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PACIFIC NORTHERN GAS ANNOUNCES A SECOND SPECIAL DIVIDEND OF \$3 PER SHARE AND A 5 PERCENT INCREASE IN FIRST QUARTER EARNINGS FROM CONTINUING OPERATIONS

VANCOUVER, BRITISH COLUMBIA - Pacific Northern Gas Ltd. (TSX:PNG/PNG.PR.A) announced today that the Board of Directors has declared a second special dividend of \$3.00 per common share in addition to a regular quarterly dividend of \$0.30 per share. The regular quarterly dividend is unchanged from the first quarter of 2011. The total dividend of \$3.30 per share is payable June 21, 2011 to shareholders of record at the close of business on June 6, 2011.

The special dividend of \$3.00 per share represents approximately \$11 million of the net remaining proceeds from the initial payment of \$30 million received on March 2, 2011 upon the closing of the sale of PNG's 50 percent stake in Pacific Trail Pipelines Limited Partnership ("PTP"). The Company had previously paid out a special dividend of \$3 per share to shareholders on March 24, 2011.

Pacific Northern Gas Ltd. also announced today that net income for the three months ended March 31, 2011 was \$26.8 million, compared with net income of \$5.5 million for the corresponding period in 2010. After providing for preferred share dividends, the earnings per common share in the three months ended March 31, 2011 were \$7.32 compared with earnings per common share of \$1.51 for the same period in 2010. The increase was mainly due to the gain on sale of the Company's interest in PTP. Net income from discontinued operations was \$20.8 million in the first quarter of 2011, composed of the net after tax gain of \$21.5 million recognized on the sale of the KSL project and \$0.7 million of the Company's share of KSL project development expenses incurred prior to its sale, compared to a net loss of \$0.2 million in the first quarter of 2010.

First Quarter 2011 Results

Net income from continuing operations for the three months ending March 31, 2011 was \$6.0 million compared to \$5.7 million for the comparable period in 2010. The increase in earnings from continuing operations is mainly due to small industrial customers sales volumes being higher than anticipated in the first quarter of 2011, incremental rate base in 2011 and the inclusion of McNair operations in the first quarter of 2011. The allowed weighted average return on equity is 10.09 percent for 2011, the same as in 2010.

Residential deliveries were approximately 18 percent higher in the three months ended March 31, 2011 and total commercial deliveries were 20 percent higher, relative to deliveries over the same period in 2010. Management believes that weather was the key reason for higher deliveries as it was approximately 18 percent colder for the three month period ended March 31, 2011 compared to the same period in 2010. The weather was also 9 percent colder than normal for the three month period ended March 31, 2011, with "normal" based on the average of actual temperatures in the Company's service areas for the preceding 10 years.

On a combined basis, deliveries to large and small industrial customers were lower by approximately 8 percent for the three month period ended March 31, 2011 compared to the same period in 2010. The decrease is mainly due to the January 2010 closure of the West Fraser Kitimat liner board mill as small industrial customer deliveries were higher primarily in the Western system where significant gas demand for coal drying at Ridley Island Terminals reflected the impact of colder weather and higher than normal coal shipments. Deferral accounts are in place that recover or refund margin differences resulting from deliveries to large industrial customers and to some small industrial customers varying from the forecast approved for rate making purposes.

Revenue from Gas Transmission and Distribution

Revenues in the three months ended March 31, 2011 were \$37.0 million compared with \$40.2 million in the same period in 2010. The \$3.2 million decrease reflected a reduction of \$4.6 million from the sale of gas surplus to customer requirements ("off system gas sales"), lower commodity costs in 2011 compared to 2010, and a partial offset from higher sales volumes due to colder weather. Any profit or loss realized on off system gas sales is deferred for future recovery from, or refund to, the Company's sales customers. The decrease in off system gas sales in the first quarter of 2011 reflects the impact of higher deliveries to on system customers due to colder temperatures. Natural gas commodity prices, which are passed through to the Company's sales customers without mark-up, can be volatile, creating significant variability in the Company's reported revenues and cost of gas.

Operating margin in the three months ended March 31, 2011 increased slightly to \$18.0 million, as compared with \$17.9 million in the same period in 2010. The increase of \$0.1 million was mainly due to higher than anticipated deliveries to small industrial customers and higher than anticipated net customer additions in 2011, partially offset by lower than anticipated deliveries to large commercial customers.

Revenue from Renewable Energy

For the three months ended March 31, 2011, the McNair hydro-electric facility generated revenues of \$0.44 million. Operating costs for this period amounted to \$0.15 million. The Company recorded net after-tax earnings of approximately \$0.04 million from renewable energy operations. There are no first quarter 2010 comparative results since the McNair Creek facility was not acquired until April 19, 2010.

Production from the McNair facility is seasonal. During the first three months of 2011, the McNair Creek facility experienced average hydrologic conditions. As a result, electricity generation from the McNair Creek facility for the three months ended March 31, 2011 was consistent with the long-term average that was estimated using standard industry procedures.

