PEMBINA PIPELINE INCOME FUND

2700, 707 - 8th Avenue S.W.
Calgary, Alberta
T2P 2M7

Telephone: (403) 231-7500
Facsimile: (403) 231-7507

RENEWAL ANNUAL INFORMATION FORM
For the Year Ended December 31, 2002

May 2, 2003

Table of Contents

GLOSSARY OF TERMS AND ABBREVIATIONS ii
ABBREVIATIONS AND CONVERSION v
STRUCTURE OF THE FUND 1
GENERAL DEVELOPMENT OF THE FUND 3
DESCRIPTION OF THE FUND'S BUSINESS 3
WESTERN CANADIAN PIPELINE INDUSTRY 3
THE PIPELINE ASSETS 5
AOSPL SYSTEM 6
BUSINESS STRATEGY AND OPPORTUNITIES 10
PIPELINE OPERATIONS 10
OTHER MATTERS RELATING TO THE PIPELINE ASSETS 13
RISK FACTORS 14
MANAGEMENT'S DISCUSSION AND ANALYSIS 18
MARKET FOR SECURITIES 19
PEMBINA PIPELINE INCOME FUND MANAGEMENT 19
ADMINISTRATION AGREEMENT 21
MANAGEMENT AGREEMENT 21
ADDITIONAL INFORMATION 22
APPENDIX A DESCRIPTION OF THE FUND AND PPC A-1
APPENDIX B INFORMATION REGARDING THE MANAGER B-1

GLOSSARY OF TERMS AND ABBREVIATIONS

Terms used in this Renewal Annual Information Form and not otherwise defined have the meanings set forth below:

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**Administration Agreement**" means the agreement between the Manager and the Fund dated September 4, 1997, as amended, supplemented or restated from time to time, pursuant to which the Manager provides certain administrative services to the Fund. See "Description of the Fund - Administration of the Fund" in Appendix A;

"**AEUB**" means Alberta Energy and Utilities Board;

"**Alberta Pipelines**" means those pipelines servicing the conventional production in Alberta including the Peace System, the Pembina System, the Crude Oil System, the NGL System, the Cremona System, the Northern System and the Non-Operated Systems;

"**Alliance Pipeline**" means the pipeline that transports NGLs rich natural gas from northeast British Columbia and western Alberta to Chicago, Illinois;

"AOSPL" means Alberta Oil Sands Pipeline Ltd.;

"**AOSPL System**" means the approximately 430 km pipeline system delivering synthetic crude oil from Syncrude's production facilities north of Fort McMurray, Alberta into the Edmonton, Alberta area;

"**B.C. Pipelines**" means the NEBC System, the Western System and the Taylor System;

"**BCUC**" means British Columbia Utilities Commission;

"**Brazeau System**" means the approximately 250 km pipeline system delivering NGLs from natural gas processing plants southwest of Edmonton and from Caroline, Alberta to the Bonnie Glen System or to Fort Saskatchewan, Alberta;

"**Bonnie Glen System**" means the approximately 250 km pipeline system and related facilities delivering crude oil and condensate from central Alberta to Edmonton;

"**Caroline System**" means 160 km pipeline system that connects to the Brazeau System;

"**Cochin Pipeline**" means the Cochin Pipe Line system;

"**Condensate**" means a mixture consisting primarily of pentanes and heavier hydrocarbon liquids;

"**Cremona System**" means the approximately 340 km pipeline system delivering crude oil, condensate and butane from northwest of Calgary to either the BP Amoco Rangeland Pipeline or to Bowden, Alberta;

"**Crude Oil System**" means the approximately 500 km pipeline system delivering light sweet crude from the Swan Hills area in Alberta and from Acheson/Ellerslie in Alberta to Edmonton, Alberta;

"**Debentures**" means the $60,000,000 aggregate principal amount of 8.25% convertible unsecured subordinated debentures of the Fund which, subject to prior redemption or conversion, mature March 31, 2006, and the $87,500,000 aggregate principal amount of 7.5% convertible unsecured subordinated debentures of the Fund which, subject to prior redemption or conversion, mature on June 30, 2007;

