



FOR IMMEDIATE RELEASE – APRIL 29, 2010

PACIFIC NORTHERN GAS REPORTS INCREASE IN FIRST QUARTER EARNINGS AND DECLARES SECOND QUARTER DIVIDENDS

VANCOUVER, BRITISH COLUMBIA - Pacific Northern Gas Ltd. announced today that net income for the three months ended March 31, 2010 was \$5.5 million, compared with net income of \$5.2 million for the corresponding period in 2009. After providing for preferred share dividends, the earnings per common share in the three months ended March 31, 2010 were \$1.51 compared with earnings per common share of \$1.39 for the same period in 2009.

First Quarter 2010 Results

Net income for the quarter was higher in 2010 compared to 2009 by approximately \$0.3 million. This was mainly due to the higher weighted average return on equity (“ROE”) earned in the first quarter of 2010 of 10.09 percent compared to 9.07 percent in the first quarter of 2009, accounting for \$0.6 million. This increase has been partially offset by higher administrative expenditures incurred by the Company for its new strategic initiatives and expenditures for the project to loop the Company’s mainline transmission system from Kitimat to Summit Lake (the “KSL Project”).

Included in net income for the three months ended March 31, 2010 are after-tax charges of \$0.2 million or \$0.06 per share compared to \$0.04 million or \$0.01 per share for the corresponding period in 2009 relating to the Company’s share of development expenditures by Pacific Trail Pipelines Limited Partnership (“PTP”) on the KSL Project.

The Company’s share of planned capital expenditures for the KSL Project in 2010 is expected to be approximately \$5.5 million, of which approximately 90 percent would be capitalized, subject to completing commercial arrangements for the KSL Project transportation capacity by the second quarter of 2010.

Residential deliveries were approximately 18 percent lower in the three months ended March 31, 2010 and total commercial deliveries were 22 percent lower, relative to deliveries over the same period in 2009. Management believes that weather was a key factor in the decrease in both the residential and the commercial deliveries, as it was approximately 13 percent warmer for the three month period ended March 31, 2010 compared to the same period in 2009. The weather was also 5 percent warmer than normal for the three month period ended March 31, 2010, with “normal” based on the average of actual temperatures in the Company’s service areas for the preceding 10 years.

Industrial deliveries were lower by approximately 33 percent for the three month period ended March 31, 2010 compared to the same period in 2009. The decrease in industrial deliveries is comprised of a 48 percent decrease in large industrial customer deliveries, mainly due to the closure of the West Fraser Mills Ltd. Kitimat liner board mill, combined with a 20 percent decrease in small industrial deliveries. The decrease in small industrial customer deliveries relate primarily to the Northeast system. 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.

Operating revenues in the three months ended March 31, 2010 decreased to \$40.2 million compared with \$48.3 million in the corresponding period in 2009. The decrease was primarily due to the lower commodity cost of gas embedded in rates as a result of declining gas market prices.

Operating margin in the three months ended March 31, 2010 increased to \$17.9 million, as compared with \$17.0 million in the same period in 2009, mainly due to the higher ROE in the first quarter of 2010 compared to the first quarter of 2009.

Interim Negotiated Settlements of the 2010 Revenue Requirements Applications

A negotiated settlement process ("NSP") was conducted over the February 8 to 10, 2010 period in respect of the 2010 revenue requirements applications for all of the Company's operating divisions. On March 4, 2010 the B.C. Utilities Commission ("Commission") approved the interim negotiated settlement agreements reached by the parties in February. The agreements are interim pending review of the Company's CAP/ROE Application which is described in more detail below.

Capital Structure and Equity Risk Premium Application (the "CAP/ROE Application")

For many years the Company has maintained higher actual common equity than the Commission has allowed for rate making purposes in order to preserve a reasonable level of financial integrity. As a result, the Company's actual ROE has been less than the ROE approved by the Commission. To address the foregoing and allow the Company the opportunity to earn a fair and reasonable return on its utility investments and achieve improved financial health, on July 16, 2009 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 ROE from 65 to 75 basis points for the Western system and from 40 to 75 basis points for PNG(N.E.)'s Fort St. John/Dawson Creek division and from 65 to 75 basis points for the Tumbler Ridge division of PNG(N.E.).

Under the interim 2010 revenue requirements applications settlement agreements the parties agreed to attempt to negotiate an agreement on the following matters in the context of the CAP/ROE Application:

1. The deemed common equity components used for rate making purposes.
2. The risk premium relative to the benchmark utility ROE.
3. The disposition of the Merrill Lynch option fees which were recorded in a deferral account for future potential disposition as a credit to the Western system cost of service.
4. The level of deferred income taxes draw down in 2010.
5. The disposition of the 2009 ROE deferral accounts established under Commission Order No. G-172-09.

