

Inter Pipeline Fund Announces Strong First Quarter 2007 Results

CALGARY, ALBERTA, MAY 10, 2007: Inter Pipeline Fund (Inter Pipeline) (TSX: IPL.UN) announced today its financial and operating results for the three month period ended March 31, 2007.

Highlights

- Funds from operations* increased by 14% to \$54.8 million, compared to the same quarter a year ago
- Quarterly payout ratio before sustaining capital* of 77.4%
- Cash distributions to unitholders totalled \$42.4 million, or \$0.21 per unit during the quarter
- Transportation volumes on the Cold Lake pipeline system and conventional oil pipeline systems averaged over 546,000 barrels per day (b/d) during the quarter, over 24,000 b/d higher than the comparable period in 2006
- Conventional oil volumes increased by 5.4% over 2006 levels to 221,400 b/d as a result of increased Bow River southbound deliveries from Hardisty, Alberta to refining markets in the northwest United States
- Announced the acquisition of the Corridor pipeline system from an affiliate of Kinder Morgan Inc.; upon closing of the transaction, Inter Pipeline will transport approximately 50% of Canada's oil sands production
- Subsequent to quarter end, announced the connection of Shell Canada Energy's Orion oil sands project to the Cold Lake pipeline system

* Please refer to the "Non-GAAP Financial Measures" section of the MD&A.

Funds From Operations

In the first quarter of 2007, Inter Pipeline generated funds from operations of \$54.8 million, representing an increase of 14% or \$6.9 million over the same period in 2006. This increase is primarily due to greater volumes transported on the conventional oil pipeline systems and strong frac-spread prices on propane plus volumes produced at the Cochrane natural gas liquids (NGL) extraction facility.

During the first quarter, Inter Pipeline's NGL extraction, conventional oil pipeline, bulk liquid storage and oil sands transportation businesses contributed \$26.9 million, \$23.0 million, \$12.1 million, and \$9.3 million, respectively to funds from operations. Corporate costs, including general and administrative and interest expenses, totalled \$16.5 million.

Cash Distributions	<p>Cash distributions to unitholders during the quarter totalled \$42.4 million, or \$0.21 per unit, resulting in a payout ratio before sustaining capital of 77.4% of funds from operations. These results compare favourably with the 81.5% payout ratio before sustaining capital achieved during the first quarter of 2006.</p> <p>Inter Pipeline currently distributes \$0.07 per unit to unitholders on a monthly basis.</p>
NGL Extraction	<p>Inter Pipeline's NGL extraction business generated strong cash flow during the first quarter as a result of favourable commodity prices and high natural gas volumes. Combined, Inter Pipeline's three NGL extraction facilities processed 4.7 billion cubic feet per day of natural gas, producing an average of 158,200 b/d of NGLs, comprised of 96,700 b/d of ethane and 61,500 b/d of propane plus.</p>
Conventional Oil Pipelines	<p>Throughput volumes on Inter Pipeline's four conventional oil pipeline systems averaged 221,400 b/d during the first quarter, compared to 210,100 b/d during the same period in 2006. The 11,300 b/d increase is primarily the result of higher Bow River southbound volumes sourced at Hardisty, Alberta to major US refining markets. During Q1 2007, volumes initiated at Hardisty averaged 32,400 b/d, representing an increase of approximately 10,400 b/d or 47% over the comparable volumes transported in 2006. The average revenue per barrel from the conventional oil pipelines during the first quarter of 2007 was \$1.55 compared to \$1.52 per barrel in 2006.</p>
Oil Sands Transportation	<p>Throughput volumes on the Cold Lake pipeline system remained strong during the quarter averaging 324,900 b/d. This represents an increase of approximately 12,800 b/d over volumes delivered during the first quarter of 2006. This volume increase is primarily the result of greater oil sands production from EnCana's Foster Creek and Canadian Natural Resources' Wolf Lake oil sands developments.</p> <p>On May 7, 2007, Inter Pipeline announced that Cold Lake Pipeline Limited Partnership will invest approximately \$11 million to provide transportation service to Shell Canada Energy's Orion oil sands project in east central Alberta. New pipeline and related facilities will transport approximately 13,500 b/d of blended bitumen from the first phase of the Orion project. Inter Pipeline's 85% share of the capital cost will be funded through Inter Pipeline's existing credit facilities.</p> <p>Cash flow from the Orion connection is supported by a 10-year ship-or-pay contract that includes provisions for the flow through of all material operating costs.</p>
Bulk Liquid Storage	<p>During the first quarter, Inter Pipeline's bulk liquid storage business contributed \$12.1 million to funds from operations, which is 34.4% higher than the comparable period in 2006. The increase in cash flow was primarily the result of increased activities related to engineering project and facilities management and favourable foreign exchange translation.</p>

Acquisition of Corridor Oil Sands Pipeline System

On March 5, 2007, Inter Pipeline announced that it had entered into an agreement to acquire the Corridor Pipeline System (Corridor) from an affiliate of Kinder Morgan Inc. for cash consideration of approximately \$275 million, subject to closing adjustments and the assumption of approximately \$785 million of existing operating and expansion debt. Funding for the acquisition will be provided from Inter Pipeline's existing revolving bank credit facility. The acquisition is expected to close in May.