"**Declaration of Trust**" means the declaration of trust dated September 4, 1997, as amended, supplemented or restated from time to time, pursuant to which the Fund was created. See "Description of the Fund - Declaration of Trust" in Appendix A;

"**Distributable Cash**" means all amounts received by the Fund in respect of dividends or repayments of capital on the PPC Shares and interest or repayment of principal on the Notes, as the case may be, plus the income, if any, from other permitted investments less amounts that may be paid by the Fund in connection with any cash redemptions of Trust Units and amounts reasonably required for the activities and operations of the Fund;

"**Federated**" means Federated Pipe Lines Ltd.;

"**Fund**" means the Pembina Pipeline Income Fund, an unincorporated, open ended trust established under the laws of Alberta;

"**Governance Agreement**" means the agreement entered into as of October 24, 1997, as amended, supplemented or restated from time to time, among the Fund, the Manager, and PPC. See "Governance and Management - Governance Agreement" in Appendix B;

"**Management Agreement**" means the agreement between PPC and the Manager dated October 24, 1997, as amended, pursuant to which the Manager or its delegate provides management services to PPC. See "Governance and Management - Management Agreement" in Appendix B;

"**Manager**" means Pembina Management Inc., a corporation that is owned by senior management of PPC;

"**Miscible Flood System**" means the approximately 270 km pipeline system delivering NGLs from Fort Saskatchewan and Judy Creek to miscible flood projects in northwestern Alberta;

"**Mitsue System**" means the approximately 110 km pipeline system delivering NGLs from the Mitsue gas plant in central Alberta to Judy Creek, Alberta and the Brazeau System;

"**NEB**" means National Energy Board;

"**NEBC System**" means the approximately 580 km pipeline system delivering crude oil and condensate from northeastern British Columbia and northwestern Alberta to Taylor, British Columbia and the Taylor Terminal located at Taylor;

"**NGL System**" means, collectively, the Mitsue System, the Brazeau System, the Caroline System and the Miscible Flood System;

"**NGLs**" means natural gas liquids, including ethane, propane, butane and pentanes plus;

"**Non-Operated Systems**" means, collectively, the Bonnie Glen System and the Wabasca System;

"**Northern System**" means the approximately 650 km pipeline system delivering crude oil from Taylor, British Columbia into the Crude Oil System and Miscible Flood System ;

"**Notes**" means those unsecured, subordinated promissory notes issued to the Fund from time to time by PPC or other subsidiaries of the Fund;

"**Peace System**" means the approximately 2,050 km pipeline system and related facilities delivering crude oil, condensates and NGLs from northeastern British Columbia and northwestern Alberta to Edmonton;

"**Pembina**" means the Fund and its subsidiaries (including PPC), taken as a whole;

"**Pembina System**" means the approximately 1,250 km pipeline system and related facilities delivering crude oil and condensate production to Edmonton from the area southwest of Edmonton;

"**Pipeline Assets**" means all of the right, title and interest held by Pembina either directly or indirectly in the Alberta Pipelines, the B.C. Pipelines and the AOSPL System, and other pipeline interests or assets acquired or constructed by Pembina from time to time;

"**PPC**" means Pembina Pipeline Corporation, an Alberta corporation that is a wholly owned subsidiary of the Fund;

"**PPC Directors**" means the directors of PPC from time to time;

"**PCC Senior Notes**" means the $100 million aggregate principal amount of senior secured notes due 2017 and bearing interest at 7.38% per annum issued by PPC on a private placement basis in July 2002;

"**PPC Shares**" means the common shares of PPC;

"**Record Date**" means the dates on which Unitholders of record will be entitled to distributions paid by the Fund, being the last day of each calendar month and such other dates as may be determined from time to time by the Trustee;

"**SCADA system**" means a supervisory control and data acquisition system. See "Pipeline Operations - Information and Communication Systems";

"**Special Resolution**" means a resolution passed by a majority of not less than 66 2/3% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of approving such resolution, or approved in writing by the holders of not less than 66 2/3% of the Trust Units entitled to be voted on such resolution;

