Inter Pipeline Fund

Consolidated Balance Sheets

(unaudited) (thousands of dollars)		As at March 31 2010		As at December 31 2009
ASSETS				
Current Assets				
Cash and cash equivalents (note 15)	$	23,185	$	18,208
Accounts receivable		108,078		122,122
Fair value of derivative financial instruments (note 13a)		10,407		3,738
Prepaid expenses and other deposits		16,730		17,927
Total Current Assets		158,400		161,995
Fair value of derivative financial instruments (note 13a)		11,457		9,239
Intangible assets (note 2)		315,402		319,603
Property, plant and equipment (note 3)		3,749,823		3,765,930
Goodwill		210,641		215,947
Total Assets	$	4,445,723	$	4,472,714
LIABILITIES AND PARTNERS' EQUITY				
Current Liabilities				
Cash distributions payable (note 5)	$	19,223	$	19,098
Accounts payable and accrued liabilities (note 11)		138,501		136,909
Fair value of derivative financial instruments (note 13a)		18,697		16,655
Deferred revenue		32,470		12,351
Current portion of long-term debt (note 6)		138,200		123,600
Total Current Liabilities		347,091		308,613
Long-term debt (note 6)		2,429,543		2,487,315
Long-term payable		7,666		9,212
Fair value of derivative financial instruments (note 13a)		4,687		4,081
Asset retirement obligation		4,990		5,036
Environmental liabilities		11,981		12,299
Pension liabilities		1,752		1,934
Long-term incentive plan (note 9)		2,545		5,127
Future income taxes (note 7)		321,311		318,996
Total Liabilities		3,131,566		3,152,613
Commitments (note 3)				
Partners' Equity				
Partners' equity (note 8)		1,395,498		1,373,951
Accumulated other comprehensive loss		(81,341)		(53,850)
Total Partners' Equity		1,314,157		1,320,101
Total Liabilities and Partners' Equity	$	4,445,723	$	4,472,714

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Partners' Equity

(unaudited) (thousands of dollars)	Class A Limited Liability Partnership Units	Class B Unlimited Liability Partnership Units	Three Months Ended March 31 **2010** Total	2009 Total
Balance, beginning of period	$ 1,372,579	$ 1,372	**$ 1,373,951**	$ 1,161,547
Net income for the period	61,624	62	**61,686**	43,442
Cash distributions declared (note 5)	(57,568)	(58)	**(57,626)**	(46,930)
Issuance of Partnership units (note 8)				
Issued under Premium Distribution™, Distribution Reinvestment and Optional Unit Purchase Plan	17,469	18	**17,487**	3,887
Issued under Unit Incentive Option Plan	-	-	**-**	209
Balance, end of period	$ 1,394,104	$ 1,394	**$ 1,395,498**	$ 1,162,155

Consolidated Statements of Accumulated Other Comprehensive Loss

(unaudited) (thousands of dollars)	Three Months Ended March 31 **2010**	2009
Balance, beginning of period	**$ (53,850)**	$ (31,388)
Other comprehensive loss	**(27,491)**	(307)
Balance, end of period	**$ (81,341)**	$ (31,695)

See accompanying notes to the interim consolidated financial statements.

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Consolidated Statements of Net Income

(unaudited) (thousands of dollars)	Three Months Ended March 31 **2010**	2009
REVENUES		
Operating revenue	**$ 271,533**	$ 245,632
EXPENSES		
Shrinkage gas	**99,434**	83,088
Operating	**61,614**	73,520
Depreciation and amortization (note 10)	**24,799**	25,235
Financing charges (note 11)	**9,264**	10,884
General and administrative	**10,853**	9,883
Unrealized change in fair value of derivative financial instruments (note 13b)	**(7,102)**	21,468
Management fee to General Partner	**2,022**	1,614
(Gain) loss on disposal of assets	**(17)**	10
	200,867	225,702
INCOME BEFORE INCOME TAXES	**70,666**	19,930
Provision for (recovery of) income taxes (note 7)		
Current	**699**	501
Future	**8,281**	(24,013)
	8,980	(23,512)
NET INCOME	**$ 61,686**	$ 43,442
Net income per Partnership unit (note 8)		
Basic and diluted	**$ 0.24**	$ 0.19