Corridor is the sole transporter of diluted bitumen and related products produced by the Athabasca Oil Sands Project (AOSP). Owned by Shell Canada Energy, Chevron Canada Limited and Western Oil Sands, AOSP is a major oil sands mining and bitumen upgrading operation based in Alberta. Corridor provides the transportation link between AOSP's Muskeg River bitumen mining operation near Fort McMurray, Alberta and its Scotford upgrading facility near Edmonton, Alberta.

As a result of the acquisition, Inter Pipeline will also assume responsibility for the completion of an estimated \$1.8 billion expansion of Corridor. This project, which currently is under construction, will allow diluted bitumen capacity on the Corridor system to increase from its current capacity of 280,000 b/d to approximately 465,000 b/d. The Corridor expansion is expected to be in service in 2010.

Cash flow from Corridor is underpinned by a 25-year ship-or-pay contract that ensures the recovery of all operating costs, depreciation, taxes, debt financing costs, and provides a structured return on the equity component of Corridor's rate base. As a result, Corridor's cash flow is not subject to volume or commodity price risk.

Financing Activity

Subsequent to quarter end, Inter Pipeline expanded the size of its revolving credit facility by \$250 million to \$750 million. The increased facility will be used to partially finance the acquisition of the Corridor pipeline system.

Inter Pipeline continued to utilize undistributed funds from operations to reduce bank indebtedness. During the quarter, bank debt was reduced by \$20 million to \$275 million. At March 31, 2007, Inter Pipeline's outstanding debt balance, including convertible debentures, was \$663.9 million, resulting in a total debt to total capitalization ratio of 36.1%.

Conference Call & Webcast

Inter Pipeline will hold a conference call and webcast today at 2:30 p.m. (Mountain Time) / 4:30 p.m. (Eastern Time) to discuss first quarter 2007 financial and operating results.

To participate in the conference call, please dial 866-852-2121 or 416-695-6130. A recording of the call will be available for replay until May 17, 2007, by dialling 888-509-0081 or 416-695-5275. The pass code for the replay is 643782.

A webcast of the conference call can be accessed on Inter Pipeline's website at www.interpipelinefund.com under Investor Relations / Webcasts. A rebroadcast of the conference call will be available on the website for approximately 90 days.

Selected Financial and Operating Highlights

(millions of dollars, except where noted)	Three Months Ended March 31,	
	2007	2006
Extraction Production ¹ (000 b/d)		
Ethane	96.7	100.5
Propane Plus	<u>61.5</u>	<u>56.3</u>
Total Extraction	158.2	156.8
Pipeline Volumes (000 b/d)		
Conventional Oil	221.4	210.1
Cold Lake Pipeline ¹	<u>324.9</u>	<u>312.1</u>
Total Pipeline	546.3	522.2
Revenue		
NGL Extraction	\$196.8	\$195.5
Conventional Oil Pipelines	\$30.9	\$28.7
Oil Sands Transportation	\$14.0	\$13.9
Bulk Liquid Storage	\$42.4	\$31.6
Net Income	\$24.5	\$29.1
Per Unit (basic)	\$0.12	\$0.15
Funds From Operations ²	\$54.8	\$47.9
Per Unit	\$0.27	\$0.25
Cash Distributions	\$42.4	\$39.0
Per Unit	\$0.2100	\$0.1950
Payout Ratio before sustaining capital ²	77.4%	81.5%
Payout Ratio after sustaining capital ²	79.6%	84.4%
Capital Expenditures ²		
Growth	\$15.6	\$10.6
Sustaining	\$1.5	\$1.6

1. Volumes reported on a 100% basis.

2. Please refer to the "Non-GAAP Financial Measures" section of the MD&A.

Inter Pipeline Fund

Inter Pipeline is a major petroleum transportation, bulk liquid storage and natural gas liquids extraction business based in Calgary, Alberta, Canada. Structured as a publicly traded limited partnership, Inter Pipeline owns and operates energy infrastructure assets in western Canada, the United Kingdom, Germany and Ireland. Additional information about Inter Pipeline can be found at www.interpipelinefund.com.

Inter Pipeline is a member of the S&P/TSX Composite Index. Class A Units trade on the Toronto Stock Exchange under the symbol IPL.UN.

Eligible Investors

Only persons who are residents of Canada, or if partnerships, are Canadian partnerships, in each case for purposes of the Income Tax Act (Canada) are entitled to purchase and own Class A Units and debentures of Inter Pipeline.

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Disclaimer

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All dollar values are expressed in Canadian dollars unless otherwise noted.