

## Inter Pipeline Fund Announces Strong Third Quarter 2009 Results

**CALGARY, ALBERTA, NOVEMBER 5, 2009:** Inter Pipeline Fund (“Inter Pipeline”) (TSX: IPL.UN) announced today its financial and operating results for the three and nine month periods ended September 30, 2009.

### Highlights

- Funds from operations\* totalled \$81.3 million in the third quarter
- Strong payout ratio before sustaining capital\* of 64.4% for the third quarter
- Cash distributions to unitholders totalled \$52.4 million, or \$0.21 per unit during the quarter
- Throughput volumes on Inter Pipeline’s oil sands transportation and conventional oil pipeline systems averaged 734,700 barrels per day (b/d)
- Construction of the Corridor expansion project mechanically completed on schedule and under budget; firm revenue commencement date of no later than January 1, 2011
- Nexen storage and marketing agreement extended for 3 years
- DBRS upgraded the trend outlook on Inter Pipeline and Corridor debt from stable to positive, and Standard & Poor’s increased the outlook on Corridor debt from stable to positive
- Subsequent to quarter end, announced a 7.1% increase to monthly cash distributions to unitholders commencing December 2009 for distributions payable in January 2010

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

### Funds From Operations

Funds from operations during the quarter were very strong, totalling \$81.3 million, a decrease of only \$4.4 million from record results realized in the same period of 2008. The small decline is primarily due to exceptional pricing on propane-plus sales at Cochrane in the third quarter of 2008 and lower funds from operations in the conventional business segment in the third quarter of 2009 as compared to 2008. Decreases in these segments were partially offset by a positive variance in the oil sands transportation segment.

In the third quarter of 2009, Inter Pipeline’s oil sands transportation, NGL extraction, conventional oil pipelines and bulk liquid storage businesses contributed \$18.6 million, \$40.9 million, \$27.3 million and \$10.6 million, respectively, to funds from operations. Corporate charges, including interest and general & administrative expenses totalled \$16.1 million, a decrease of \$2.1 million from the third quarter of 2008.

**Cash Distributions**

Inter Pipeline distributed \$52.4 million, or \$0.21 per unit, to unitholders in the third quarter of 2009 resulting in a strong payout ratio before sustaining capital of 64.4%. After including \$4.0 million of sustaining capital costs incurred during the quarter, the payout ratio was 67.7%.

Current cash distributions are \$0.07 per unit monthly or \$0.84 per unit on an annualized basis. In October 2009, Inter Pipeline announced an increase to monthly distributions effective for payment in January 2010. Monthly cash distributions will increase from \$0.07 per unit to \$0.075 per unit, or \$0.90 per unit annualized, representing an increase of 7.1%.

Inter Pipeline believes that it is well positioned to maintain its increased level of cash distributions to unitholders through 2011 and beyond, despite becoming a taxable entity in 2011. Attractive fundamentals within each of Inter Pipeline's four business segments combined with successful advancement of organic development opportunities support this positive outlook. Current projects underway including the Corridor expansion, Kearl diluent transportation and Bow River segregation projects are together expected to contribute approximately \$200 million in incremental EBITDA per year once in service.

**Oil Sands Transportation**

Inter Pipeline's oil sands transportation business segment consists of the Cold Lake and Corridor pipeline systems. Together they comprise the largest oil sands gathering business in Canada. In the third quarter, volumes transported on the two systems averaged 572,900 b/d, an increase of 21,600 b/d or 4% over third quarter 2008 volumes.

Cold Lake pipeline volumes averaged 356,900 b/d in the quarter, an increase of 28,500 b/d over the same period of 2008. While volumes on the Cold Lake system fluctuate with the timing of steam injection cycles, overall production from major producers in the Cold Lake area continues to grow.

Volumes on the Corridor pipeline system averaged 216,000 b/d in the third quarter, down 3% from third quarter 2008 levels. Lower shipments on the Corridor system in the third quarter of 2009 were the result of maintenance activity at Shell's Scotford upgrader, which processes Corridor volumes. Cash flow on the Corridor system is underpinned by a 25-year cost of service contract with Shell, Chevron and Marathon, providing highly stable cash flow which is not dependent on throughput volumes or commodity prices.

In the third quarter, preliminary engineering work began on the \$135 million Kearl diluent transportation project, which was announced in the second quarter of 2009. This project will transport diluent to Imperial Oil and ExxonMobil Canada's Kearl oil sands project under a 25-year ship-or-pay contract. The initial volume commitment is 60,000 b/d, which is expected to generate approximately \$40 million annually in EBITDA once diluent deliveries begin late in 2012.

