

Inter Pipeline Fund Announces Strong First Quarter 2009 Results

CALGARY, ALBERTA, MAY 7, 2009: Inter Pipeline Fund (Inter Pipeline) (TSX: IPL.UN) announced today its financial and operating results for the three month period ended March 31, 2009.

Highlights

- Funds from operations* totalled \$66.1 million in the first quarter
- Attractive payout ratio before sustaining capital* of 71.0%
- Cash distributions to unitholders totalled \$46.9 million, or \$0.21 per unit during the quarter
- Throughput on Inter Pipeline's oil sands transportation and conventional oil pipeline systems averaged 774,800 barrels per day (b/d), consistent with the first quarter of 2008
- The Corridor capacity expansion project remains on schedule and on budget with all line pipe installed and facility construction substantially complete
- Valley pipeline system sold for \$28 million at attractive metrics; transaction closed in early April 2009
- Subsequent to quarter end, announced a \$72 million expansion project on the Bow River system to allow shipment of segregated crude oil streams from the Hardisty oil storage hub
- Subsequent to quarter end, announced plans to implement a Premium Distribution™ and Distribution Reinvestment Plan

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

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Funds From Operations

Funds from operations during the quarter totalled \$66.1 million, down \$9.7 million or 13% from the same period in 2008. Lower results were primarily due to weaker frac-spread prices realized on propane-plus sales at the Cochrane natural gas liquids (NGL) extraction facility. NGL pricing impacts were partially offset by increased revenue in the conventional oil pipelines business segment and reductions in corporate costs.

In the first quarter, Inter Pipeline's oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed \$18.0 million, \$26.2 million, \$28.5 million and \$10.5 million, respectively, to funds from operations. Corporate charges, including interest and general & administrative expenses totalled \$17.1 million.

Cash Distributions

Cash distributions to unitholders during the first quarter totalled \$46.9 million, or \$0.21 per unit, resulting in a payout ratio before sustaining capital of 71.0%. After including \$2.9 million of sustaining capital costs incurred during the quarter, Inter Pipeline's payout ratio remained strong at 74.3%.

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

Inter Pipeline continues to believe that it is well positioned to maintain its current level of cash distributions to unitholders through 2010 and beyond, despite becoming a taxable entity in 2011. Attractive fundamentals within each of Inter Pipeline's four business segments combined with a strong inventory of organic growth opportunities continue to support this positive outlook.

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 592,700 b/d in total in the first quarter of 2009, up 4% over the comparable period of 2008.

Cold Lake pipeline volumes reached record levels during the quarter, averaging 386,800 b/d, an increase of 14,500 b/d compared to the first quarter in 2008. Producers in the Cold Lake region have been successful increasing oil production through recent capital expenditure programs.

Throughput on the Corridor system, including bitumen blend and supplemental feedstock volumes, averaged 205,900 b/d during the quarter, up 4% from first quarter 2008 volumes. Production volumes from the Athabasca Oil Sands project were adversely affected by weather-related factors during the first quarter last year. Cash flow on the Corridor system is generated under a 25-year cost of service 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

The \$1.8 billion capacity expansion project on the Corridor system, the largest growth project in Inter Pipeline's history, continued to progress successfully in the first quarter. With all line pipe successfully installed and facility work substantially complete, the project remains on schedule and on budget. When completed, bitumen blend capacity on Corridor is expected to increase from 300,000 b/d to 465,000 b/d.

In the first quarter of 2009, capital expenditures on the Corridor expansion project were approximately \$41 million. As of March 31, 2009, total capital of roughly \$1,174 million has been spent on the project. Approximately 92% of pipeline and facility costs susceptible to major cost overruns have now either been expended or committed. Accordingly, Inter Pipeline's exposure to significant capital cost overruns has largely been mitigated. Inter Pipeline has no capital risk on certain other cost components, 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 generated strong financial results in the first quarter of 2009, despite lower natural gas processing rates and weaker NGL sales prices compared to last year. Revenue for the period was approximately

\$143 million and funds from operations were over \$26 million.

Propane-plus sales at the Cochrane NGL extraction facility are exposed to frac-spread, which is the difference between the price of propane-plus product sales and the cost of natural gas feedstock. Frac-spreads decreased year-over-year as the price of propane-plus products, which tends to follow crude oil prices, fell relative to natural gas prices. Inter Pipeline's realized frac-spread was \$0.45 US/US gallon in the quarter, 39% lower than the \$0.74 US/US gallon realized in the same period in 2008. Since bottoming in late 2008, frac-spread prices have continued to improve. Current prices are significantly higher than the 15 year average market frac-spread of \$0.32 US/US Gallon.

Inter Pipeline's three NGL extraction facilities processed 3.5 billion cubic feet per day (bcf/d) of natural gas during the quarter, producing an average of 127,200 b/d of NGL, comprised of 80,000 b/d of ethane and 47,200 b/d of propane-plus. Combined NGL production was 19,500 b/d lower than extraction rates achieved in the first quarter of 2008, mainly the result of a construction-related shutdown at the Empress V extraction plant.

