

## Inter Pipeline Fund Announces Strong First Quarter 2008 Results

**CALGARY, ALBERTA, MAY 8, 2008:** Inter Pipeline Fund (Inter Pipeline) (TSX: IPL.UN) announced today its financial and operating results for the three month period ended March 31, 2008.

### Highlights

- Funds from operations\* increased 38.3% to \$75.8 million, compared to the same quarter a year ago
- Attractive first quarter payout ratio before sustaining capital\* of 61.3%, compared to 77.4% in the first quarter of 2007
- Generated net income of \$60.1 million, representing an increase of 145% compared to first quarter results of last year
- Cash distributions to unitholders totalled \$46.5 million, or \$0.21 per unit during the quarter
- Throughput on Inter Pipeline's oil sands transportation and conventional oil pipeline systems averaged over 775,000 barrels per day (b/d), or roughly 230,000 b/d higher than the same period in 2007
- The Corridor capacity expansion project remains on schedule and on budget with approximately 431 km, or 93% of 42-inch line pipe installed
- Subsequent to quarter end, Standard & Poor's increased Inter Pipeline (Corridor) Inc.'s long-term, investment grade rating to A-

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

### Funds From Operations

Inter Pipeline's funds from operations during the quarter totalled \$75.8 million, up \$21.0 million or 38.3% over the same period in 2007. This increase was primarily due to strong frac-spread prices realized on propane plus sales at the Cochrane natural gas liquids (NGL) extraction facility, and the inclusion of results from the Corridor pipeline system. Inter Pipeline acquired the Corridor system in June 2007 from an affiliate of Kinder Morgan.

In the first quarter, Inter Pipeline's oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed \$18.5 million, \$43.2 million, \$24.4 million and \$9.3 million, respectively, to funds from operations. Corporate charges, including interest and general & administrative expenses totalled \$19.6 million.

**Cash Distributions**

Cash distributions to unitholders during the first quarter totalled \$46.5 million, or \$0.21 per unit, resulting in a payout ratio before sustaining capital of 61.3%. After including \$1.6 million for sustaining capital invested during the quarter, Inter Pipeline's payout ratio remained very attractive at 62.6%. The majority of additional funds generated over and above the \$46.5 million distributed to unitholders have been applied to reduce bank indebtedness.

On a monthly basis, Inter Pipeline's current cash distributions are \$0.07 per unit or \$0.84 per unit on an annualized basis.

**Oil Sands Transportation**

Inter Pipeline's oil sands transportation business segment is comprised of the Cold Lake and Corridor pipeline systems and forms the largest oil sands gathering business in Canada. Volumes transported on the Cold Lake and Corridor systems averaged 569,700 b/d in total during the quarter.

Cold Lake pipeline volumes reached record levels during the quarter, averaging 372,300 b/d, or an increase of 47,400 b/d compared to the first quarter in 2007. Strong production growth from the three founding shippers, Imperial Oil, EnCana and Canadian Natural Resources led to the higher volumes.

Throughput on the Corridor system, including bitumen blend and supplemental feedstock volumes, averaged 197,400 b/d during the quarter. Volumes have substantially returned to shipping levels experienced prior to a fire at Shell's Scotford refinery in late 2007. Cash flow on the Corridor system is protected under a 25 year ship-or-pay contract with Shell, Chevron and Marathon. This contract provides highly stable cash flow which is not dependent on throughput volumes or commodity prices.

**Corridor Expansion Project**

When the Corridor pipeline system was acquired last summer, Inter Pipeline assumed responsibility to complete a major \$1.8 billion capacity expansion project. Bitumen blend capacity on Corridor is expected to increase from 300,000 b/d to 465,000 b/d upon project completion in 2010.

Inter Pipeline is extremely pleased with progress on the Corridor expansion project, which remains on schedule and on budget. During the recently completed winter construction season, 186 km of 42-inch diameter line pipe was installed bringing the total to 431 km or approximately 93% complete. Construction activity this summer will involve the installation of 33 km of 42-inch diameter line pipe and 43 km of 20-inch line pipe. In addition, four new pump stations will be constructed along the Corridor right of way.

During the first quarter of 2008, Inter Pipeline expended approximately \$214 million of growth capital on the Corridor expansion project. As at March 31, 2008, total capital of roughly \$835 million has been spent, representing 46% of total estimated project costs. Approximately 86% of pipeline and facility costs have now either been expended or committed. Accordingly, Inter Pipeline's exposure to major capital cost overruns has largely been mitigated. Inter Pipeline has no capital risk on certain other project items, including line fill, interest during construction and storage tank costs. These variable cost items will be added to Corridor's rate base at their actual cost.