Consolidated Statements of Comprehensive Income

(unaudited) (thousands of dollars)	Three Months Ended March 31 **2010**	2009
NET INCOME	**$ 61,686**	$ 43,442
OTHER COMPREHENSIVE LOSS		
Unrealized loss on translating financial statements of self-sustaining foreign operations	**(27,935)**	(510)
Transfer of losses on foreign exchange associated with investments in self-sustaining subsidiaries	**242**	-
Transfer of losses on derivatives previously designated as cash flow hedges to net income (note 13b)	**202**	203
	(27,491)	(307)
COMPREHENSIVE INCOME	**$ 34,195**	$ 43,135

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited) (thousands of dollars)	Three Months Ended March 31 **2010**	2009
OPERATING ACTIVITIES		
Net income	**$ 61,686**	$ 43,442
Depreciation and amortization	**24,799**	25,235
(Gain) loss on disposal of assets	**(17)**	10
Amortization of transaction costs on long-term debt (note 11)	**226**	17
Non-cash operating and general and administrative recovery	**(2,340)**	(36)
Unrealized change in fair value of derivative financial instruments	**(7,102)**	21,468
Future income tax expense (recovery)	**8,281**	(24,013)
Funds from operations	**85,533**	66,123
Net change in non-cash working capital (note 15)	**40,651**	712
Cash provided by operating activities	**126,184**	66,835
INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	**(33,278)**	(59,568)
Proceeds on sale of assets	**117**	(10)
Net change in non-cash investing working capital (note 15)	**(3,222)**	(18,729)
Cash used in investing activities	**(36,383)**	(78,307)
FINANCING ACTIVITIES		
Cash distributions declared (note 5)	**(40,139)**	(43,043)
(Decrease) increase in long-term debt	**(42,921)**	58,233
Transaction costs on long-term debt	**(856)**	-
Issuance of Partnership units, net of issue costs	**-**	209
Net change in non-cash financing working capital (note 15)	**125**	43
Cash (used in) provided by financing activities	**(83,791)**	15,442
Effect of foreign currency translation on foreign currency denominated cash	**(1,033)**	(35)
Increase in cash and cash equivalents	**4,977**	3,935
Cash and cash equivalents, beginning of period	**18,208**	13,566
Cash and cash equivalents, end of period	**$ 23,185**	$ 17,501

See accompanying notes to the interim consolidated financial statements.

(tabular amounts in thousands of dollars, except per unit amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles (GAAP) and have been prepared by management following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2009. The disclosures provided in these interim consolidated financial statements are incremental to those included with the annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes in Inter Pipeline Fund's (Inter Pipeline) annual report for the year ended December 31, 2009.

2. INTANGIBLE ASSETS

	Cost	Accumulated Depreciation & Amortization	**March 31 2010** Net Book Value	December 31 2009 Net Book Value
Oil sands transportation business				
Transportation Services Agreement	$ 93,548	$ (23,376)	**$ 70,172**	$ 70,978
NGL extraction business				
Customer contracts	287,611	(54,331)	**233,280**	235,676
Patent	8,727	(3,532)	**5,195**	5,351
	296,338	(57,863)	**238,475**	241,027
Bulk liquid storage business				
Customer contracts and relationships	4,257	(884)	**3,373**	3,851
Tradename	3,979	(597)	**3,382**	3,747
	8,236	(1,481)	**6,755**	7,598
	$ 398,122	$ (82,720)	**$ 315,402**	$ 319,603

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation & Amortization	**March 31 2010** Net Book Value	December 31 2009 Net Book Value
Oil sands transportation business				
Facilities and equipment	$ 1,055,134	$ (143,933)	**$ 911,201**	$ 916,766
Construction work in progress	1,622,997	-	**1,622,997**	1,600,193
Pipeline linefill	74,033	(4,952)	**69,081**	69,524
	2,752,164	(148,885)	**2,603,279**	2,586,483
NGL extraction business				
Facilities and equipment	463,888	(80,453)	**383,435**	386,400
Construction work in progress	5,685	-	**5,685**	5,638
Spare parts	4,692	-	**4,692**	4,595
	474,265	(80,453)	**393,812**	396,633
Conventional oil pipelines business				
Facilities and equipment	842,436	(384,780)	**457,656**	404,848
Construction work in progress	3,248	-	**3,248**	57,150
	845,684	(384,780)	**460,904**	461,998
Bulk liquid storage business				
Facilities and equipment	330,561	(43,357)	**287,204**	299,682
Construction work in progress	4,624	-	**4,624**	21,134
	335,185	(43,357)	**291,828**	320,816
	$ 4,407,298	$ (657,475)	**$ 3,749,823**	$ 3,765,930

Inter Pipeline has committed to additional expenditures on property, plant and equipment totalling approximately $439.9 million at March 31, 2010, of which $297.3 million is due in 1 year, $102.0 million is due in 1-5 years, and the remainder is due after 5 years.

