



FOR IMMEDIATE RELEASE – MAY 12, 2010

PACIFIC NORTHERN GAS ANNOUNCES NEGOTIATED SETTLEMENT OF CAPITAL STRUCTURE AND EQUITY RISK PREMIUM APPLICATION

VANCOUVER, BRITISH COLUMBIA - Pacific Northern Gas Ltd. announced today that the Company has reached a negotiated settlement of the capital structure and equity risk premium application that it filed with the B.C. Utilities Commission (“Commission”) on July 16, 2009 (“CAP/ROE Application”). The settlement agreement, which has been accepted by the parties who participated in the negotiated settlement process, remains subject to Commission approval.

The Company and its wholly owned subsidiary Pacific Northern Gas (N.E.) Ltd. (“PNG(N.E.)”) jointly filed the CAP/ROE Application with the Commission primarily to increase the deemed common equity from 40 to 47.5 percent in the Western system and from 36 to 42.5 percent in PNG(N.E.). The Company also requested Commission approval to increase its risk premium relative to the benchmark utility return on equity from 65 to 75 basis points for both the Western system and PNG(N.E.)’s Tumbler Ridge division and from 40 to 75 basis points for PNG(N.E.)’s Fort St. John/Dawson Creek division. The settlement agreement provides that the Western system common equity thickness will be increased to 45 percent effective January 1, 2009 with no change to the current 65 basis points relative risk premium. It was agreed that the common equity thickness for both of PNG(N.E.)’s divisions would be increased to 40 percent effective January 1, 2010 also with no change to the relative risk premiums.

The agreement was made public today when it was distributed by Commission staff to the parties that did not participate in the negotiations. Those parties are required to file their comments on the settlement with the Commission by May 19, 2010. The Commission is expected to render its decision on the agreement shortly after the conclusion of the comment period. At that time, the Company will provide additional details on the financial impact of the settlement agreement.

About Pacific Northern Gas

Headquartered in Vancouver, British Columbia, Pacific Northern Gas Ltd. (TSX: PNG/PNG.PR.A) owns and operates natural gas transmission and distribution systems. The Company’s western transmission line extends from the Spectra Energy gas transmission system north of Prince George to tidewater at Kitimat and Prince Rupert, and provides service to 12 communities and a number of industrial facilities. In the northeast, Pacific Northern’s subsidiary Pacific Northern Gas (N.E.) Ltd. provides gas distribution service in the Dawson Creek, Fort St. John and Tumbler Ridge areas. Further information is available on the Company’s website at: www.png.ca.

-30-

Contacts:

Investor Inquiries:

Kevin Teitge
Vice President, Corporate Development
& Treasurer
(604) 691-5689

Media Inquiries:

Greg Weeres, P.Eng.
Vice President, Operations & Engineering
(604) 691-5680