Sale of the Company's Interest in PTP KSL Project

PTP is developing the KSL Project, a proposed 463 kilometre natural gas pipeline from Summit Lake, B.C. to Kitimat, B.C. The KSL Project would serve the planned Kitimat LNG facility being developed by Apache Canada Ltd. ("Apache Canada"), EOG Resources Canada Inc. ("EOG Canada") and EnCana Corporation ("EnCana"). On February 4, 2011, the Company entered into an agreement to sell its 50 percent interest in PTP and the underlying KSL Project to Apache Canada and EOG Canada, the Company's partners in the project, for payments of up to \$50 million. The transaction has two cash components, the first being a payment of \$30 million that the Company received on March 2, 2011, and the second being a payment of \$20 million to

be paid contingent on the purchasers making a decision to proceed with construction of the Kitimat LNG facility.

In connection with the sale of its interest in PTP, the Company agreed on the terms for 20-year transportation service agreements with each of Apache Canada and EOG Canada that will significantly increase the utilization of the Company's current pipeline if LNG Partners does not claim this capacity first. If the LNG Partners project does not proceed and the Kitimat LNG facility does proceed, combined Apache Canada and EOG Canada would use up to 50 MMcf per day of the Company's existing pipeline capacity to supplement KSL Project pipeline throughput. Initial deliveries would be 30 MMcf per day starting with LNG production and an additional 20 MMcf per day would occur if liquefaction capacity is later increased. Service under the agreements would commence with commercialization of the Kitimat LNG facility which is expected to occur in 2015. The transportation service agreements are subject to approval by the B.C Utilities Commission (the "Commission").

Further, the Company negotiated with Apache Canada and EOG Canada an operating and maintenance agreement under which the Company would operate the KSL Project pipeline. This agreement will have an initial term of seven years with renewal provisions and will be subject to approval by the Commission.

Upon receipt of the first cash payment of \$30 million in March 2011, the Company recorded a net gain of \$24.2 million after transaction related costs (\$21.5 million after taxes). This reflected accounting for the \$8.3 million of KSL Project expenditures by the Company from its inception to March 2, 2011, of which \$7.3 million was expensed and \$1.0 million was capitalized. On March 3, 2011, the Company's Board of Directors declared a special dividend of \$3.00 per common share, which represented approximately \$11 million of the proceeds from the sale of PTP, and as noted, today the Board declared a second special dividend of \$3.00 per common share.

Should the second contingent payment of \$20 million be made, the total \$50 million sale proceeds would have an approximate value to shareholders of \$9 to \$10 per share after taxes and related expenses, including payments under the KSL Project management incentive plan. The disposition of PTP has resulted in its presentation as discontinued operations in the Company's financial statements in both 2011 and 2010.

The Company can give no assurances that construction of the Kitimat LNG facility will be completed or that the second \$20 million contingent payment will be made.

New Investment in Renewable Energy Business

The Company continues to advance its renewable energy strategy with an investment in the 45 MW Narrows Inlet run-of-river renewable energy project (NI Project), also referred to as the Stl'ixwim Renewable Energy Initiative or the Stl'ixwim Project. The Company has formed Narrows Inlet Limited Partnership ("NILP") with Skookum Power Corp. to undertake an investment of up to \$2.5 million to advance the NI Project to the start of construction. To March 31, 2011, the Company has invested \$0.3 million. Prior to the commencement of construction, the Company will make its final investment decision, and through NILP, will have an exclusive option to provide construction equity as well as an option to ensure NILP owns a 50 percent interest in the NI Project.

Partnering with Skookum Power Corp., as it did on the McNair Creek facility, allows the Company to gain access to hydro development and construction expertise. Both parties will be

working closely with the team of existing NI Project developers, Renewable Power Corp. and Altaqua Renewable Power Corp., to advance the project through the B.C. Environmental Assessment process. Renewable Power Corp. has extensive experience in hydro project development, construction and operations and was the founding partner of the McNair Creek facility.

The NI Project was awarded a 30 year energy purchase agreement with B.C. Hydro in spring of 2010. Construction is expected to commence in mid/late 2012, with an estimated capital cost of approximately \$190 million of which approximately \$20 million would be equity provided by the Company if NILP elects to proceed with funding construction. The NI Project consists of five developments on four creeks that are located within a radius of 5 to 7 km of each other at the northern end of Narrows Inlet which is located approximately 35 km north of the town of Sechelt, British Columbia and lies within the Sechelt Nation's traditional territory. The NI Project is expected to benefit from coastal precipitation patterns, some storage capacity and close proximity to the largest electricity load center in British Columbia.

Conditions to construction include the receipt of the necessary environmental and construction permits required to commence construction, securing of contractor agreements to construct the facility, and financing for construction of the NI Project. The Company can give no assurances that these conditions will be satisfied or that construction of the NI Project by NILP will proceed.

