Pacific Northern Gas
TSX:PNG

Investor Presentation
February 2010

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") 2010 Annual Information Form under "Risk Factors" and in the Management's Discussion and Analysis for the 12 months ending 31 December 2009, 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.

Content

Investment Highlights

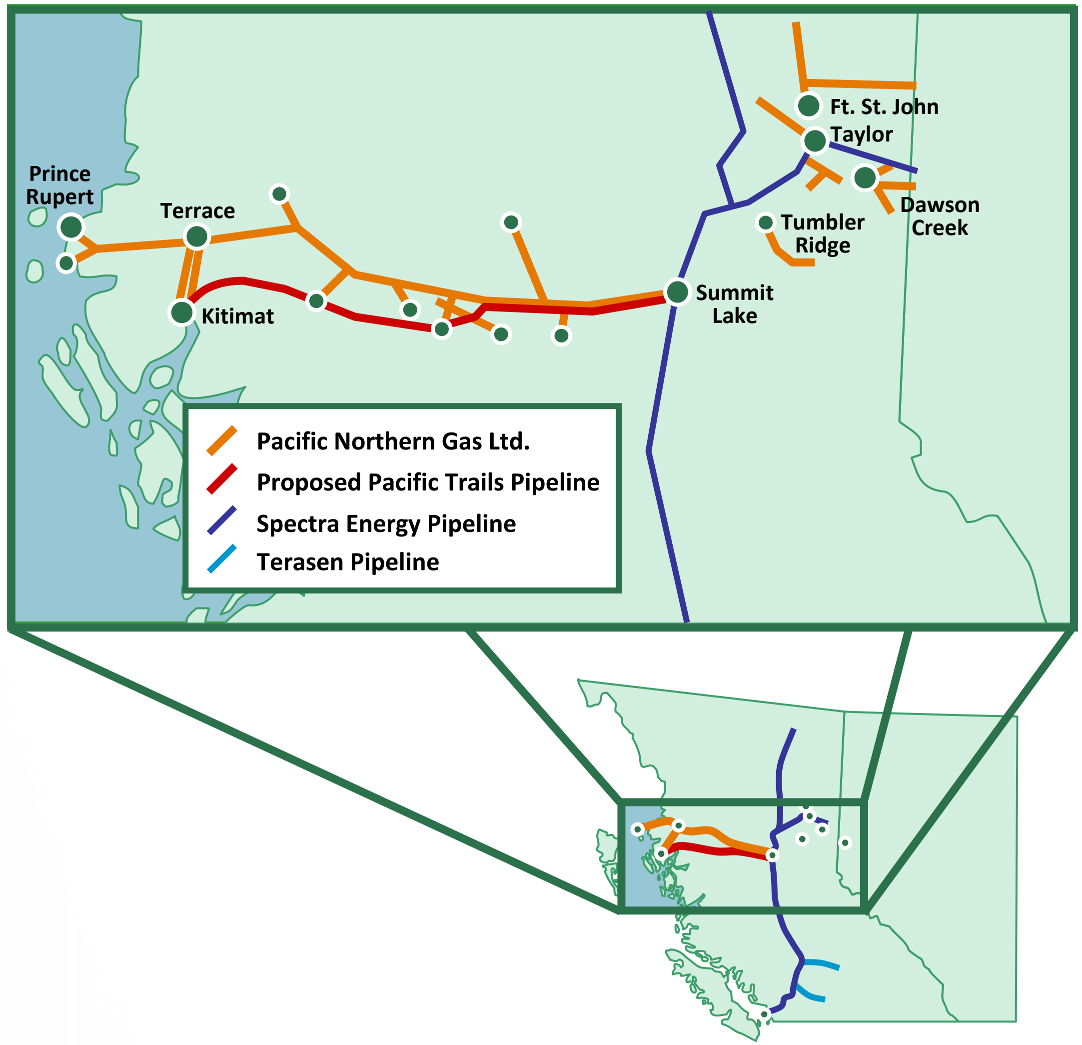
- Currently trading at P/E of 11.2x – 2x-3x below peer group
- Potential transforming event achieving significant milestones – Apache
- Regulated assets represent `safe haven`
  - Positive EPS growth, 40% dividend growth, 65% payout ratio
- Largest shareholder on Board
- Excellent financial liquidity
- Focus on growth strategies to accelerate market cap growth and enhance liquidity in stock