(tabular amounts in thousands of dollars, except per unit amounts)

4. SEGMENT REPORTING

Inter Pipeline operates its business under the following principal business segments:

	Canada					Europe	
Three Months Ended March 31, 2010	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 34,870	$ 173,074	$ 37,609	$ -	$ 245,553	$ 25,980	$ 271,533
Expenses							
Shrinkage gas	-	99,434	-	-	99,434	-	99,434
Operating	13,375	25,911	8,830	-	48,116	13,498	61,614
Depreciation and amortization	9,612	6,433	4,898	-	20,943	3,856	24,799
Gain on disposal of assets	-	-	(17)	-	(17)	-	(17)
Financing charges	1,985	-	-	7,291	9,276	(12)	9,264
General and administrative	773	-	-	8,607	9,380	1,473	10,853
Unrealized change in fair value of derivative financial instruments	-	(6,750)	117	(469)	(7,102)	-	(7,102)
Management fee to General Partner	-	-	-	2,022	2,022	-	2,022
Total expenses	25,745	125,028	13,828	17,451	182,052	18,815	200,867
Income (loss) before income taxes	9,125	48,046	23,781	(17,451)	63,501	7,165	70,666
Provision for income taxes	766	-	-	7,184	7,950	1,030	8,980
Net income (loss)	$ 8,359	$ 48,046	$ 23,781	$ (24,635)	$ 55,551	$ 6,135	$ 61,686
Expenditures on property, plant and equipment	$ 25,610	$ 1,004	$ 3,896	$ -	$ 30,510	$ 3,146	$ 33,656
As at March 31, 2010							
Total assets	$ 2,876,606	$ 703,759	$ 485,707	$ -	$ 4,066,072	$ 379,651	$ 4,445,723
Goodwill	$ 156,938	$ -	$ -	$ -	$ 156,938	$ 53,703	$ 210,641

(tabular amounts in thousands of dollars, except per unit amounts)

Three Months Ended March 31, 2009

	Canada					Europe	
	Oil Sands Transportation Business	NGL Extraction Business	Conventional Oil Pipelines Business	Corporate	Total Canadian Operations	Bulk Liquid Storage Business	Total Canadian and European Operations
Revenues	$ 33,648	$ 143,188	$ 38,666	$ -	$ 215,502	$ 30,130	$ 245,632
Expenses							
Shrinkage gas	-	83,088	-	-	83,088	-	83,088
Operating	12,404	33,929	10,095	-	56,428	17,092	73,520
Depreciation and amortization	9,359	6,110	4,374	-	19,843	5,392	25,235
(Gain) loss on disposal of assets	-	-	(10)	-	(10)	20	10
Financing charges	2,314	-	-	8,536	10,850	34	10,884
General and administrative	906	-	-	6,890	7,796	2,087	9,883
Unrealized change in fair value of derivative financial instruments	-	21,522	-	(54)	21,468	-	21,468
Management fee to General Partner	-	-	-	1,614	1,614	-	1,614
Total expenses	24,983	144,649	14,459	16,986	201,077	24,625	225,702
Income (loss) before income taxes	8,665	(1,461)	24,207	(16,986)	14,425	5,505	19,930
Provision for (recovery of) income taxes	853	-	-	(24,484)	(23,631)	119	(23,512)
Net income (loss)	$ 7,812	$ (1,461)	$ 24,207	$ 7,498	$ 38,056	$ 5,386	$ 43,442
Expenditures on property, plant and equipment	$ 44,254	$ 5,470	$ 2,036	$ -	$ 51,760	$ 8,186	$ 59,946

As at December 31, 2009

Total assets	$ 2,863,230	$ 710,692	$ 486,864	$ -	$ 4,060,786	$ 411,928	$ 4,472,714
Goodwill	$ 156,938	$ -	$ -	$ -	$ 156,938	$ 59,009	$ 215,947

(tabular amounts in thousands of dollars, except per unit amounts)

5. CASH DISTRIBUTIONS

Section 5.2 of the Limited Partnership Agreement (LPA) specifies the terms for Inter Pipeline to make distributions of LPA Distributable Cash on a monthly basis, provided that Inter Pipeline has cash available for such payment (thereby excluding any cash withheld as a reserve). LPA Distributable Cash is defined to generally mean cash from operating, investing and financing activities, less certain items, including any cash withheld as a reserve that the General Partner determines to be necessary or appropriate for the proper management of Inter Pipeline and its assets. As a result of the General Partner's discretion to establish reserves under the LPA, cash distributed to unitholders is always equal to LPA Distributable Cash.