**NGL Extraction** Inter Pipeline's NGL extraction business segment continued to generate strong financial results due to favourable commodity prices and stable natural gas volumes. During the first quarter, the NGL extraction business contributed almost \$215 million to revenue and more than \$43 million to funds from operations.

Inter Pipeline's propane plus sales at the Cochrane NGL extraction facility are exposed to frac-spread, which is the difference between the price of propane-plus products and AECO natural gas. Inter Pipeline's realized frac-spread averaged \$0.741 US/US gallon in the quarter, which is 98% higher than the \$0.375 US/US gallon realized in the same period in 2007. Inter Pipeline's NGL extraction business segment is expected to continue to benefit from a strong frac-spread environment.

Inter Pipeline's three NGL extraction facilities processed 4.2 billion cubic feet per day (bcf/d) of natural gas during the quarter, producing an average of 146,700 b/d of NGL, comprised of 90,900 b/d of ethane and 55,800 b/d of propane plus.

**Conventional Oil Pipelines** Throughput on Inter Pipeline's four conventional oil pipeline systems averaged 205,700 b/d in the first quarter, representing a decrease of 7% from the same period in 2007. The decrease was primarily due to natural declines and a change in blending practices on the Bow River pipeline system to allow delivery of heavier, more viscous crude oil blends from Hardisty, Alberta to refining markets in the northwest United States. Inter Pipeline has implemented toll increases on certain gathering and mainline segments to materially offset the impact of volume declines.

The average revenue per barrel realized on Inter Pipeline's conventional oil pipeline systems was \$1.81, representing an increase of almost 17% compared to \$1.55 per barrel realized in the same quarter in 2007.

**Bulk Liquid Storage** In the first quarter, Inter Pipeline's European bulk liquid storage business contributed \$9.3 million to funds from operation, which was \$2.8 million lower than results in the first quarter of 2007. This decrease is primarily due to foreign exchange rate differences and reduced revenue from ancillary business activities such as trucking and facility management services.

Bulk liquid tank utilization rates continued to remain high, averaging 95.5% during the quarter, which is consistent with the 97.5% utilization rate achieved in Q1 2007. Strong demand for petroleum, petrochemical and biofuel storage capacity in Europe continues to support high utilization rates in this business.

**Financing Activity** As at March 31, 2008, Inter Pipeline's outstanding debt balance was \$2.0 billion, resulting in a total debt to total capitalization ratio of 64.9%. Adjusting for the impact of approximately \$1.2 billion of Corridor's non recourse debt, Inter Pipeline's debt to capitalization ratio was a favourable 41.8%.

Subsequent to quarter end, Standard & Poor's increased Inter Pipeline (Corridor) Inc.'s long term, investment grade credit rating to A- from BBB+. The primary reason for the positive credit upgrade was the solid progress made by Inter Pipeline on the Corridor expansion project. DBRS Limited and Moody's Investors Service also provided Inter Pipeline (Corridor) Inc. with investment grade credit ratings of A (low) and A3, respectively.

**Sustainability and Taxability of Future Cash Distributions**

Last year, as part of Bill C-52, the federal government introduced into legislation its Tax Fairness Plan. Under the plan, all publicly traded flow-through entities such as royalty trusts, income funds and limited partnerships will be required to pay income taxes at rates similar to corporations commencing January 1, 2011.

Inter Pipeline believes it is well positioned to maintain its current level of cash distributions to unitholders through 2011 and beyond, despite becoming a taxable entity. This view is based on Inter Pipeline's continuing strong financial performance, attractive fundamentals in each of its business segments and the expected increase in cash flow following completion of the Corridor expansion project.

It is also important to note that the Tax Fairness Plan will create more favourable tax treatment on cash distributions paid by flow through entities. Today the vast majority of Inter Pipeline's cash distributions are classified as business or interest income for tax purposes. Distributions paid after January 1, 2011 will be treated as eligible Canadian dividends, resulting in a lower effective tax rate in the hands of the taxable investor. For example, using 2007 enacted tax rates, a Canadian resident in the highest marginal tax bracket would have their effective tax rate on taxable distributions reduced by approximately 16% to 25% depending on their province of residence. This more favourable tax treatment will apply to the taxable portion of Inter Pipeline's distributions, excluding a minor amount of interest income sourced from foreign operations.