Opportunity to invest at attractive yield with growth upside

Company Historical Operations
'Safe, Reliable & Efficient'

Recipient of 2008 CGA Corporate Safety Award

- 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)
  - *Additional delivery and customer details in Appendix A*
- Both Divisions are resource based economies:
  - Western: forestry, aluminum smelting, mining
  - Northeast: oil & gas



Regulation: Cost of Service

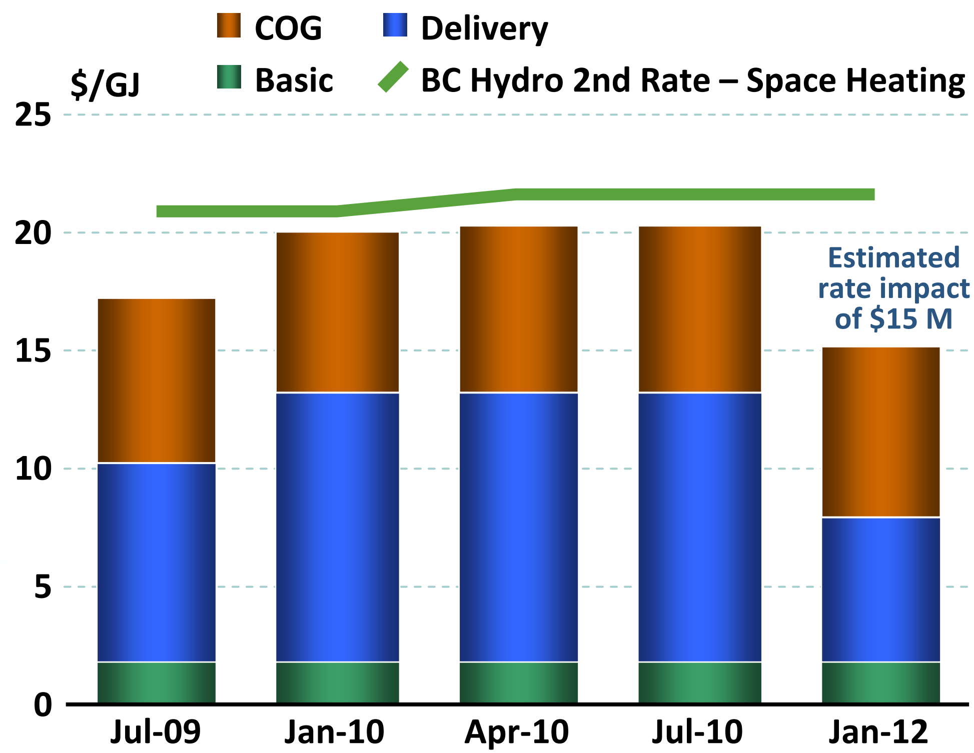
- PNG subject to the Utilities Commission Act (B.C.) with B.C. Utilities Commission (BCUC) as the regulator
- BCUC reviews 'cost of service' including ROE in setting rates; not the economic impact of prices on customers – refer Methanex Decision 2006 – Appendix B
- PNG allowed to recover 'cost of service' by law – case law available
- Somewhat different than the USA where interveners have lobbying power
- Canadian regulators are very supportive of utilities (S&P view) and BCUC considered leader in this area
- PNG maintenance capex current compared with 'catch up' underway by many US utilities
- Anticipate a negotiated settlement on rates for 2010
- Capital structure filing will result in a min 103 bps ROE improvement

Cost of service including ROE is recoverable from customers

Competition: Electricity

- Higher electricity rates, BC to be self sufficient, new electricity to be ‘Green’ and changing rate structure
- Analysis based on embedded gas cost of approx $6.08/GJ – prices predicted to remain low – Horn River/Montney
- Action taken to further improve competitiveness:
  - Merrill Lynch Commodities Option -$2.5 mil to date, potential for $15 mil revenue
  - *Additional detail in Appendix C*