For the three months ended March 31, 2010, Inter Pipeline declared cash distributions totalling $57.6 million, of which $17.5 million was settled with the issuance of Class A units under the Premium Distribution™ and Distribution Reinvestment Plan (Plan) (three months ended March 31, 2009 - $46.9 million and $3.9 million respectively). As at March 31, 2010 distributions of $19.2 million were payable on 256.0 million outstanding Class A units and 0.3 million outstanding Class B units at $0.075 per unit (December 31, 2009 - $19.1 million payable to 254.3 million outstanding Class A units and 0.3 million outstanding Class B units at $0.075 per unit).

6. LONG-TERM DEBT

	March 31 2010	December 31 2009
$2,142 million Unsecured Revolving Credit Facility	$ 1,725,000	$ 1,709,900
$750 million Unsecured Revolving Credit Facility	172,000	230,000
Loan Payable to General Partner (a)	379,800	379,800
Corridor Debentures (b)	300,000	300,000
Long-term debt (excluding transaction costs and discounts)	2,576,800	2,619,700
Less: Current portion of long-term debt	(138,200)	(123,600)
	2,438,600	2,496,100
Transaction costs	(13,993)	(13,137)
Accumulated amortization of transaction costs	6,084	5,479
Discount, net of accumulated amortization	(1,148)	(1,127)
Long-term debt	2,429,543	2,487,315
Current portion of long-term debt	138,200	123,600
Long-term debt (including current portion)	$ 2,567,743	$ 2,610,915

(a) In 2007, due to amendments made for the Corridor expansion, interest costs on the loan payable to the General Partner had increased by 25 basis points, effective until the end of 2009. In January, 2010, this additional interest cost of 25 basis points is no longer applicable.

(b) On February 2, 2010, the $150 million 4.240% Series A debentures matured. On February 2, 2010, Corridor issued $150 million of 4.897% Series C debentures due February 3, 2020. Corridor Series C debentures are unsecured obligations subject to the terms and conditions of a trust indenture dated February 1, 2005 and a supplemental indenture dated February 2, 2010. Interest is payable semi-annually in equal instalments in arrears on February 2 and August 2 of each year, except for 2020 in which case interest is payable on February 3, 2020 for interest accrued for the period from and including August 2, 2019 to and including February 2, 2020.

(c) At March 31, 2010 Cold Lake L.P. had issued letters of credit valued at $2.9 million based on Inter Pipeline's 85% proportionate interest. The Cold Lake L.P. letters of credit have been collateralized with cash held in the form of guaranteed investment certificates (note 15). In addition, at March 31, 2010, letters of credit valued at $0.3 million were issued by Corridor.

(tabular amounts in thousands of dollars, except per unit amounts)

7. INCOME TAXES

On March 4, 2009, the Government of Canada substantively enacted legislation that repealed the "provincial SIFT tax factor" and replaced it with the "provincial SIFT tax rate." The "provincial SIFT tax rate" is calculated based on the general provincial corporate income tax rate for each province in which Inter Pipeline has a permanent establishment. For Inter Pipeline, this legislation reduced the provincial income tax rate for noncorporate entities from 13.0% to approximately 10.0% effective January 1, 2011 onwards, which reduced Inter Pipeline's estimated effective tax rate to 26.5% and 25.0% effective January 1, 2011 and January 1, 2012 respectively. As a result of this rate reduction, future income tax liabilities of non-corporate entities were reduced by $24.0 million in the first quarter of 2009. There was no such rate reduction in the first quarter of 2010.

8. PARTNERS' EQUITY

Units issued and outstanding

Authorized

Unlimited number of Class A limited liability units
Unlimited number of Class B unlimited liability units

Issued and Outstanding

	Class A Units	Class B Units	Total
Balance as at December 31, 2009	254,393,244	254,886	254,648,130
Issued under Premium Distribution™ and Distribution Reinvestment Plan (a)	1,654,744	1,658	1,656,402
Balance as at March 31, 2010	**256,047,988**	**256,544**	**256,304,532**

	Class A Units	Class B Units	Total
Balance as at December 31, 2008	222,841,131	223,247	223,064,378
Issued under Distribution Reinvestment and Optional Unit Purchase Plan	571,724	575	572,299
Issued under Unit Incentive Option Plan	43,000	45	43,045
Balance as at March 31, 2009	223,455,855	223,867	223,679,722

(a) During the three months ended March 31, 2010, Inter Pipeline issued 1.7 million Class A units to unitholders who elected to participate under the Plan. Inter Pipeline is not committed to issuing additional Class A units under the Plan at March 31, 2010.

