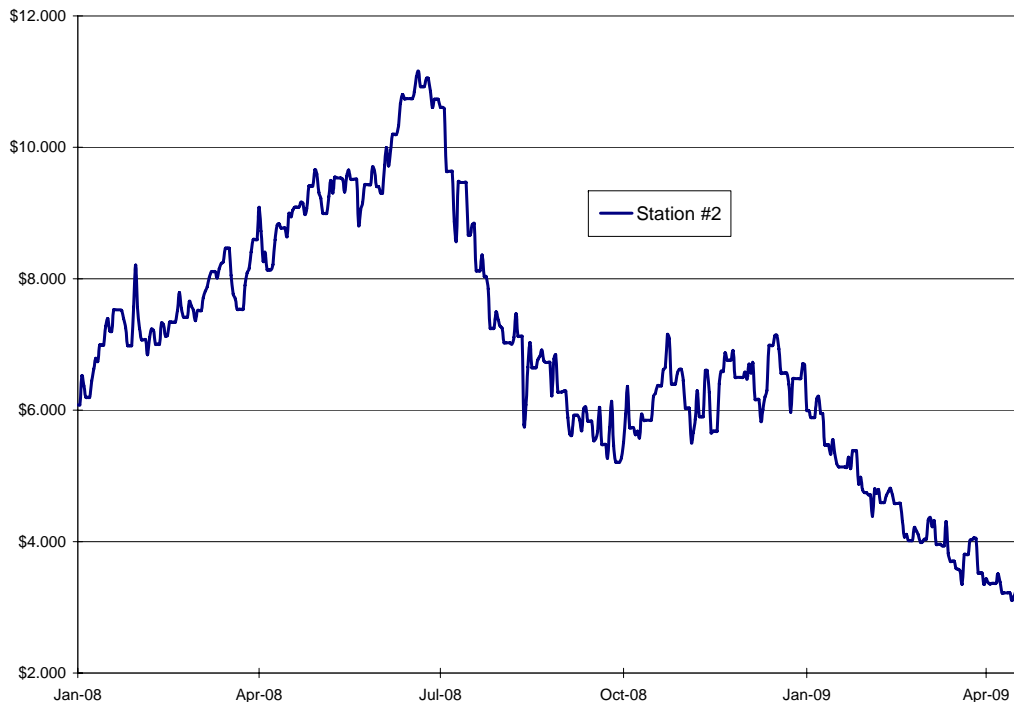


# Challenges



- Governance and accounting policies
  - International Financial Reporting Standards distracting & costly for smaller entities
- Climate change and DSM legislation
  - Introduction of carbon tax aimed at reducing natural gas consumption
  - Increase focus on energy conservation and DSM
- Current economic uncertainty

# Competitive Positioning: Gas Prices



- Downward price trend
- Lower demand
- Abundant supply

- We expect the PNG West retail rates will remain competitive with electricity rates over the long term

# Contracting Excess Capacity



- PNG has entered into an option agreement with Merrill Lynch
  - 75 MMcf/day of firm gas transportation service
  - Valid to 31 Dec 2009
- Options fee
  - \$1.5 million for initial period
- Potential for approx \$15 million/yr in firm gas transportation fees
- Fees will help reduce customers rates
- Shareholders should also benefit

# Improvements to Equity Returns



- The National Energy Board has implemented significant changes to the ROE formula for the Trans Quebec & Maritime pipeline
  - Optimistic that the ROE formulas used by other regulatory commissions will be revisited.
  - Alberta, Ontario and Quebec proceedings are either underway or planned for 2009
  - Expect a similar process will be commenced in B.C. later this year.
- PNG will actively represent its shareholders' interests

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# Shareholder Value Initiatives



- KSL Pipeline
- Clean energy generation

# KSL Pipeline Project



- Achieving major milestones:
  - Environmental Assessment Certificate – June 2008
  - Canadian Environmental Assessment Agency approvals – March 2009
  - First Nations economic partnership agreement with the Province of BC – April 2009
- Strong commercial interest following the change in scope of the LNG terminal to an export facility

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# Clean Energy Generation



- Leverage existing capabilities, experience and relationships
- Investments backed by long-term energy purchase agreements with BC Hydro

# Summary



- Delivered strong financial results in 2008 and the first quarter of 2009
- Returning value to shareholders
- Continuing to maximize value of existing assets
- Actively pursuing shareholder value initiatives including a company transforming project