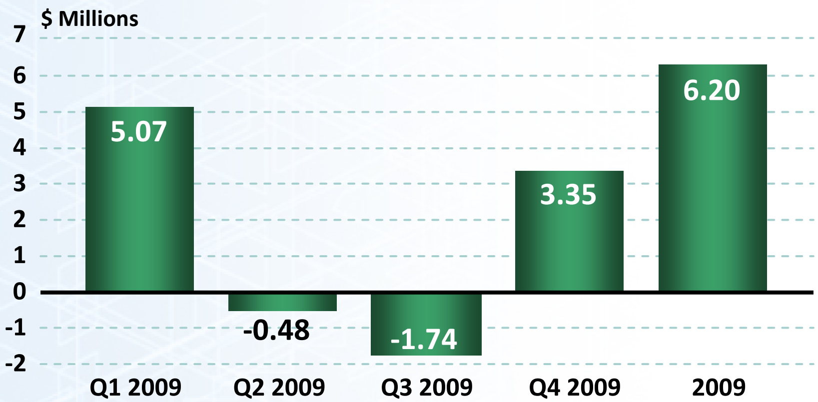
Comparison of PNG-West and 2nd Tier Electricity Rates



Competitive with electricity post Methanex

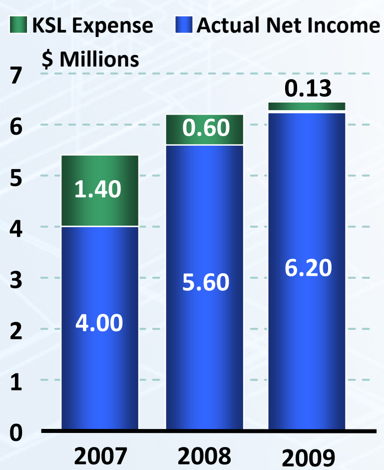
Financial Overview

2009 Quarterly Net Income to Common Shares

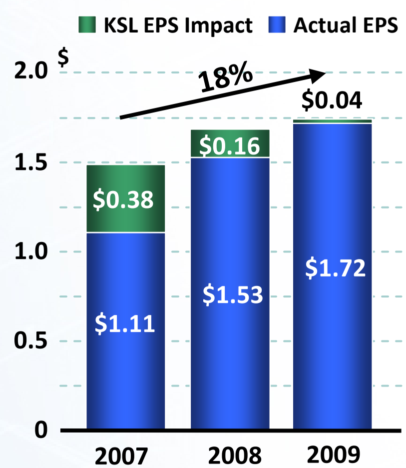


Annual Net Income to Common Shares & EPS

Net Income



EPS



- Seasonal but stable Net Income
- Stability of underlying earnings achieved through use of deferral accounts
  - RSAM
  - No significant multi-year deferral accounts exist
  - Gas cost – pass through – no margin
- Approved return on equity (PNG-West):
  - 2008: 9.27%
  - 2009[1]: 9.12% (9.63%)
  - 2010[2]: 10.15%-10.25%

1. 9.63% represents 103 bps increase to benchmark ROE effective 1 July 2009 with currently approved risk premium

2. estimate, subject to approval

Financial Overview

- Strong liquidity - Current leverage less than 50% versus Canadian peers at 60+ %
- Standby liquidity facility just increased to $35 mil, maturity 2015, no MAC clause
- Debt rated BBB (low) Stable – DBRS -Negative trend recently removed
- No significant Bond maturities until 2017

Strong financial liquidity

Strategic Overview

- Objective is to grow enterprise value and market cap
  - Expand regulated business
  - Develop clean energy business platform
  - Maintain modest leverage and Investment Grade rating
- Shareholder value initiatives