Calculation of Net Income per Partnership unit

Partnership units share equally on a pro rata basis in the allocation of net income. The number of diluted units outstanding is calculated using the Treasury Stock method based on the weighted-average number of units outstanding for the year as follows:

	Three Months Ended March 31	
	2010	2009
Net income attributable to unitholders – Basic and diluted	**$ 61,686**	$ 43,442
Weighted-average units outstanding – Basic	**255,835,922**	223,374,562
Effect of Premium Distribution™ and Distribution Reinvestment Plan	**147,255**	-
Effect of Unit Incentive Option Plan	**16,418**	23,580
Weighted-average units outstanding – Diluted	**255,999,595**	223,398,142
Net income per Partnership unit – Basic and diluted	**$ 0.24**	$ 0.19

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(tabular amounts in thousands of dollars, except per unit amounts)

9. LONG-TERM INCENTIVE PLAN AND UNIT INCENTIVE OPTIONS

The following table summarizes the status of Inter Pipeline's Option Plan and Deferred Unit Rights (DURs) as at March 31, 2010 and changes during the three months then ended:

	Unit Options					DURs
	Number		Weighted-Average Exercise Price*		Weighted-Average Adjusted Exercise Price**	Number
Balance outstanding, December 31, 2009	31,500	$	10.48	$	5.75	1,752,744
Granted	-	$	-	$	-	832,867
Exercised	-	$	-	$	-	(173,700)
Cancelled	-	$	-	$	-	(18,527)
Balance outstanding, March 31, 2010	31,500	$	10.48	$	5.27	2,393,384

* The weighted-average exercise price based on the exercise price on the date of grant.
** The weighted-average exercise price adjusted for the incentive reduction to March 31, 2010.

For the three months ended March 31, 2010, operating expenses included $1.2 million and general and administrative expenses included $3.1 million related to DURs (three months ended March 31, 2009 - $0.8 million and $1.5 million, respectively).

10. DEPRECIATION AND AMORTIZATION

	Three Months Ended March 31			
		2010		2009
Depreciation of facilities and equipment	**$**	**20,734**	$	19,394
Depreciation of Corridor linefill		**443**		443
Amortization of intangible assets		**3,539**		3,511
Accretion of asset retirement obligation		**83**		83
Impairment of intangible assets		**-**		1,804
Total depreciation and amortization	**$**	**24,799**	$	25,235

11. FINANCING CHARGES

	Three Months Ended March 31			
		2010		2009
Interest expense on credit facilities	**$**	**4,800**	$	8,602
Interest on Loan Payable to General Partner		**5,771**		6,008
Interest on Corridor Debentures		**1,616**		1,610
		12,187		16,220
Capitalized interest		**(3,149)**		(5,353)
Amortization of transaction costs on long-term debt		**226**		17
Total financing charges	**$**	**9,264**	$	10,884

At March 31, 2010, $10.0 million in interest payable was included in accounts payable and accrued liabilities related to the Loan Payable to the General Partner (December 31, 2009 - $4.3 million).

(tabular amounts in thousands of dollars, except per unit amounts)

12. CAPITAL DISCLOSURES

Consistent with the year ended December 31, 2009, capital under management includes long-term debt (excluding discounts and transaction costs) and partners' equity.

At March 31, 2010, Inter Pipeline had access to committed credit facilities totalling $2,892.0 million, of which $995.0 million remains unutilized. Inter Pipeline also had access to unutilized demand facilities of $59.7 million. Certain unutilized amounts under these facilities are available to specific subsidiaries of Inter Pipeline.

Management's objectives are to remain well below its maximum target ratio of 65% recourse debt to capitalization and maximum senior recourse debt to EBITDA rate of 4.25 stipulated in the terms of Inter Pipeline's credit facilities. The recourse debt to capitalization and senior recourse debt to EBITDA measures below are substantially the same as the coverage ratio terms contained in Inter Pipeline's credit facilities.