"**Syncrude**" or the "**Syncrude Project**" means the joint venture that was formed for the recovery of oil sands, crude bitumen or products derived therefrom from the Athabasca oil sands, located near Fort McMurray, Alberta;

"**Tax Act**" means the *Income Tax Act* (Canada);

"**Taylor System**" means the 55 km pipeline between Dawson Creek, British Columbia and Taylor, British Columbia;

"**Taylor Terminal**" means the liquids storage facilities located at Taylor, British Columbia with capacity of 400,000 bbls;

"**Trans Mountain Pipeline**" means the Trans Mountain Pipe Line system from Edmonton, Alberta to Vancouver, B.C.;

"**throughput**" means volume of product delivered through a pipeline;

"**Trustee**" means Computershare Trust Company of Canada;

"**Trust Units**" means the units of the Fund, each unit representing an equal undivided beneficial interest in the Fund;

"**Unitholders**" means the holders of Trust Units from time to time;

"**Wabasca System**" means the approximately 190 km pipeline system delivering crude oil from the East Peace River Arch area of northern Alberta;

"**Western System**" means the approximately 820 km pipeline system delivering crude oil from Taylor, British Columbia to Kamloops, British Columbia; and

"**$**" or "**dollars**" means Canadian dollars unless otherwise specified.

ABBREVIATIONS AND CONVERSION

In this Renewal Annual Information Form, the following abbreviations have the indicated meanings.

bbl and bbls	barrel and barrels, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons
mbbls	thousand barrels
mmbbls	million barrels
bbls/d	barrels per day
mbbls/d	thousands of barrels per day
km and kms	kilometre and kilometres
mmcf/d	million cubic feet per day

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To convert from	To	Multiply by
bbls	cubic metres	0.159
cubic metres	bbls	6.293
miles	kms	1.609
kms	miles	0.621

STRUCTURE OF THE FUND

The Fund

Pembina Pipeline Income Fund (the "Fund") is an open-ended, single purpose trust established under the laws of the Province of Alberta pursuant to the Declaration of Trust. The Fund's operations commenced on October 24, 1997. The Fund holds, directly and indirectly, all of the issued and outstanding PPC Shares, the Notes issued by PPC, and one voting, non-participating share in two subsidiaries of PPC. The registered and principal office of the Fund is located at #2700, 707 - 8th Avenue S.W., Calgary, Alberta, T2P 2M7.