Utility Trading Comparables

Company	FD Mkt Cap ($MM)	EV ($MM)[1]	Debt / Cap	2010E Net[2] P/E	EV / EBITDA	Debt / EBITDA	Yield	Payout Ratio
Canadian Energy Infrastructure								
TransCanada	$23,623	$43,581	57.2%	15.8x	9.0x	3.8x	4.7%	73.9%
Enbridge	$17,937	$30,346	66.2%	18.1x	10.5x	4.8x	3.6%	64.9%
Canadian Utilities	$5,389	$8,813	49.2%	13.5x	7.2x	2.2x	3.5%	47.5%
Fortis	$4,743	$11,370	59.0%	16.0x	9.8x	4.8x	4.0%	64.5%
Emera	$2,668	$5,243	62.4%	15.6x	8.9x	4.5x	4.6%	72.2%
Caribbean Utilities	$245	$455	54.0%	12.6x	10.5x	4.9x	7.7%	97.1%
Average			**58.0%**	**15.3x**	**9.3x**	**4.2x**	**4.7%**	**70.0%**
Median			**58.1%**	**15.7x**	**9.4x**	**4.6x**	**4.3%**	**68.5%**
U.S. Gas Utilities								
AGL Resources	$2,719	$5,308	59.1%	12.1x	8.1x	3.9x	5.0%	60.7%
WGL Holdings	$1,591	$2,383	43.6%	13.2x	7.3x	2.3x	4.8%	63.6%
Nicor	$1,775	$2,458	46.3%	13.5x	5.6x	1.9x	4.8%	65.1%
New Jersey Resources	$1,446	$1,935	48.0%	13.5x	n/a	n/a	4.0%	53.7%
Northwest Natural	$1,122	$1,817	52.5%	15.5x	8.5x	3.3x	4.0%	61.9%
Southwest Gas	$1,221	$2,416	53.6%	12.9x	5.5x	2.7x	3.6%	46.2%
Average			**50.5%**	**13.5x**	**7.0x**	**2.6x**	**4.5%**	**58.5%**
Median			**50.2%**	**13.4x**	**7.3x**	**2.7x**	**4.5%**	**61.3%**
Pacific Northern Gas	**$77**	**$154**	**46.3%**	**11.2x**	**6.2x**	**2.9x**	**4.8%**	**53.2%**

Source: Bloomberg, Thomson, public disclosure as of February 5, 2010.

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.

Growth Potential

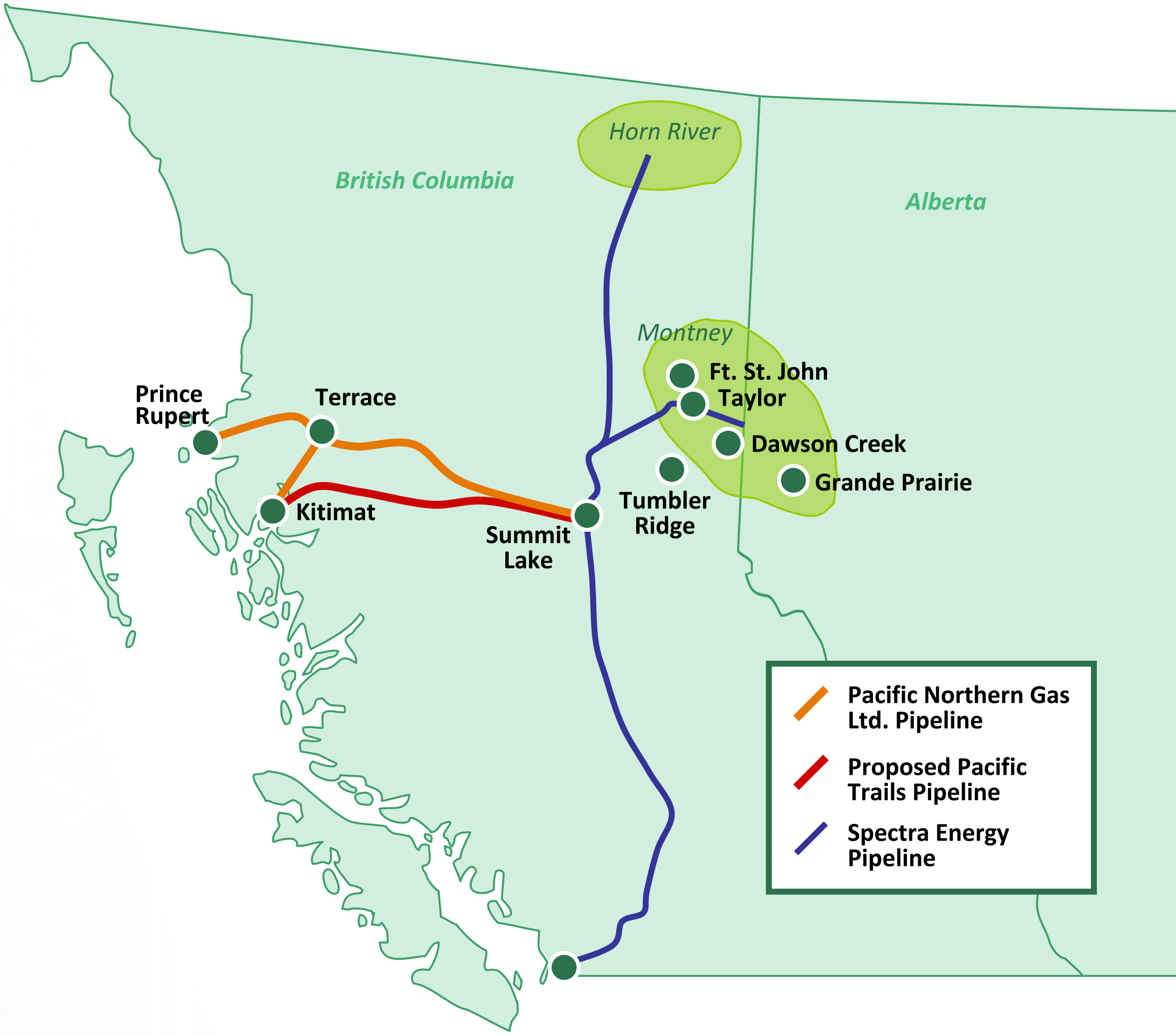
Expand the Core
- KSL Looping Project
- Consider USA Distribution