	March 31 2010	December 31 2009
Long-term debt (excluding transaction costs and discounts, per note 6)		
Recourse debt	$ 690,000	$ 733,400
Non-recourse debt	1,886,800	1,886,300
	2,576,800	2,619,700
Partners' equity	1,314,157	1,320,101
Total capitalization	$ 3,890,957	$ 3,939,801
Capitalization (excluding non-recourse debt)	$ 2,004,157	$ 2,053,501
Recourse debt to capitalization	34.4%	35.7%

	Twelve Months Ended March 31 2010	Twelve Months Ended December 31 2009
Net income	$ 175,924	$ 157,680
Add:		
Depreciation and amortization	101,793	102,229
Gain on disposal of assets	(17,864)	(17,837)
Financing charges	35,311	36,931
Non-cash operating and general and administrative expense (recovery)	1,168	3,472
Unrealized change in fair value of derivative financial instruments	36,660	65,230
Provision for (recovery of) income taxes	16,604	(15,888)
EBITDA*	$ 349,596	$ 331,817
Recourse debt to EBITDA*	2.0	2.2

* EBITDA is a non-GAAP measure whose nearest GAAP measure is net income. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

Inter Pipeline was compliant with all covenants throughout the period.

(tabular amounts in thousands of dollars, except per unit amounts)

13. FINANCIAL INSTRUMENTS

Classification of Financial Assets and Financial Liabilities

The carrying value of Inter Pipeline's financial assets and liabilities recorded at March 31, 2010 are classified as follows:

	Held For Trading	Loans and Receivables	Other Financial Liabilities	Carrying Value of Financial Asset or Liability	Non Financial Asset or Liability*	Carrying Value of Asset or Liability
Assets**						
Cash and cash equivalents	$ 23,185	$ -	$ -	$ 23,185	$ -	$ 23,185
Accounts receivable	-	98,209	-	98,209	9,869	108,078
Prepaid expenses and other deposits	8,525	-	-	8,525	8,205	16,730
Derivative financial instruments***	21,864	-	-	21,864	-	21,864
Liabilities						
Cash distributions payable	-	-	19,223	19,223	-	19,223
Accounts payable and accrued liabilities	3,473	-	106,979	110,452	28,049	138,501
Derivative financial instruments***	23,384	-	-	23,384	-	23,384
Deferred revenue	-	-	22,377	22,377	10,093	32,470
Long-term debt (note 6)****	-	-	2,576,800	2,576,800	-	2,576,800
Long-term payable	7,666	-	-	7,666	-	7,666

* Not all components of assets and liabilities meet the definition of a financial asset or liability.
* * Inter Pipeline does not have any assets that meet the definition of "available-for-sale" or "held-to-maturity."
* * * Derivative financial instruments are recorded at fair value using a discounted cash flow methodology.
* * * * Carrying values include the current portion of long-term debt and exclude discounts and transaction costs with the respective accumulated amortization.

a) *Fair Value of Financial Instruments*

The fair value of long-term debt and derivative financial instruments are discussed in the following paragraphs. The long-term payable is carried at fair value and represents the unrealized change in fair value of interest rate swaps that are recoverable from the Corridor shippers. The carrying value of all other financial assets and liabilities approximate their fair value due to the relatively short-term maturity.

Due to the short-term maturity of instruments under long-term variable rate revolving credit facilities, it is assumed that the carrying amounts of these financial instruments approximate their fair values. At March 31, 2010, the carrying values of fixed rate debt compared to fair values are as follows:

	Carrying Value*	Fair Value
Loan Payable to General Partner	**$ 379,800**	**$ 406,693**
Corridor Debentures	**$ 300,000**	**$ 308,160**

* Carrying values exclude transaction costs, discount and accumulated amortization.

The fair values of derivative financial instruments used for risk management activities are recorded in the consolidated balance sheets as follows:

	March 31 2010	December 31 2009
Current asset	**$ 10,407**	$ 3,738
Long-term asset	**11,457**	9,239
Current liability	**(18,697)**	(16,655)
Long-term liability	**(4,687)**	(4,081)
	$ (1,520)	$ (7,759)

(tabular amounts in thousands of dollars, except per unit amounts)

Derivative financial instruments carried at fair value are as follows:

	March 31 2010	December 31 2009
Frac-spread risk management		
NGL swaps	$ 5,296	$ (9,313)
Natural gas swaps	(19,637)	(5,975)
Foreign exchange swaps	3,451	(854)
	(10,890)	(16,142)
Interest rate risk management		
Interest rate swaps	7,992	8,385
	7,992	8,385
Power price risk management		
Electricity price swaps	(159)	(43)
Heat rate swaps	1,537	41
	1,378	(2)
	$ (1,520)	$ (7,759)

b) Net Gains or Losses

Realized and Unrealized Gain (Loss) on Derivative Instruments - Held-for-Trading

Realized gains (losses) represent actual settlements under derivative contracts during the period. The realized gains (losses) on derivative financial instruments recognized in net income were:

	Three Months Ended March 31 2010	2009
Revenues		
NGL swaps	$ (1,444)	$ 18,821
Foreign exchange swaps (frac-spread)	95	(6,296)
	(1,349)	12,525
Shrinkage gas expense		
Natural gas swaps	(2,093)	(5,265)
	(2,093)	(5,265)
Operating expenses		
Electricity price swaps	(71)	-
Heat rate swaps	(94)	509
	(165)	509
Financing charges		
Interest rate swaps	1,361	1,319
	1,361	1,319
Net realized (loss) gain on derivative financial instruments	$ (2,246)	$ 9,088

(tabular amounts in thousands of dollars, except per unit amounts)

The unrealized change in fair value related to derivative financial instruments recognized in net income was:

	Three Months Ended March 31	
	2010	2009
Frac-spread risk management		
NGL swaps	**$ 14,609**	$ (13,237)
Natural gas swaps	**(13,661)**	(8,154)
Foreign exchange swaps	**4,305**	611
	5,253	(20,780)
Interest rate risk management		
Interest rate swaps	**671**	256
	671	256
Power price risk management		
Electricity price swaps	**(116)**	-
Heat rate swaps	**1,496**	(741)
	1,380	(741)
Transfer of gains and losses on derivatives previously designated as cash flow hedges from accumulated other comprehensive income	**(202)**	(203)
Unrealized change in fair value of derivative financial instruments	**$ 7,102**	$ (21,468)

The following table presents a reconciliation of the change in the fair market value of derivative financial instruments used for risk management activities during the three months ended March 31, 2010:

	Fair Market Value	Total Unrealized Gain (Loss)
Fair value of derivative financial instruments, beginning of period	**$ (7,759)**	**$ -**
Changes in fair values of contracts in place at beginning of period and contracts entered into during period attributable to market price and other market changes *	**3,993**	**3,089**
Fair value of contracts realized during period *	**2,246**	**4,215**
Changes in values attributable to other comprehensive income	**-**	**(202)**
Fair value of derivative financial instruments, end of period	**$ (1,520)**	**$ 7,102**

* Gains or losses arising on the Corridor interest rate swaps are recoverable from the shippers. Therefore, the changes in fair value have been recorded as an asset or liability and are excluded from the total unrealized loss shown here.

Realized and Unrealized Gain (Loss) on Other Classes of Financial Instruments

Inter Pipeline had no significant gains (losses) or impairment losses on other classes of financial instruments.

14. RISK MANAGEMENT

There were no changes in Inter Pipeline's financial risk exposure as compared to its December 31, 2009 position.

a) Market Risk

Frac-spread Risk Management

Contracts outstanding at March 31, 2010, represented approximately 51% of forecast propane-plus volumes at the Cochrane extraction plant for the period April to December 2010 at average net prices of approximately $0.74 Cdn/US gallon and 21% of forecast volumes for the period January to December 2011 at average net prices of approximately $0.74 Cdn/US gallon. These average prices approximated $0.73 US/US gallon and $0.73 US/US gallon, respectively, based on the average US$/Cdn$ forward curve as at March 31, 2010.

(tabular amounts in thousands of dollars, except per unit amounts)

The following table illustrates how a 10% change in NGL and AECO natural gas commodity prices and foreign exchange rates in isolation could individually impact the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage frac-spread risk and consequently after-tax income assuming rates associated with each of the other components and all other variables remain constant:

	Fair Value of Derivative Financial Instruments	Change in Net Income Based on 10% Increase in Prices/Rates**	Change in Net Income Based on 10% Decrease in Prices/Rates**
NGL*	$ 5,296	$ (12,667)	$ 12,667
AECO natural gas	(19,637)	4,075	(4,075)
Foreign exchange	3,451	(13,156)	13,156
Frac-spread risk management	$ (10,890)		

* Assumes that a commodity price change will impact all propane, normal butane, isobutane and pentanes plus products linearly.
** Negative amounts represent a liability increase or asset decrease. Changes related to 2011 contracts are net of tax of 26.5%.