Pembina Pipeline Corporation

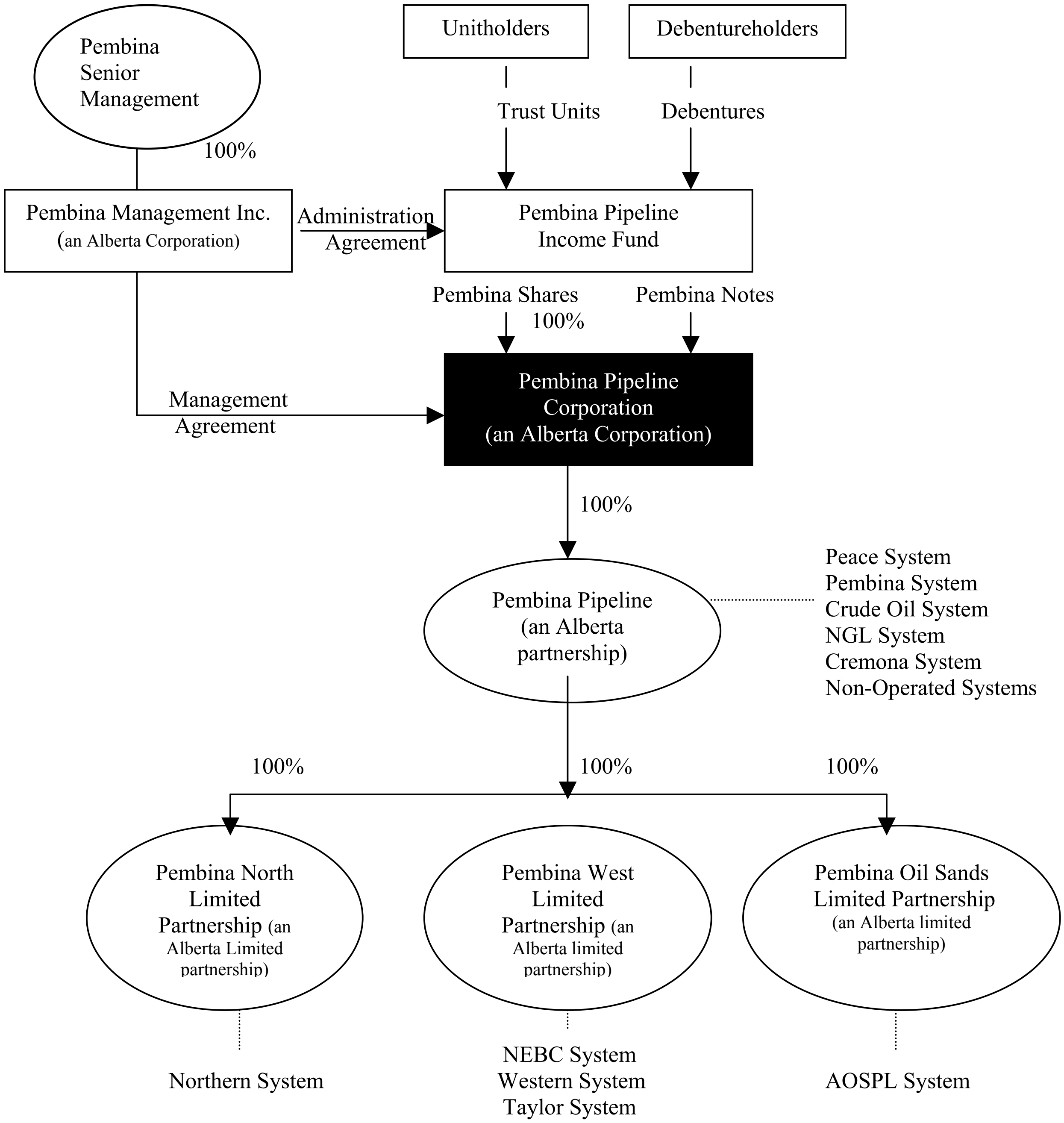
Pembina Pipeline Corporation ("PPC") is an Alberta corporation which, directly or indirectly through its subsidiaries, owns interests in 15 pipeline systems. These systems are grouped for functional and geographic purposes into the AOSPL System, the Alberta Pipelines and the B.C. Pipelines.

Pembina Management Inc.

Pembina Management Inc. (the "Manager") was incorporated under the ABCA for the purpose of providing management, advisory and administrative services to the Fund and PPC through the Administration Agreement and Management Agreement, respectively. The Manager is a private company owned by the senior management of Pembina. For a detailed discussion of the Manager and its functions, see "Information Regarding the Manager" in Appendix B.

Structure

The following chart indicates the Fund's major subsidiaries, including their jurisdictions of formation and the percentage of common equity or other ownership interest held or controlled directly or indirectly by the Fund or PPC:



GENERAL DEVELOPMENT OF THE FUND

The Fund was established on September 4, 1997 pursuant to the Declaration of Trust. On October 24, 1997, the Fund completed an initial public offering of 62,425,000 Trust Units at a price of $10 per unit. The net proceeds of the offering of $595,072,500 were used to acquire the PPC Shares and Notes of PPC.

Through its ownership of PPC and other subsidiaries, the Fund initially owned 100% interests in, and operated, the Peace System and the Pembina System, and owned a 50% non-operated interest in the Bonnie Glen System and a 10% non-operated interest in the Wabasca System.

In 2000, Pembina acquired all the shares of Federated Pipelines Ltd. for approximately $349,000,000. At the time, Federated owned seven distinct pipelines. Also in 2000, Pembina acquired the NEBC System for approximately $40,300,000 from the Western Facilities Fund.