The parties agreed that the permanent rates effective January 1, 2010 would be finalized having regard to the terms of settlement reached in respect of the above matters. The CAP/ROE Application negotiated settlement process commenced on April 26, 2010. The Company expects the negotiated settlement process will be completed in late May 2010 with the Commission approving permanent rates, effective January 1, 2010 that reflect the terms of settlement reached in respect of both the Company's 2010 revenue requirements applications and the CAP/ROE Application.

Launch of Renewable Power Business

On April 7, 2010, the Company announced a partnership with Skookum Power Holdings Corp. ("Skookum Power") to acquire the 9.8 megawatt McNair Creek "run of river" hydro-electricity generation facility from Kiewit Hydropower Investors Inc. and Renewable Power Corp. The McNair Creek facility is located on B.C.'s Sunshine Coast and has been in operation for more than 5 years. The facility's generation is committed for sale under a long-term contract to BC Hydro.

The Company entered into a joint development and operating agreement with Skookum Power gaining access to extensive expertise in hydrology, engineering and commercial development to support its new renewable power business platform. The principals of Skookum Power are former power company executives with collectively more than 50 years experience in the hydro-electricity and energy sectors.

The investment in the McNair Creek facility represents the launch of the Company's renewable power business as part of its business diversification strategy. The key elements of this strategy are to diversify the Company's risk profile, grow its asset base and enhance its cash flows.

The transaction was closed on April 19, 2010 with the Company acquiring a 97 percent interest in the McNair facility. The purchase price was approximately \$17 million and has been funded in part by the assumption of approximately \$9 million in non-recourse debt and the remainder in cash payments. The Company's cash purchase obligations were met through drawings on its existing financial resources. The Company's debt to capitalization will now be approximately 51 percent. The transaction is expected to be cash flow positive and EPS accretive in 2011.

KSL Project

The Company continues to pursue the KSL Project through its 50 percent ownership of PTP. The KSL Project would provide gas transportation services for up to 1.0 billion cubic feet per day, primarily for Kitimat LNG Inc.'s proposed LNG export terminal ("Terminal") to be located approximately 15 kilometers southwest of Kitimat. The KSL Project entails the construction of approximately 470 kilometers of up to 36 inch diameter pipeline and associated compression facilities, at a cost of \$1.2 billion based on estimates made in 2006.

On January 13, 2010 Apache Corporation's subsidiary Apache Canada Ltd. ("Apache") acquired 51 percent of the Terminal. Apache also acquired a 25.5 percent interest in PTP from Galveston LNG Inc., the parent company of Kitimat LNG Inc.

Subject to a number of conditions, construction of the KSL Project by PTP is planned to commence in 2012 for completion in 2014 when the Terminal is planned to begin operation. Conditions to construction include the securing of contracts for use of PTP's transportation capacity, financing for construction of the KSL Project, and additional regulatory approvals for the KSL Project such as a Certificate of Public Convenience and Necessity ("CPCN") from the Commission and other permits from the B.C. Oil and Gas Commission. The Company will be working to finalize transportation reservation agreements for the KSL Project in the second quarter of 2010 at which point it would file its CPCN application with the Commission. The Company can give no assurances that such agreements will be signed or other conditions will be satisfied or that construction of the KSL Project by PTP will proceed.

Dividends

The Board of Directors 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, 2010 to the shareholders of record at the close of business on June 16, 2010.

The Board of Directors also declared a quarterly dividend of 28 cents per share on the Company's common shares, payable June 22, 2010 to shareholders of record at the close of business on June 8, 2010.

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 2009 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)**

	2010	2009
Operating revenues	\$40,235	\$48,318
Cost of sales	<u>22,338</u>	<u>31,288</u>
Operating margin	17,897	17,030
Net income applicable to common shares	\$5,404	\$5,072
Earnings per common share – basic	\$1.51	\$1.39
Earnings per common share – diluted	\$1.48	\$1.38
Dividends per share	\$0.28	\$0.23
Net cash from operating activities before changes in operating assets and liabilities	\$8,530	\$4,880
Changes in operating assets and liabilities	(7,418)	2,113
Additions to plant, property and equipment	(915)	(1,248)
Repayment of bank indebtedness	(118)	(2,998)
Issuance of long-term debt	—	3,000
Dividends paid	(1,005)	(842)

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

	March 31 2010	December 31 2009
Cash and cash equivalents	902	1,511
Common shareholders' equity	90,357	85,436
Book value per common share	\$25.18	\$24.03

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