Develop New Platforms
- Clean electricity generation - Hydro
- Other clean energy

Use available liquidity to grow enterprise value through targeted investments

Expand the Core: KSL – Transforming Event

- 465 km of 36” pipe with 0.7 -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

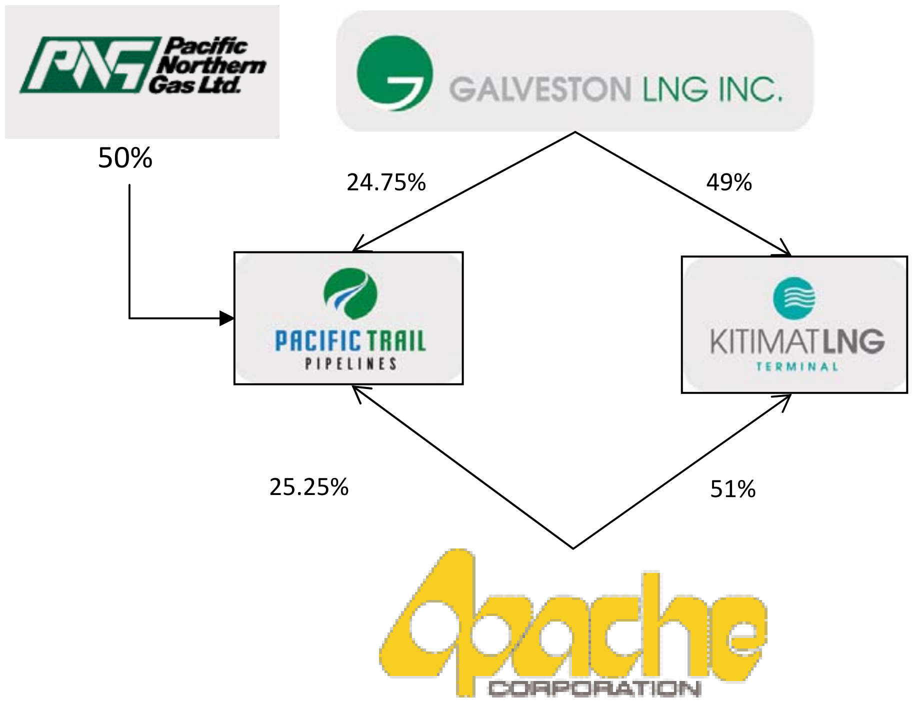


Expand the Core: LNG Project Ownership Structure

On January 13, 2010 Apache Canada announced that it had acquired a 51 % interest in the Kitimat LNG project and a 25.25% interest in the Pacific Trail Pipelines (KSL Project)

Why Apache?

- A first mover with a sense of urgency
- An investment grade credit rating A-
- A balanced portfolio 49% oil 51% gas over half the gas is international.
- A first mover in the Horn River Basin with over 220,000 net acres.
- 10 + tcf net to Apache.
- A global player already involved in LNG.