On December 31, 2001, Pembina acquired all of the shares of AOSPL from Alberta Energy Company Ltd. and its subsidiaries for approximately $225,000,000. AOSPL is the sole transporter of synthetic crude oil produced by the Syncrude Project. The Syncrude Project is the world's largest producer of synthetic crude oil from oil sands.

DESCRIPTION OF THE FUND'S BUSINESS

The Fund

The Fund is restricted to investing solely in investments permitted under Section 132(6) of the *Income Tax Act*. At present the Fund's investments consist solely of securities of PPC (which owns, directly or indirectly, several other operating subsidiaries), the Notes issued by PPC, and one voting, non-participating share in two subsidiaries of PPC. The Fund's income is derived from the interest and repayments of capital on the Notes and the dividends and repayment of capital on the PPC Shares. To the extent possible, the Fund makes monthly cash distributions of such interest, dividends and repayments of capital to the Unitholders, less administrative and certain other costs of the Fund and after any cash redemptions of Trust Units. The Fund's administrative expenses generally consist of the fees and expenses paid to the Trustee and to the Manager pursuant to the Administration Agreement, the cost of reporting to Unitholders, regulatory compliance and administration of various legal agreements. Administrative expenses represent only a nominal fraction of the Fund's dividend and interest income.

The Fund is totally dependent on the operations of PPC and its other operating subsidiaries for cash ultimately distributed to Unitholders. Since inception, the Fund has paid cash distributions to Unitholders of record as follows:

	Interest Income (Per Trust Unit)	Non-taxable Return of Capital (Per Trust Unit)	Total Distribution (Per Trust Unit)
1997	$0.0992	$0.0408	$0.14
1998	$0.6189	$0.3311	$0.95
1999	$0.7830	$0.1670	$0.95
2000	$0.7702	$0.1898	$0.96
2001	$0.9007	$0.1493	$1.05
2002	$0.89316	$0.15684	$1.05

The non-taxable return of capital to the Unitholder reduces the adjusted cost base of the Unitholder's Trust Units.

Since the end of the most recent fiscal year, monthly distributions of $0.0875 per Trust Unit of record on each of January 31, 2003, February 28, 2003 and March 31, 2003 were paid to Unitholders.

WESTERN CANADIAN PIPELINE INDUSTRY

Crude oil and synthetic crude oil and NGLs produced in Canada are transported to market through extensive gathering and transportation systems which can be classified as feeder pipeline systems and export pipeline systems.

Feeder Pipeline Systems

Feeder pipeline systems gather petroleum products from producing fields and facilities for transport to regional centres for storage, fractionation, refining and connection to larger pipelines. From these centres, petroleum products are further transported by export pipeline systems either to domestic markets in western or eastern Canada or to markets in the northern United States for end-use, or used as feed stock in refineries or the petrochemical industry. The major operational centre for the Canadian oil and natural gas industry is the Edmonton - Fort Saskatchewan area of Alberta, which is both the largest crude oil refining area in western Canada and a major fractionation area for NGLs. In addition, the Edmonton - Fort Saskatchewan area is the hub of the Alberta feeder pipeline network and the starting point of the large Canadian export pipelines.

All of Pembina's pipelines are feeder pipeline systems that collectively transport approximately 750,000 bbls/d of petroleum products, making Pembina the largest feeder pipeline company in Canada. These pipelines transport product from established production fields in their respective service areas, and the Syncrude facility, into the refining and export pipeline centres at Edmonton/Fort Saskatchewan. Upon delivery, the products can be used by local refineries and fractionators as well as being transported to markets in western and eastern Canada and the northern U.S. through export pipelines.

Pembina has no responsibility for the sale or marketing of the products it transports.

Export Pipeline Systems

The export pipelines originating in the Edmonton – Fort Saskatchewan area are the Trans Mountain Pipeline system, the Enbridge Pipeline system and the Cochin Pipeline. Crude oil and refined products delivered to domestic and export markets on the west coast are transported through the Trans Mountain Pipeline system. Crude oil and refined products delivered to eastern Canada and the northern United States are transported through the Enbridge Pipeline system. NGLs delivered to eastern Canadian and export markets are transported through the Enbridge Pipeline system and the Cochin Pipeline.