Investors should be advised that income tax rates are continually subject to future legislative changes, and unitholders are advised to consult their own tax advisors regarding tax-related matters.

**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 2008 financial and operating results.

To participate in the conference call, please dial 800-952-4972 or 403-537-9608. A recording of the call will be available for replay until May 15, 2008, by dialling 800-408-3053 or 416-695-5800. The pass code for the replay is 3259297.

A webcast of the conference call can be accessed on Inter Pipeline's website at [www.interpipelinefund.com](http://www.interpipelinefund.com) by selecting "Investor Relations" then "Webcasts". An archived version of the webcast will be available for approximately 90 days.

## Selected Financial and Operating Highlights

(millions of dollars, except where noted)	Three Months Ended March 31,	
	2008	2007
Extraction production (000 b/d) <sup>1</sup>		
Ethane	90.9	96.7
Propane plus	<u>55.8</u>	<u>61.5</u>
Total extraction	146.7	158.2
Pipeline volumes (000 b/d)		
Conventional oil pipelines	205.7	221.4
Oil sands transportation <sup>1</sup>	<u>569.7</u>	<u>324.9</u>
Total pipeline	775.4	546.3
Revenue		
Oil sands transportation	\$37.3	\$14.0
NGL extraction	\$214.7	\$196.8
Conventional oil pipelines	\$33.9	\$30.9
Bulk liquid storage	<u>\$32.1</u>	<u>\$42.4</u>
Total revenue	\$318.0	\$284.1
Net income	\$60.1	\$24.5
Per unit (basic & diluted)	\$0.27	\$0.12
Funds from operations <sup>2</sup>	\$75.8	\$54.8
Per unit	\$0.34	\$0.27
Cash distributions	\$46.5	\$42.4
Per unit	\$0.21	\$0.21
Payout ratio before sustaining capital <sup>2</sup>	61.3%	77.4%
Payout ratio after sustaining capital <sup>2</sup>	62.6%	79.6%
Capital expenditures <sup>2</sup>		
Growth	\$230.5	\$15.6
Sustaining	<u>\$1.6</u>	<u>\$1.5</u>
Total capital expenditures	\$232.1	\$17.1

1. *Empress V NGL production and Cold Lake volumes reported on a 100% basis.*

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

### MD&A, Financial Statements & Notes

The management's discussion and analysis (MD&A), consolidated financial statements and notes provide a detailed explanation of Inter Pipeline's operating results for the three month period ended March 31, 2008 as compared to the three month period ended March 31, 2007. These documents are posted at [www.interpipelinefund.com](http://www.interpipelinefund.com) and at [www.sedar.com](http://www.sedar.com).

## **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](http://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 of Inter Pipeline.

## **Contact Information**

### **Investor Relations:**

Jeremy Roberge  
Vice President, Capital Markets  
Email: [jroberge@interpipelinefund.com](mailto:jroberge@interpipelinefund.com)  
Tel: 403-290-6015 or 1-866-716-7473

### **Media Relations:**

Michelle Dawson  
Director, Public and Regulatory Affairs  
Email: [mdawson@interpipelinefund.com](mailto:mdawson@interpipelinefund.com)  
Tel: 403-290-2643

## **Disclaimer**

Certain information contained herein may constitute forward-looking statements that involve risks and uncertainties. Forward-looking statements in this news release include, but are not limited to, statements regarding Inter Pipeline's belief that it is well positioned to maintain its current level of cash distributions to unitholders through 2011 and beyond. Readers are cautioned not to place undue reliance on forward-looking statements. Such information, although considered reasonable by the General Partner of Inter Pipeline at the time of preparation, may later prove to be incorrect and actual results may differ materially from those anticipated in the statements made. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects" and similar expressions. Such risks and uncertainties include, but are not limited to, risks associated with operations, such as loss of markets, regulatory matters, environmental risks, industry competition, potential delays and cost overruns of construction projects, including the Corridor pipeline system expansion project, and the ability to access sufficient capital from internal and external sources. You can find a discussion of those risks and uncertainties in Inter Pipeline's securities filings at [www.sedar.com](http://www.sedar.com). The forward-looking statements contained in this news release are made as of the date of this document, and, except to the extent required by applicable securities laws and regulations, Inter Pipeline assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary note.

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