Interest Rate Risk Management

Based on the variable rate debt obligations outstanding at March 31, 2010, a 1% change in interest rates at this date could affect interest expense on credit facilities and consequently pre-tax income by approximately $4.7 million, assuming all other variables remain constant. Of this amount, $4.3 million relates to the $2.1 billion Unsecured Revolving Credit Facility (note 6) and are recoverable through the terms of the Corridor Firm Service Agreement. A 1% change in interest rates at March 31, 2010 could affect the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage interest rate risk, and consequently after-tax income, by approximately $0.5 million, assuming all other variables remain constant.

Power Price Risk Management

A 10% change in Alberta power pool commodity prices in isolation with all other variables held constant, could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk, and consequently after-tax income, by approximately $0.8 million. A 10% change in AECO natural gas prices in isolation with all other variables held constant, could potentially change the mark-to-market valuation of Inter Pipeline's derivative financial instruments used to manage power price risk, and consequently after-tax income, by approximately $0.6 million.

Foreign Exchange Risk Management

Transactional foreign currency risk exposures have not been significant historically, therefore are generally not hedged; however, Inter Pipeline may decide to hedge this risk in the future.

b) Credit Risk

With respect to credit risk arising from cash, deposits and derivative financial instruments, Inter Pipeline believes the risks of non-performance of counterparties are minimal as cash, deposits and derivative financial instruments outstanding are predominately held with major financial institutions or investment grade corporations.

At March 31, 2010, Inter Pipeline considers that the risk of non-performance of its customers is minimal based on Inter Pipeline's credit approval and ongoing monitoring procedures and historical experience.

At March 31, 2010, accounts receivable outstanding meeting the definition of past due and impaired are immaterial.

Concentrations of credit risk associated with accounts receivable relate to a limited number of principal customers in the oil sands transportation and NGL extraction business segments, the majority of which are affiliated with investment grade corporations in the energy and chemical industry sectors. At March 31,

(tabular amounts in thousands of dollars, except per unit amounts)

2010, accounts receivable associated with these two business segments were $76.0 million or 71% of total accounts receivable outstanding. Inter Pipeline believes the credit risk associated with the remainder of accounts receivable is minimized due to diversity across business units and customers.

c) Liquidity Risk

The table below summarizes the contractual maturity profile of Inter Pipeline's financial liabilities at March 31, 2010, on an undiscounted basis:

	Total	Less Than One Year	1 to 5 Years	After 5 Years
Cash distributions payable	$ 19,223	$ 19,223	$ -	$ -
Accounts payable and accrued liabilities	110,452	110,452	-	-
Deferred revenue	22,377	22,377	-	-
Derivative financial instruments*	23,723	18,866	4,857	-
Long-term debt	2,576,800	138,200	2,288,600	150,000
Long-term payable*	8,897	-	8,897	-
	$ 2,761,472	$ 309,118	$ 2,302,354	$ 150,000

* Derivative financial instruments are shown on a net basis. The long-term payable and derivative financial instruments represent an estimate of the fair value liability on an undiscounted basis for financially net settled derivative contracts outstanding at March 31, 2010, based upon contractual maturity dates. Fair values of the long-term payable and derivative financial instruments reported on the balance sheets are shown on a discounted basis.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Restricted Cash

At March 31, 2010, cash and cash equivalents includes a restricted cash balance of $2.9 million in the form of guaranteed investment certificates held by Cold Lake L.P. as collateral for its issued letters of credit (December 31, 2009 - $2.5 million).

Changes in Non-Cash Working Capital

	Three Months Ended March 31	
	2010	2009
Accounts receivable	**$ 14,044**	$ 26,501
Prepaid expense and other deposits	**1,197**	(3,141)
Cash distributions payable	**125**	43
Accounts payable and accrued liabilities	**1,110**	(51,038)
Deferred revenue	**20,119**	9,582
Impact of foreign exchange rate differences and other	**959**	79
Changes in non-cash working capital	**$ 37,554**	$ (17,974)
These changes relate to the following activities:		
Operating	**$ 40,651**	$ 712
Investing	**(3,222)**	(18,729)
Financing	**125**	43
Changes in non-cash working capital	**$ 37,554**	$ (17,974)

Other Cash Flow Information

	Three Months Ended March 31	
	2010	2009
Cash taxes paid	**$ 325**	$ 858
Cash interest paid	**$ 6,194**	$ 12,327