inter pipeline

News Release

Inter Pipeline Fund Announces Diluent Transportation Agreement for Sunrise Oil Sands Project

CALGARY, ALBERTA, October 18, 2010: Inter Pipeline Fund ("Inter Pipeline") (TSX: IPL.UN) announced today that it has entered into a long term agreement to provide diluent transportation service for the proposed Sunrise oil sands project currently under development by Husky Oil Operations Limited ("Husky") and BP Canada Energy Company ("BP"). Diluent supply will be transported on Inter Pipeline's Polaris pipeline system which connects the Edmonton market hub to the Fort McMurray oil sands region.

Under a 20-year ship-or-pay contract, Inter Pipeline will provide 30,000 barrels per day ("b/d") of committed capacity to the Sunrise project on its Polaris pipeline system. Inter Pipeline expects to invest approximately $15 million to provide a new pipeline connection to the Sunrise project and install related facilities. The construction and commissioning of all new facilities is expected to be complete in late 2013.

"The transportation agreement announced today with Husky and BP represents another important step forward in the development of our Polaris pipeline system," stated David Fesyk, Inter Pipeline's President and CEO. "This is a highly accretive deal that will allow us to realize significant, long term cash flow on a relatively small capital investment. It also strengthens our position as owner and operator of the primary diluent transportation network for Alberta's oil sands."

The new connection to the Sunrise project follows an earlier announcement that Inter Pipeline's Polaris pipeline system will provide diluent transportation service to the Kearl oil sands project jointly owned by Imperial Oil Limited and Exxon Mobil Canada. Between the Sunrise and Kearl projects, Inter Pipeline has secured long term agreements to transport a minimum of 90,000 b/d of diluent on the Polaris system.

Project Description

The Sunrise project is a large scale oil sands development which will employ steam assisted gravity drainage technology to produce bitumen. Husky, as the operator of the Sunrise project, has stated that bitumen production should reach 200,000 b/d over the next ten years. Husky estimates the first 60,000 b/d phase of production will cost $2.5 billion.

Inter Pipeline will transport diluent to the Sunrise project on its existing Polaris pipeline system for subsequent blending with extracted bitumen. The new facilities will include approximately 5 kilometres of 8-inch diameter pipe and related measurement and control facilities. Capital costs are estimated at $15 million and all new infrastructure is expected to be in commercial service in late 2013.

"New facilities have been designed for cost-effective expansion in support of the planned development of the Sunrise project," commented David Fesyk. "Furthermore, construction activities are very well aligned with work currently underway to connect the Kearl project to the Polaris pipeline system. This will translate into significant construction and operational synergies."

Key Commercial Terms

The transportation agreement has been structured to provide Inter Pipeline with stable and highly predictable cash flow. The initial term of the agreement is 20 years with options to renew transportation commitments for up to an additional 30 years.

Inter Pipeline will collect fixed annual payments under a ship-or-pay contract structure. Payments will not be impacted by commodity prices or pipeline throughputs below minimum capacity commitments. All operating and sustaining capital costs will be recovered on a flow through basis.

The agreement is subject to the first phase of the Sunrise project being fully sanctioned by its owners. Inter Pipeline anticipates that this funding decision will be made by the end of 2010.

Attractive Investment Economics

Inter Pipeline's investment to connect the Sunrise project is expected to generate long term EBITDA of approximately $27 million per year. Cash flow in the initial two contract years will be lower to reflect the expected ramp up in production from the Sunrise project and corresponding ship-or-pay commitments. Inter Pipeline expects to generate $9 million in the first contract year commencing in late 2013, and $25 million in the second contract year. Thereafter, EBITDA will remain constant at $27 million per year for the remainder of the initial 20 year term.

The project is expected to be highly accretive, providing approximately $0.06 per unit in additional cash available for distribution.

Inter Pipeline is positioned to capture additional upside if production from the initial phase of the Sunrise project exceeds minimum shipping commitments or if its owners proceed with future planned phases. Inter Pipeline may also benefit from potential third party connections to the Polaris system.

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 set forth above may contain forward-looking statements that involve risks and uncertainties. Readers are cautioned not to place undue reliance on forward-looking statements, including statements regarding levels and timing of cash flow potentially generated by this project and accretion estimates. 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 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. 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.

Non-GAAP Financial Measures

Certain financial measures referred to in this news release, namely "cash available for distribution" and "EBITDA" 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.

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