Conventional Oil Pipelines

Throughput on Inter Pipeline's conventional oil pipeline systems averaged 182,100 b/d in the first quarter, a decrease of 12% from the same period in 2008. Lower throughput volumes were the result of natural production declines and the impact of maintenance activities at a refinery that sources crude oil from the Bow River pipeline system. Toll increases on certain gathering and mainline segments more than offset the revenue impact of volume declines. Inter Pipeline also continued to earn additional revenue under its marketing agreement with Nexen.

The average revenue per barrel realized on Inter Pipeline's conventional oil pipeline systems was \$2.36, an increase of 30% over the \$1.81 per barrel realized in the same quarter of 2008.

In the first quarter, Inter Pipeline announced the sale of its Valley pipeline system for \$28 million. The Valley system is a small condensate delivery pipeline located in southern Alberta. Inter Pipeline's divestiture decision was based on the attractive sale price realized and the fact that the Valley system is a non-core asset with limited growth potential. In 2008, the Valley system generated less than 1% of Inter Pipeline's total cash flow, and represented less than 1% of combined throughput volumes on its operated pipeline systems in Canada. The transaction closed in early April 2009.

Subsequent to quarter end, Inter Pipeline announced plans to proceed with a \$72 million expansion project on the Bow River pipeline system. The project will allow customers to ship segregated oil streams from the Hardisty oil storage hub to refining customers in Montana. Inter Pipeline's investment is backed by firm shipping commitments of 30,000 b/d for an initial term of 7 years. Construction activities are scheduled to be complete in the first quarter of 2010. As a result of this investment, Inter Pipeline expects to generate approximately \$16.5 million per year in incremental cash flow.

Bulk Liquid Storage

In the first quarter of 2009, Inter Pipeline's European bulk liquid storage business contributed \$10.5 million to funds from operations, an increase of \$1.2 million over results in the first quarter of 2008. This increase is primarily due to additional revenue from core storage and handling activities.

Tank utilization rates remained high, averaging 97.3% during the quarter, up from the 95.5% utilization rate achieved in the first quarter of 2008. Strong demand for oil and petrochemical product storage in Europe continues to support high utilization rates in this business.

Financing Activity

As at March 31, 2009, Inter Pipeline's outstanding debt balance was \$2.4 billion, resulting in a consolidated debt to total capitalization ratio of 68.0%. Adjusting for the impact of approximately \$1.6 billion of Corridor's non-recourse debt, Inter Pipeline's recourse debt to capitalization ratio was a favourable 42.2%. At quarter end, Inter Pipeline had access to approximately \$1.2 billion of available capacity on its credit facilities. These facilities have been syndicated with a well-diversified group of 16 major lending institutions. The term of Inter Pipeline's core credit facilities extend through late 2012.

Inter Pipeline continues to maintain investment grade credit ratings. In 2008, Standard & Poor's revised their outlook on Inter Pipeline's BBB long-term corporate credit rating to positive from negative due to solid progress made on the Corridor expansion project. Standard & Poor's also raised the rating on Inter Pipeline (Corridor) Inc. to A- from BBB+.

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 2009 financial and operating results.

To participate in the conference call, please dial 866-225-0198 or 416-340-8061. A recording of the call will be available for replay until May 14, 2009, by dialling 800-408-3053 or 416-695-5800. The pass code for the replay is 2450686.

A webcast of the conference call can be accessed on Inter Pipeline's website at 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,	
	2009	2008
Extraction production (000 b/d) ¹		
Ethane	80.0	90.9
Propane plus	<u>47.2</u>	<u>55.8</u>
Total extraction	127.2	146.7
Pipeline volumes (000 b/d)		
Conventional oil pipelines	182.1	205.7
Oil sands transportation ¹	<u>592.7</u>	<u>569.7</u>
Total pipeline	774.8	775.4
Revenue		
Oil sands transportation	\$33.6	\$37.3
NGL extraction	\$143.2	\$214.7
Conventional oil pipelines	\$38.7	\$33.9
Bulk liquid storage	<u>\$30.1</u>	<u>\$32.1</u>
Total revenue	\$245.6	\$318.0
Net income	\$43.4	\$60.1
Per unit (basic & diluted)	\$0.19	\$0.27
Funds from operations ²	\$66.1	\$75.8
Per unit	\$0.30	\$0.34
Cash distributions	\$46.9	\$46.5
Per unit	\$0.21	\$0.21
Payout ratio before sustaining capital ²	71.0%	61.3%
Payout ratio after sustaining capital ²	74.3%	62.6%
Capital expenditures ²		
Growth	\$57.0	\$230.5
Sustaining	<u>\$2.9</u>	<u>\$1.6</u>
Total capital expenditures	\$59.9	\$232.1

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

Management's discussion and analysis (MD&A) and unaudited consolidated financial statements as at March 31, 2009 provide additional information about Inter Pipeline's operating results for the three month period ended March 31, 2009 as compared to the three month period ended March 31, 2008. These documents are available at www.interpipelinefund.com and 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.

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.

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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 2010 and beyond, and statements regarding the potential cash flow contributions from the Bow River segregation project. 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. 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.

Non-GAAP Financial Measures

Certain financial measures referred to in this news release are not measures recognized by GAAP. These non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Investors are cautioned that these non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP.