



FOR IMMEDIATE RELEASE – APRIL 30, 2009

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, 2009 was \$5.2 million, compared with net income of \$4.5 million for the corresponding period in 2008. After providing for preferred share dividends, the earnings per common share in the three months ended March 31, 2009 were \$1.39 compared with earnings per common share of \$1.21 for the same period in 2008.

Net income for the quarter was higher in 2009 compared to 2008 by approximately \$0.7 million with approximately \$0.2 million being due to the Company's higher net residential customer additions in the Northeast system as well as higher commercial and small industrial volumes, compared to the 2009 forecast additions and volumes used for ratemaking purposes. Another \$0.2 million of the higher net income in 2009 was due to lower expenditures on the KSL Project relative to the same period in 2008. The remaining \$0.3 million increase in 2009 first quarter net income over 2008 is related to the recovery of margin following the termination of the Methanex amortization in October 2009. This recovery is collected in rates throughout the year and will impact the first three quarters' net income positively, but will be offset by lower net income in the fourth quarter of 2009.

Included in net income for the three months ended March 31, 2009 are after-tax charges of \$0.04 million or \$0.01 per share compared to \$0.2 million or \$0.07 per share for the corresponding period in 2008 relating to the Company's share of development expenditures by Pacific Trail Pipelines Limited Partnership ("PTP") on the project to loop the Company's mainline transmission system from Kitimat to Summit Lake (the "KSL Project").

The Company's share of planned development expenditures for the KSL Project in the last nine months of 2009 is expected to be approximately \$0.1 million before income taxes (\$0.02 per share, net of income taxes). The Company's share of further KSL Project development expenditures will continue to be expensed until suitable commercial arrangements for firm gas transportation services by PTP are in place.

Residential deliveries were approximately 1 percent higher in the three months ended March 31, 2009 and total commercial deliveries were 9 percent higher, relative to deliveries over the same period in 2008. Management believes that weather was a key factor in the increase in both the residential and the commercial deliveries, as it was approximately 2 percent colder for the three month period ended March 31, 2009 compared to the same period in 2008. The weather was also 7 percent colder than normal for the three month period ended March 31, 2009, 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 8 percent for the three month period ended March 31, 2009 compared to the same period in 2008. The decrease in industrial deliveries is comprised of a 19 percent decrease in large industrial customer deliveries, mainly to West

Fraser Mills Ltd., offset in part by a 6 percent increase in small industrial deliveries. The increase 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 ratemaking purposes.

Operating revenues in the three months ended March 31, 2009 decreased to \$48.3 million compared with \$57.5 million in the corresponding period in 2008. The decrease was primarily due to a reduction of \$12.3 million from the sale of gas surplus from the Company's customer needs ("off system gas sales"). 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 2009 reflects the impact of a reduction in the quantity of gas supply purchased on a committed basis in 2009 compared to 2008. Natural gas commodity prices, which are passed through to the Company's sales customers without mark-up, are volatile and can result in significant variability of the Company's reported operating revenues, but do not affect net income.

Operating margin in the three months ended March 31, 2009 increased to \$17.0 million, as compared with \$16.4 million in the same period in 2008. An estimated \$0.4 million of the higher operating margin in the first quarter is the result of changes in the timing of the Company's revenues in 2009 which will be offset in the fourth quarter of 2009, with the remainder being due to: (i) higher delivery rates in the Western system more than offsetting lower rates in the Northeast system for 2009; (ii) higher than anticipated net residential customer additions; and, (iii) higher than anticipated commercial and small industrial deliveries.

On March 24, 2009, the Company and its customers negotiated settlements of the 2009 revenue requirements applications for each of the Company's divisions. The settlements were approved by the Commission on April 23, 2009. The agreed to Western system delivery charge increase for a typical residential customer is approximately 5 percent compared to rates effective prior to January 1, 2009. This increase has been more than offset by successive gas commodity charge decreases as of January 1 and April 1, 2009. The Fort St. John/Dawson Creek division residential delivery rates declined an average of 3.4 percent primarily due to lower debt interest costs. The Tumbler Ridge division average residential delivery rate also declined by 6.5 percent. The agreed to permanent delivery rates in all divisions are less than the interim rates and therefore customers will be receiving refunds on gas deliveries from January 1 to April 30, 2009.

On April 23, 2009 the Commission approved a Letter Agreement between PNG and Merrill Lynch Commodities, Inc. ("Merrill Lynch") which provides Merrill Lynch with an option to contract for 75 MMcf per day of firm gas transportation service using existing capacity on the Western system. A \$1.5 million option fee deposited by Merrill Lynch into escrow has been released to PNG. Merrill Lynch will have an exclusive option until December 31, 2009 to contract for firm gas transportation capacity for a 2 to 5 year primary term, with a right to renew for an additional 2 to 5 year term. Alternatively, Merrill Lynch may extend the initial option period by up to four six month periods, with payment of \$1 million for each extension. The commencement date for transportation service is targeted for between January 1, 2012 and January 1, 2013.

PTP received its Environmental Assessment Certificate from the B.C. Environmental Assessment Office ("BCEAO") for the KSL Project in June 2008 and received approvals from the Canadian Environmental Assessment Agency ("CEAA") in March 2009. On April 8, 2009

the Province announced an agreement with 15 of the 16 First Nations' bands whose traditional territories would be traversed by the KSL Project. Under the agreement, the Province will provide the First Nations with \$3 million as an incentive for ratification of the KSL Project and a further \$32 million to acquire an equity position in PTP.

Subject to a number of conditions, construction of the KSL Project by PTP is planned to commence in 2010 for completion in 2013 when the LNG export 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, including a Certificate of Public Convenience and Necessity from the Commission and other permits from the B.C. Oil and Gas Commission. The Company can give no assurances that these conditions will be satisfied or that construction of the KSL Project by PTP will proceed.

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, 2009 to the shareholders of record at the close of business on June 16, 2009.

The Board of Directors also declared a quarterly dividend of 23 cents per share on the Company's common shares, an increase of 4.5% from the prior year, payable June 22, 2009 to shareholders of record at the close of business on June 5, 2009.

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.

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. Pacific Northern Gas ("the Company") 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 the Company's 2009 Annual Information Form under "Risk Factors" which could cause the Company'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 the Company's liquidity if it were to go offside of the covenants in its debt facilities; successful execution of strategic initiatives; the ability of the Company 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 the Company 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.

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 (formerly Duke 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)**

	2009	2008
Operating revenues	\$48,318	\$57,529
Cost of sales	<u>31,288</u>	<u>41,173</u>
Operating margin	17,030	16,356
Net income applicable to common shares	\$5,072	\$4,427
Earnings per common share – basic	\$1.39	\$1.21
Earnings per common share – diluted	\$1.38	\$1.20
Dividends per share	\$0.23	\$0.22
Operating cash flow	\$4,880	\$5,227
Additions to plant, property and equipment	(1,248)	(1,803)
Decrease in deferred charges	769	566
Decrease in bank indebtedness	(2,998)	(1,800)
Dividends paid	(842)	(806)

-30-

Contact: Janet Kennedy
Vice President, Finance
(604) 691-5684