Expand the Core: KSL – Transforming Event

- Achieving major milestones:
  - Provincial and Federal Environmental approvals granted– March 2009
  - First Nations economic partnership agreement with the Province of BC – April 2009
  - Apache joins project as sponsor – January 2010
- Recent significant gas discoveries in northeast B.C. are looking for markets and Asian demand for LNG will likely not subside
- MOU's with Korea Gas Corporation and Gaz Natural for a significant portion of the LNG production
- Numerous MOU's for gas supply
- *See Appendix D for LNG Project Economics*

Major milestones achieved, Apache transaction validates

Consider USA Distribution

- Valuations eroded by financial crisis
- Significant capex deferred – playing catch up
- Valuations in decline after 2005-08 consolidation period
- 3,500 utilities in USA but < 4% investor owned
- Attractive ROE -/+ 11%
- Renewable power likely to play significant role ‘going forward’

Consider USA Distribution

- We also need to think about these potential challenges:
  - Uncertainty over government energy and climate change policies remain
  - Maintain local management for regulatory continuity
  - No cost synergies
  - No deferral accounts increase earnings variability

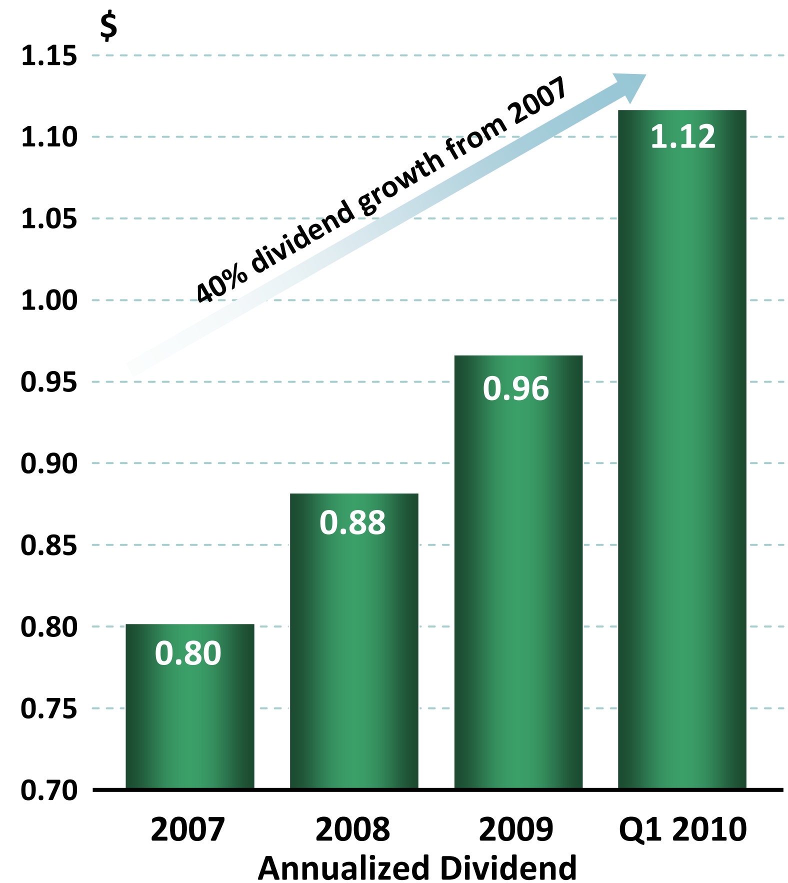
Clean Energy Generation

- New business platforms are required to achieve EV and market cap growth and risk diversification
- Build a portfolio of British Columbia based run of river clean electricity generation assets
  - Strong Provincial government support for renewable energy
  - Low technology risk and 30-40 yr EPA with a DBRS AA (High) rated counter party
  - Targeting 50 MW of operating assets with EV of $100+ mil by 2012/3 (with 70%/30% debt to cap)
- Potential to broaden clean energy scope to other technologies and geographies

New business platforms are required for growth

Enhancing Shareholder Value

- Annual dividends increased from $0.80 to $1.12/share – 5% Yield
- Payout ratio in line with other publicly traded Canadian utilities
- NCIB utilized on accretive basis