In recent years there has been an increase in the export pipeline capacity available to transport crude oil and NGLs from western Canada to markets in eastern Canada and eastern and midwestern United States. Pembina anticipates that this additional export capacity, together with continued high levels of exploration activity, will maintain the future utilization of existing feeder pipeline systems.

Western Canada Oil and Gas Industry

Western Canada is the major source of conventional crude oil, synthetic crude oil, natural gas and bitumen in Canada. Domestic crude oil and natural gas production comes primarily from Alberta with lesser amounts from British Columbia, Saskatchewan, Manitoba and the Northwest Territories. Synthetic crude oil comes from the oil sands developments near Fort McMurray, Alberta. Efficient, low cost, and safe transportation by pipeline from producing fields to refineries, processing plants and domestic and export markets is essential to the Canadian oil and gas industry.

Supply and Production

Western Canada's hydrocarbon resource base is large and diverse, comprised of conventional light oil, heavy oil, bitumen in the oil sands of Alberta, natural gas and NGLs.

NGLs are extracted from raw natural gas at field plants so that the residual gas will meet specifications for transportation in natural gas pipelines. Almost 90% of NGLs are extracted during the processing of natural gas while the remainder is extracted from crude oil at refineries. Typically, NGLs are extracted as a mix but if an additional investment is made in "fractionation" facilities, the individual components can be separated. Most field plants do not extract ethane but leave it in the natural gas. In Alberta, ethane which has been left in the natural gas may be extracted at a straddle plant located on a major natural gas transmission pipeline and then sold as feedstock to the petrochemical industry.

Condensate is produced naturally at the well head when natural gas is brought to the surface at a gas well. Typically the condensate is separated from the natural gas at the field gas plant. The condensate is then either trucked to a connection point on a pipeline capable of transporting condensate, or the natural gas plant may be connected directly to a feeder pipeline by a small pipeline called a gathering system.

Demand

Demand for Canadian crude oil, condensate and NGLs production is determined by the degree to which such products can compete on the basis of price, quality and availability in individual market areas in Canada and the northern and eastern United States.

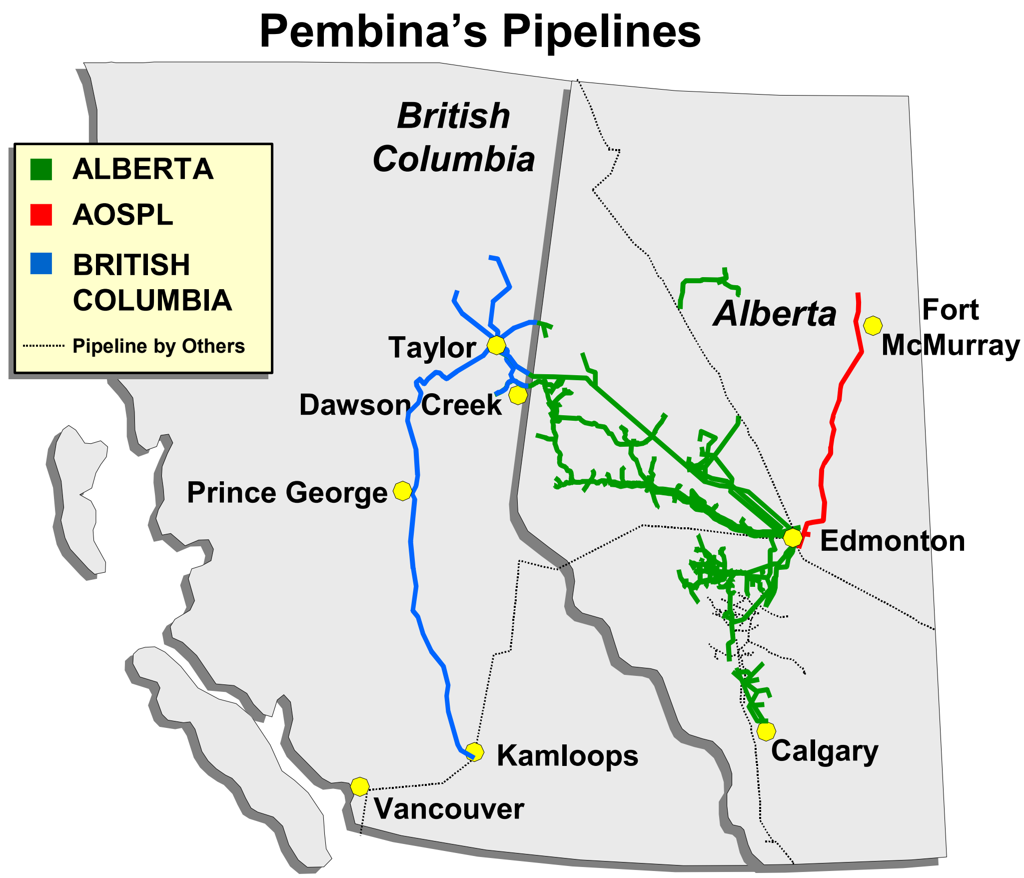
Almost all of the condensate produced in Alberta is used locally as a diluent for heavy oil. Western Canada produces more crude oil and NGLs than it requires for domestic use and surplus supplies are transported by pipeline to markets in other parts of Canada as well as the United States.