Negotiated Settlements of 2011 Revenue Requirements Applications

Negotiated settlements of the Company's 2011 revenue requirements applications were reached on April 27, 2011 between the Company and customer representatives in respect of all divisions. The Commission is currently reviewing the settlements and the Company expects Commission approval by the end of May 2011.

The Western system settlement results in the applied for \$2.1 million revenue deficiency for 2011 declining to approximately \$0.5 million. Of this reduction, \$0.3 million reflects agreed to amendments to budgeted expenses, \$0.2 million is for an overall settlement allowance and \$0.5 million pertains to the sale of PTP. The majority of the balance of the reduction is due to increasing the forecast of deliveries to residential and small commercial customers (\$0.4 million) used for rate making purposes.

Under the Western system settlement the gas delivery rate increase for residential customers, effective January 1, 2011, compared to the corresponding delivery rate as of October 1, 2010, is approximately \$0.17 per GJ. This represents an annual bill increase of \$11 or 0.9 percent for the average residential customer consuming 66.7 GJ/year. The gas supply commodity rate decrease as of April 1, 2011 results in the annual gas bill for a typical residential customer being 2.9 percent lower compared to the annual bill using October 1, 2010 rates.

The Pacific Northern Gas (N.E.) Ltd. [PNG (N.E.)] Fort St. John/Dawson Creek division's settlement results in the \$2.6 million revenue deficiency decreasing by \$0.4 million to \$2.2 million. The gas delivery rate increase for residential customers, effective January 1, 2011, compared to the corresponding delivery rate as of October 1, 2010, is \$0.74 per GJ. This represents an annual bill increase of \$79 or 8 percent for the average residential customer consuming 108 GJ/year. The gas supply commodity rate decrease as of April 1, 2011 results in the annual gas bill for a typical residential customer being virtually equal to the annual bill using October 1, 2010 rates. The PNG (N.E.) Tumbler Ridge division settlement results in the applied for \$0.05 million revenue deficiency decreasing by \$0.08 million to result in a modest revenue sufficiency of \$0.03 million.

Preferred Share Dividends

The Board of Directors also 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, 2011 to the shareholders of record at the close of business on June 16, 2011.

Pacific Northern Gas Ltd., for purposes of the Income Tax Act (Canada), and any similar provincial or territorial legislation, designates all dividends paid by Pacific Northern Gas Ltd. after December 31, 2005 to be "eligible dividends" unless otherwise notified by the Company. An eligible dividend paid to a Canadian resident is entitled to the enhanced dividend tax credit.

Forward-looking statements

This news release includes forward-looking statements. Forward-looking statements relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. Many of these statements can be identified by words such as "believe", "expects", "expected", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words. PNG believes the expectations reflected in such statements are reasonable but no assurance is given that such expectations will be correct. All forward-looking statements are based on management's beliefs and assumptions based on information available at the time the assumption was made and on its experience and perception of historical trends, current conditions and expected further developments as well as other factors deemed appropriate in the circumstances.

By its nature, such forward-looking information is subject to various risks and uncertainties that are known and unknown, including those material risks discussed in PNG's 2011 Annual Information Form under "Risk Factors" which could cause PNG's actual results and experience to differ materially from the anticipated results or other expectations expressed. Such risks and uncertainties include but are not limited to: general economic conditions and markets; gas supply and availability; gas commodity price volatility; competition; decisions by regulators; seasonal weather patterns; federal and provincial climate change initiatives; financing of investments as well as the value of such investments; the cost and availability of capital; the impact on PNG's liquidity if it were to go offside of the covenants in its debt facilities; successful execution of strategic initiatives; the ability of PNG to attract and retain quality employees and the impact of accounting changes including the transition to International Financial Reporting Standards. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this news release or otherwise, 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, except as required by applicable securities laws.

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.

**First Quarter Consolidated Results
Three Month Period Ended
March 31 (\$ thousand, except for per share data)**

	2011	2010
Operating revenues	\$37,479	\$40,235
Cost of gas	<u>19,072</u>	<u>22,338</u>
	18,407	17,897
Net income applicable to common shares	\$26,707	\$5,404
Earnings per common share – basic	\$7.32	\$1.51
Earnings per common share – diluted	\$7.11	\$1.48
Dividends per share	\$3.30	\$0.28
Net income from continuing operations	\$5,970	\$5,687
Earnings per common share from continuing operations		
– basic	\$1.61	\$1.57
– diluted	\$1.57	\$1.53
Net cash from continuing operations operating activities before changes in operating assets and liabilities	\$7,050	\$8,838
Continuing operations changes in operating assets and liabilities	(603)	(7,529)
Additions to plant, property and equipment	(674)	(915)
Repayment of bank indebtedness	(4,836)	(118)
Employee stock option exercise proceeds	1,818	432
Dividends paid	(12,332)	(1,005)

**First Quarter Consolidated Results
As at
(\$ in thousand, except for per share data)**

	March 31 2011	December 31 2010
Cash and cash equivalents	\$18,073	\$1,301
Common shareholders' equity	105,374	89,043
Book value per common share	\$28.20	\$24.63

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