**Corridor Expansion Project**

The \$1.8 billion Corridor capacity expansion project achieved a major milestone in the third quarter, with the project achieving mechanical completion. Inter Pipeline completed construction of the project on schedule and approximately \$100 million under budget. Bitumen blend capacity on Corridor is expected to initially increase from 300,000 b/d to 465,000 b/d once the expansion goes into service.

In the third quarter of 2009, capital expenditures on the Corridor expansion project were \$376 million. As of September 30, 2009, approximately \$1.6 billion has been spent on

the project. With pipeline installation and facility construction now complete, Inter Pipeline's exposure to major cost overruns has been eliminated. Inter Pipeline has no capital risk on certain remaining cost components, including line fill, remaining tank costs and interest during construction. These cost items will be added to Corridor's rate base at their actual cost.

The expansion is expected to be in service in late 2010. Costs being added to the Corridor rate base through the expansion project will begin generating incremental revenue no later than January 1, 2011.

**NGL Extraction** Financial results from Inter Pipeline's NGL extraction business segment were lower than the comparable period in 2008 due largely to lower NGL prices and reduced throughput at the Empress facilities.

Natural gas processed at Inter Pipeline's three NGL extraction facilities totalled 2.8 billion cubic feet per day (bcf/d) in the third quarter, a decrease of 14% from the third quarter of 2008, as east-bound natural gas flows through the Empress facilities were lower than in 2008. However, throughput volumes at the Cochrane facility increased by 0.3 bcf/d, partially offsetting the reduction at Empress. Volume reductions at Empress mainly impacted the Empress II facility, which is supported by a cost-of-service contract and financial impact to Inter Pipeline was therefore minimal. NGL production at the three facilities averaged 106,500 b/d, comprised of 68,100 b/d of ethane and 38,400 b/d of propane-plus. Due to the reduced flows at Empress, combined NGL production was 17,700 b/d lower than production levels in the third quarter of 2008.

Propane-plus sales from 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 acquired to replace heat content of liquids removed through NGL extraction. Frac-spreads in the third quarter decreased from very high levels in 2008, but were nevertheless strong relative to long term averages. Inter Pipeline's realized frac-spread was \$0.74 USD/US gallon in the quarter, 19% lower than the \$0.92 USD/US gallon realized in the same period in 2008. Current frac-spread prices are significantly higher than the 15-year average market frac-spread as of December 31, 2008 of \$0.32 USD/US gallon.

**Conventional Oil Pipelines** Inter Pipeline's conventional oil pipeline systems transported an average of 161,800 b/d in the third quarter, a decrease of 19% from the same period in 2008. Natural declines, a refinery turnaround, the sale of the Valley pipeline and a short-term change in oil pricing relationships caused the reduced volumes. These oil pricing relationships created an incentive for certain producers to temporarily direct volumes away from truck terminal facilities located on the Central Alberta system. Pipeline toll increases in 2009 partially offset revenue declines associated with the reduced volumes. Results from the Nexen storage and marketing agreement were also lower than in the third quarter of 2008 due to changes in blending activity related to short-term changes in oil pricing relationships.

Revenue realized on Inter Pipeline's conventional oil pipeline systems averaged \$2.42 per barrel in the third quarter, up \$0.28 from the \$2.14 per barrel realized in the same quarter of 2008.

A \$72 million expansion of the Bow River pipeline system, announced in the second quarter, continued on schedule and on budget in the third quarter. This 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. In the third quarter,

construction progressed according to plan, with all long lead time items now procured. Commissioning activities are expected to occur in the fourth quarter of 2009. As a result of this investment, Inter Pipeline expects to generate approximately \$16.5 million per year in incremental EBITDA beginning in 2010.

In the third quarter, Inter Pipeline improved the terms and extended the duration of its storage and marketing agreement with Nexen Marketing to April 2012. The strategic marketing relationship with Nexen allows Inter Pipeline to share in profits generated from marketing-related activities associated with its oil storage and terminalling facilities. Under the Nexen agreement Inter Pipeline assumes no marketing risk and has no downside financial exposure.

## **Bulk Liquid Storage**

Inter Pipeline's European bulk liquid storage business generated funds from operations of \$10.6 million in the third quarter, about 3% lower than in third quarter 2008. The decline primarily resulted from the change in strategic focus away from non-core lines of business such as product hauling, engineering services and third party facility management towards the higher-margin core storage and handling business. Refocusing the strategy has resulted in lower revenues on a year-over-year basis, partially offset by a corresponding reduction in operating expenses and administration costs.

