

Inter Pipeline Fund Announces Record Third Quarter 2006 Results

CALGARY, ALBERTA, NOVEMBER 9, 2006: Inter Pipeline Fund (Inter Pipeline) (TSX: IPL.UN) announced today its financial and operating results for the three and nine month period ended September 30, 2006.

Highlights

- Record funds from operations* for the quarter of \$61.5 million, up 54% compared to the same quarter last year
- Quarterly payout ratio* of 65.4%; year-to-date payout ratio of 74.9%
- Net income of \$42.4 million, up \$17.9 million or 73% from the same quarter a year ago
- Increased annualized cash distributions to unitholders by 7.7% to \$0.84 per unit from \$0.78 per unit, commencing in September
- Distributed over \$40 million, or \$0.20 per unit, to unitholders during the quarter
- Record volumes transported on the Cold Lake pipeline system; increase of 25.3% or 67,800 barrels per day (b/d) to 335,500 b/d, over the comparable period in 2005
- Conventional volumes increased by 8.1% to 213,800 b/d primarily due to increased southbound crude oil deliveries sourced at Hardisty, Alberta
- Subsequent to quarter end, announced investment in a \$36 million capital project to increase ethane production at the Empress V natural gas liquids extraction facility

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

Funds From Operations

During the third quarter of 2006, Inter Pipeline generated funds from operations of \$61.5 million, representing an increase of 54% or \$21.6 million over the comparable 2005 period. For the nine month period ended September 30, 2006, funds from operations increased 38% or \$43.4 million to \$158.2 million over the same nine months of 2005. These year over year increases are primarily due to the addition of Inter Pipeline's European bulk liquid storage businesses and strong frac-spread prices on propane plus volumes produced at the Cochrane natural gas liquids (NGL) extraction facility.

In the third quarter, Inter Pipeline's NGL extraction, conventional oil pipeline, oil sands transportation and bulk liquid storage businesses contributed \$36.4 million, \$21.1 million, \$9.2 million, and \$10.2 million, respectively to funds from operations. Corporate costs, including general & administrative and interest expenses, totaled \$15.4 million.

Cash Distributions

Cash distributions to unitholders during the quarter totaled \$40.3 million, or \$0.20 per unit, resulting in a very positive payout ratio of 65.4% of funds from operations. These results compare favourably to an 86.2% payout ratio achieved during the third quarter of 2005. For the nine month period ending September 30, 2006, Inter Pipeline distributed \$118.4 million to unitholders, or \$0.59 per unit, reflecting an attractive payout ratio of 74.9%, compared to 89.4% for the same period in 2005.

In September, Inter Pipeline increased monthly cash distributions to unitholders by 7.7% to \$0.07 per unit, or \$0.84 per unit on an annualized basis. The distribution increase was the result of strong performance across all of Inter Pipeline's business segments as well as the completion of several organic growth projects.

NGL Extraction

Inter Pipeline's NGL extraction business generated record cash flow during the quarter as a result of strong commodity prices and favourable natural gas volumes. Combined, Inter Pipeline's three NGL extraction facilities processed 4.4 billion cubic feet per day of natural gas, producing an average of 144,700 b/d of NGLs, comprised of 88,600 b/d of ethane and 56,100 b/d of propane plus.

In August, Inter Pipeline filed a regulatory application with the Alberta Energy and Utilities Board for the Cochrane Ethane Recovery Project, which involves the construction of a new gas processing unit to increase the ethane recovery efficiency at the Cochrane NGL extraction facility. Inter Pipeline is awaiting regulatory approval for this project.

Subsequent to quarter end, Inter Pipeline announced that it will invest in a \$36 million capital project on its Empress V natural gas liquids extraction plant. The upgrade to this facility, of which Inter Pipeline owns 50%, is expected to increase ethane production by approximately 45% or 7,000 b/d. Construction is expected to begin in early 2007 with initial production of incremental ethane volumes during the second quarter in 2008. This project supports the Province of Alberta's recently announced Incremental Ethane Extraction Policy, which is designed to increase ethane feedstock to Alberta's petrochemical industry.

Conventional Oil Pipeline

Throughput volumes on Inter Pipeline's four conventional oil pipeline systems averaged 213,800 b/d during the third quarter, compared to 197,800 b/d during the same period in 2005. This 8.1% volume increase is primarily the result of higher Bow River southbound volumes sourced at Hardisty, Alberta, which improved by more than 21,000 b/d or 209% over the comparable period in 2005. The average revenue per barrel from the conventional oil pipelines during the third quarter of 2006 and 2005 was \$1.54.