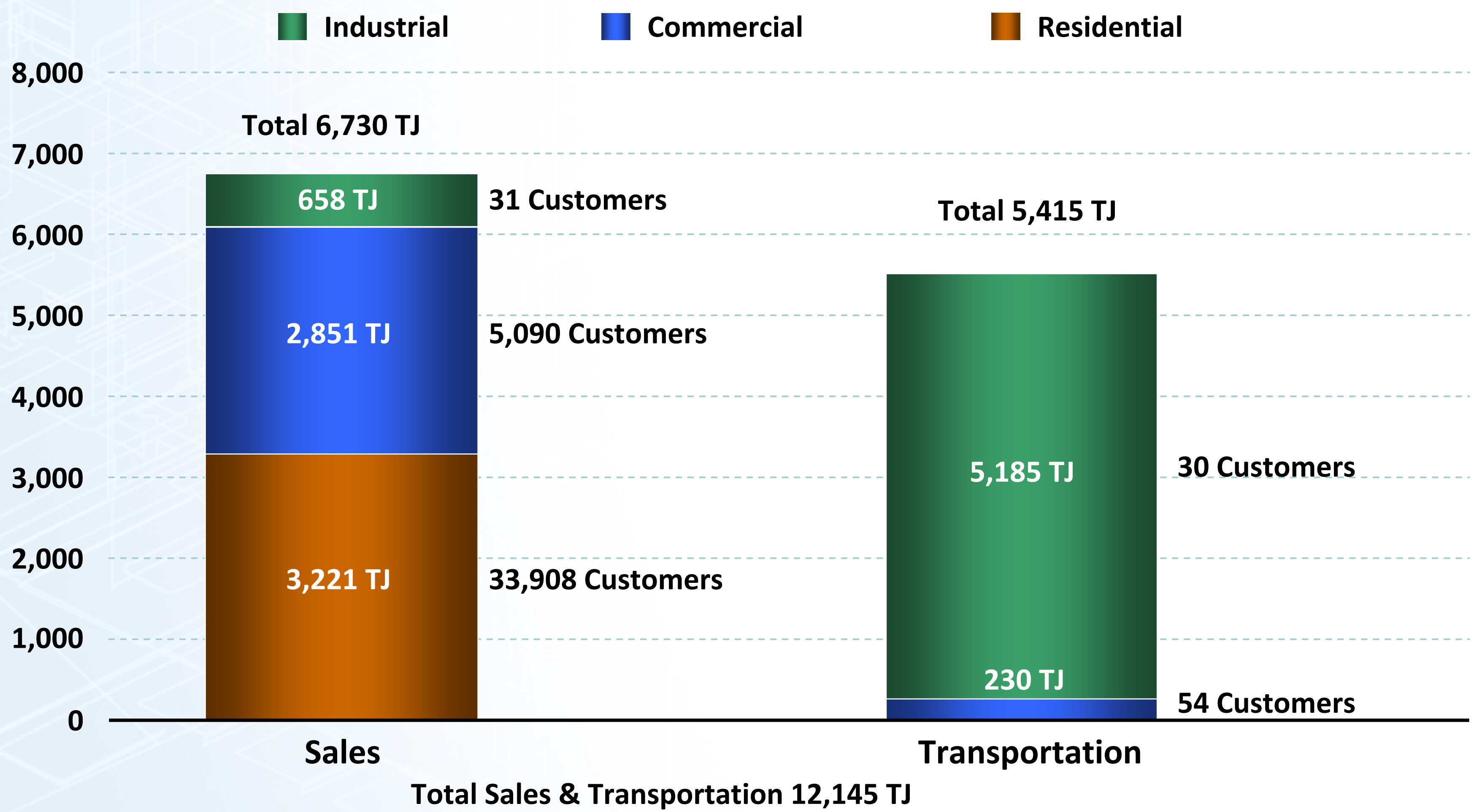


Growing dividends with capital preservation

Appendices

Appendix A: Delivery and Customer Details

2009 Deliveries and Customers



Appendix B: Excerpt from 2006 BCUC Decision

- *"The Commission Panel, therefore, finds that to allocate any of the net revenue deficiency resulting from the termination of the Methanex contract to PNG's shareholders, as advocated by BCOAPO and Mr. Childs, would result in rates that do not permit PNG to recover its costs of providing service and would, therefore, contravene sections 59 and 60 of the Act. The Commission Panel agrees with PNG that the allocations proposed by BCOAPO and Mr. Childs would simply be an arbitrary disallowance of PNG's forecast costs, without any evidentiary or legal basis having been established for such a disallowance."*
- *"Given the statutory obligations imposed upon the Commission, there is simply no principled basis before the Commission Panel in this proceeding to allow it to appropriately deviate from the statutory requirement to allow the utility to recover its prudent and reasonable cost of providing service, and certainly there is no evidence to support an allocation or to select a specific allocation of the revenue deficiency, other than to the utility's customers."*