Tank utilization rates continued to be strong in the third quarter, averaging 96.3%, exceeding the 95.5% utilization rate achieved in the third quarter of 2008. Demand for bulk liquid storage in Europe continues to be strong, generating high utilization rates. Two new tanks added in the quarter at the Immingham terminal on the east coast of England increased capacity by approximately 80,000 barrels. Total storage capacity at the eight terminals in Europe is now approximately 7.9 million barrels.

## **Financing Activity**

At September 30, 2009, Inter Pipeline's outstanding debt balance was \$2.6 billion, resulting in a consolidated debt to total capitalization ratio of 66.4%. Adjusting for the impact of approximately \$1.9 billion of Inter Pipeline (Corridor) Inc.'s non-recourse debt, Inter Pipeline's recourse debt to capitalization ratio was a very favourable 35.2%. At the end of the third quarter, Inter Pipeline had access to approximately \$1.0 billion of available capacity on its credit facilities. The terms of Inter Pipeline's core credit facilities extend through late 2012.

Inter Pipeline's new distribution reinvestment plan, implemented in May 2009, has been very successful to date. The new plan continues to exceed initial expectations and generate a significant stream of equity capital. Unitholder participation rates have exceeded 60%, enabling Inter Pipeline to issue approximately \$57 million of equity capital since inception of the new plan.

Inter Pipeline continues to maintain investment grade credit ratings. Both Standard & Poor's and DBRS have assigned an investment grade long-term credit rating of BBB to Inter Pipeline. In the third quarter of 2009, DBRS issued a revised outlook on both Inter Pipeline and Inter Pipeline (Corridor) Inc., raising the trend outlook from stable to positive for each entity. Standard & Poor's also increased the outlook on Inter Pipeline (Corridor) Inc. from stable to positive in the third quarter.

**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 third quarter 2009 financial and operating results.

To participate in the conference call, please dial 866-225-2055 or 416-340-8410. A recording of the call will be available for replay until November 12, 2009, by dialling 800-408-3053 or 416-695-5800. The pass code for the replay is 7118042.

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 September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Extraction production <sup>1</sup> (000 b/d)				
Ethane	68.1	78.6	70.1	77.5
Propane-plus	<u>38.4</u>	<u>45.6</u>	<u>39.4</u>	<u>45.8</u>
Total extraction production	106.5	124.2	109.5	123.3
Pipeline volumes (000 b/d)				
Oil sands transportation <sup>1</sup>	572.9	551.3	578.4	552.1
Conventional oil pipelines	<u>161.8</u>	<u>199.0</u>	<u>172.1</u>	<u>200.4</u>
Total pipeline volumes	<u>734.7</u>	<u>750.3</u>	<u>750.5</u>	<u>752.5</u>
Revenue				
Oil sands transportation	\$32.2	\$35.2	\$96.4	\$111.0
NGL extraction	\$127.3	\$231.4	\$368.6	\$644.5
Conventional oil pipelines	\$36.1	\$39.3	\$114.5	\$108.6
Bulk liquid storage	\$28.9	\$34.9	\$87.9	\$100.7
Net income	\$51.9	\$76.8	\$134.6	\$147.2
Per unit (basic & diluted)	\$0.21	\$0.34	\$0.58	\$0.66
Funds from operations <sup>2</sup>	\$81.3	\$85.7	\$215.9	\$228.3
Per unit	\$0.33	\$0.39	\$0.93	\$1.03
Cash distributions	\$52.4	\$46.7	\$147.9	\$139.8
Per unit	\$0.21	\$0.21	\$0.63	\$0.63
Payout ratio before sustaining capital <sup>2</sup>	64.4%	54.5%	68.5%	61.2%
Payout ratio after sustaining capital <sup>2</sup>	67.7%	56.9%	72.0%	63.5%
Capital expenditures				
Growth <sup>2</sup>	\$417.0	\$151.6	\$520.0	\$500.7
Sustaining <sup>2</sup>	<u>\$4.0</u>	<u>\$3.5</u>	<u>\$10.6</u>	<u>\$8.2</u>
Total capital expenditures	\$421.0	\$155.1	\$530.6	\$508.9

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 September 30, 2009 provide additional information about Inter Pipeline's operating results for the three and nine month periods ended September 30, 2009 as compared to the three and nine month periods ended September 30, 2008. These documents are available at [www.interpipelinefund.com](http://www.interpipelinefund.com) and [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.

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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 increased level of cash distributions to unitholders through 2011 and beyond, statements regarding the potential cash flow contributions from the Kearl Diluent project and the Bow River segregation project, and timing and completion of its Corridor, Bow River and Kearl projects. 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.

## **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.