Oil Sands Transportation

Throughput volumes on the Cold Lake pipeline system reached a new quarterly record averaging 335,500 b/d during the quarter. This represents an increase of approximately 67,800 b/d, or 25.3%, over volumes delivered during the third quarter of 2005. This volume increase is the result of expanded oil sands production by the three founding Cold Lake shippers, Imperial Oil, EnCana and Canadian Natural Resources.

Bulk Liquid Storage

Inter Pipeline's European bulk liquid storage business generated strong and stable results. During the three month period ended September 30, 2006, this business contributed \$34.1 million to revenue and \$10.2 million to funds from operations.

During the third quarter, approximately \$6.1 million was invested in organic growth projects, with \$2.8 million related to the reconfiguration of existing storage facilities to accommodate the growing biofuels market in the United Kingdom.

Financing Activity

In September, Inter Pipeline amended its \$500 million revolving bank facility by reducing pricing margins and extending the revolving period from three years to five years. As a result, Inter Pipeline has secured access to longer-term bank financing and reduced the cost of borrowing.

At September 30, 2006, Inter Pipeline's outstanding debt balance, including convertible debentures, was \$683.9 million, resulting in a conservative total debt to total capitalization ratio of 36.7%.

Federal Government Tax Announcement

On Tuesday October 31, 2006, Canada's Finance Minister unexpectedly announced a proposal to change the way limited partnerships and income trusts are taxed. If the proposed changes are approved, Inter Pipeline will have a four-year transition period and will not be subject to the proposed measures until the 2011 taxation year.

At this time, Inter Pipeline does not anticipate any immediate changes to its business structure or monthly cash distributions, but will continue to review the potential long-term implications of the government's announcement.

Unitholders are encouraged to read the full Government of Canada's tax announcement at <http://www.fin.gc.ca/news06/06-061e.html>.

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 2006 financial and operating results.

To participate in the conference call, please dial 888-789-0156 or 416-695-9757. A recording of the call will be available for replay until November 16, 2006, by dialing 888-509-0081 or 416-695-5275. The pass code for the replay is 634189.

A webcast of the conference call can be accessed on Inter Pipeline's website at www.interpipelinefund.com under Investor Relations / Webcasts. A rebroadcast of the conference call will be available on the website for approximately 90 days.

Selected Financial and Operating Highlights

(millions of dollars, except where noted)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Extraction Production ¹ (000 b/d)				
Ethane	88.6	97.9	89.3	93.7
Propane Plus	<u>56.1</u>	<u>55.7</u>	<u>52.6</u>	<u>52.8</u>
Total Extraction	144.7	153.6	141.9	146.5
Pipeline Volumes (000 b/d)				
Conventional Oil	213.8	197.8	208.1	200.9
Cold Lake Pipeline ¹	<u>335.5</u>	<u>267.7</u>	<u>327.3</u>	<u>283.1</u>
Total Pipeline	549.3	465.5	535.4	484.0
Revenue				
NGL Extraction	\$177.1	\$174.8	\$505.7	\$490.2
Conventional Oil Pipelines	\$30.2	\$28.1	\$86.0	\$81.7
Oil Sands Transportation	\$14.9	\$15.4	\$44.1	\$45.5
Bulk Liquid Storage ²	\$34.1	n/a	\$100.1	n/a
Net Income	\$42.4	\$24.5	\$102.4	\$68.4
Per Unit (basic & diluted)	\$0.21	\$0.13	\$0.51	\$0.37
Funds From Operations ³	\$61.5	\$39.9	\$158.2	\$114.8
Per Unit	\$0.31	\$0.22	\$0.80	\$0.63
Cash Distributions ³	\$40.3	\$34.4	\$118.4	\$102.7
Per Unit	\$0.2000	\$0.1875	\$0.5900	\$0.5625
Payout Ratio ³	65.4%	86.2%	74.9%	89.4%
Capital Expenditures ³				
Growth	\$11.4	\$3.6	\$37.2	\$5.7
Sustaining	\$3.8	\$0.7	\$8.0	\$3.2

1. Volumes reported on a 100% basis.

2. Simon Storage was acquired on October 4, 2005 and TLG was acquired on January 1, 2006. Therefore, there are no comparable figures.

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

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 and convertible debentures trade on the Toronto Stock Exchange under the symbols IPL.UN and IPL.DB, respectively.

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 and debentures of Inter Pipeline.

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Disclaimer

Certain information set forth above may contain forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by 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 contained herein that are not statements of historical fact may be deemed to be forward-looking statements.

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