inter pipeline

# News Release

# Inter Pipeline Fund Announces Transportation Agreement for Canadian Natural Resources Kirby South Oil Sands Project

**CALGARY, ALBERTA, AUGUST 8, 2013:** Inter Pipeline Fund (“Inter Pipeline”) (TSX: IPL.UN) announced today that it has entered into a long term agreement with Canadian Natural Resources (“CNR”) to transport diluent and bitumen blend for the Kirby South oil sands project. Approximately $95 million in pipeline and associated facilities have been constructed to connect the Kirby South production site to the Cold Lake pipeline system.

Under the terms of the agreement, CNR has contracted for approximately 63,000 barrels per day (b/d) of bitumen blend and 18,000 b/d of diluent transportation capacity for the Kirby South project beginning in August 2013. Inter Pipeline’s investment is supported by a long term contract which does not involve exposure to throughput volumes or commodity price fluctuations.

“We are very pleased to be the transportation service provider for the Kirby South oil sands project,” commented David Fesyk, President and CEO of Inter Pipeline. “This is a highly accretive investment which complements our current expansion activities in the Cold Lake region. Our long term, integrated expansion plans are unfolding as we anticipated.”

In late March, Inter Pipeline announced that it had executed definitive transportation agreements for a major $2.6 billion capacity expansion program on its Cold Lake and Polaris systems in support of three oil sands projects owned by the FCCL Partnership (“FCCL”), a business venture between Cenovus and ConocoPhillips.

**Project Description**

Kirby South is a new large scale in-situ oil extraction project which will utilize steam assisted gravity drainage technology to recover subsurface bitumen. The Kirby South production site is located approximately 10 kilometres (“km”) south of Conklin, Alberta and is in close proximity to new pipeline infrastructure being constructed under Inter Pipeline’s previously announced $2.6 billion integrated oil sands development program. Inter Pipeline expects to capture certain cost synergies through the coordination of construction activities. In addition, production from the Kirby South project will be shipped on certain common segments of pipeline where surplus capacity will be available, making this a very capital-efficient investment.

Transportation of bitumen blend for the Kirby South project will be provided through a new 20 km, 16-inch diameter pipeline lateral from CNR’s production site to Inter Pipeline’s Winefred Junction. This lateral connects to a new 30-inch pipeline constructed to transport bitumen blend from three regional oil sands projects owned by FCCL. Approximately 20 km of new 10-inch pipeline has also been constructed from Winefred Junction to the Kirby South site to provide diluent transportation service.

Construction began in the fall of 2012 and all new facilities are expected to be in service in August 2013. A map showing the configuration of new facilities related to the Kirby South project is available on our website at www.interpipelinefund.com .

**Commercial Terms and Economics**

The transportation agreement announced today will provide Inter Pipeline with highly stable, long term cash flow. Under the terms of the contract, CNR will make fixed annual transportation payments which are not dependent on actual volumes shipped. All operating costs will also be recovered on a flow through basis.

Total capital expenditures are expected to be approximately $95 million based on Inter Pipeline's 85% interest in the Cold Lake Limited Partnership. Inter Pipeline expects to earn incremental EBITDA of $35 million per year once this highly accretive project enters commercial service in August 2013. The investment is expected to provide approximately $0.07 per unit in accretion relative to cash available for distribution.

**Financing**

Inter Pipeline's financing plan for the $95 million Kirby South connection has been developed in tandem with capital funding plans for its $2.6 billion integrated expansion program on the Cold Lake and Polaris systems. Inter Pipeline anticipates that combined capital commitments will be met through a combination of capacity available under its existing committed credit facility, undistributed cash flow from operations, the periodic issuance of new term debt and proceeds from existing distribution re-investment programs. In addition, Inter Pipeline may supplement its capital requirements through the periodic issuance of comparatively small amounts of underwritten equity.

Inter Pipeline's financial position is supported by investment grade credit ratings, a strong balance sheet and excellent access to capital markets.

**Inter Pipeline Fund**

Inter Pipeline is a major petroleum transportation, natural gas liquids extraction, and bulk liquid storage 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, Denmark, 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**

Pursuant to Inter Pipeline's limited partnership agreement dated October 9, 1997, as amended, all unitholders are required to be residents of Canada. A copy of the limited partnership agreement can be found at www.interpipelinefund.com by selecting "Corporate Governance". If a unitholder is a non-resident of Canada ("Non-Eligible Unitholder"), he will not be considered to be a member of the partnership effective as of the date Class A Units were acquired. Inter Pipeline requires all Non-Eligible Unitholders to dispose of their Class A Units in accordance with the limited partnership agreement.

In most cases, a unitholder with an address outside of Canada will be a Non-Eligible Unitholder.

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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, timing and completion cost estimates for the Kirby South project and forward EBITDA projections. 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 transportation arrangements with CNR, Cenovus and ConocoPhillips' FCCL Partnership, 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, namely, "EBITDA" and "cash flow" 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.