Excerpts from BCUC Order No.G-99-06, page 24

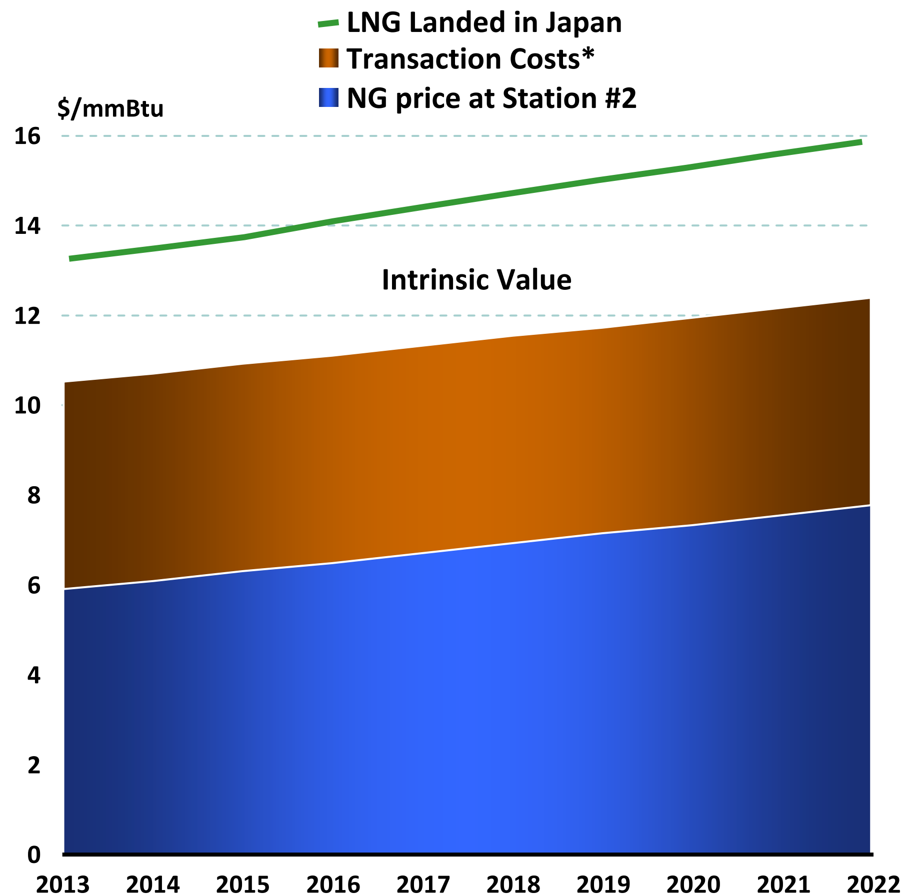
Appendix C: Competition

- 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

Appendix D: LNG Project Economics

- LNG project highlights
  - Crude oil / North America natural gas price differential expected to exist into foreseeable future
  - Planned liquefaction capacity of 5 mmtpa represents 2.6% of 2009 global LNG demand (190 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 2010[2];Malaysia, Brunei and Oman also reducing term and volumes
  - Superior strategic location
    - Offers flexibility due to its 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 gas-in-place exceeding 500 Tcf

Kitimat LNG Project Economics



* Includes transportation, liquefaction and shipping costs
Data based on forward NYMEX prices from 2 Feb 2010
All prices in USD/mmBtu

1. Energy Intelligence Group, Inc. www.energyintel.com
2. LNG Intelligence, 27 January 2009 pg 1