While Canadian crude oil, condensate and NGLs producers will face continuing competition in the U.S. market from U.S. Gulf Coast and Latin American producers, factors including proximity to U.S. markets and the reliability of supply through the expanded Canadian domestic and export transportation system favour Canadian producers.

THE PIPELINE ASSETS

Pembina owns interests in 15 main pipeline systems. These systems are grouped for functional and geographic purposes into the AOSPL System, the Alberta Pipelines and the B.C. Pipelines, as shown below. Pembina owns 100% of and operates all these systems other than the Taylor System (a part of the B.C. Pipelines), which it operates and jointly owns with Devon Canada Corporation, and the Non-Operated Systems (which are part of the Alberta Pipelines). Pembina owns a 50% undivided interest in the Bonnie Glen System, which is one of the Non-Operated Systems. The other 50% of this system is owned by Imperial Oil Resources, which operates the system pursuant to a joint venture agreement with Pembina. Pembina also owns a 10% undivided interest in the Wabasca System, the other Non-Operated System. Wabasca is operated by Keyspan Energy Canada Inc., which holds the largest interest in the Wabasca System.

Alberta Pipelines	**B.C. Pipelines**	**AOSPL System**
Peace System	NEBC System	
Pembina System	Western System	
Northern System	Taylor System	
Crude Oil System		
NGL System		
- Mitsue System		
- Brazeau System		
- Caroline System		
- Miscible Flood System		
Cremona System		
Non-Operated Systems		
- Bonnie Glen System		
- Wabasca System		



Summary Operating Data
Average Daily Throughput (Mbbls/d)

	1998	1999	2000	2001	2002
Alberta Pipelines	340.1	316.1	396.3	500.8	471.8
B.C. Pipelines(1)	N/A	N/A	4.6	11.3	17.2
AOSPL System	N/A	N/A	N/A	N/A	235.0
TOTAL	**340.1**	**316.1**	**400.9**	**512.1**	**724.0**

Note:
(1) Includes only B.C. production transported on the Western System.

AOSPL SYSTEM

The AOSPL system is comprised of a 434 kilometre mainline and related facilities and has a single receipt point, being Syncrude Canada Ltd.'s production facility north of Fort McMurray, Alberta. AOSPL is the sole transporter for the Syncrude Project, the world's largest producer of synthetic crude oil from oilsands and the largest single source of oil in Canada. This pipeline, which has been in service since 1978 to transport all of the synthetic crude oil production from the Syncrude Project, was acquired by Pembina on December 31, 2001.

Throughput volume on the AOSPL system averaged 235,000 barrels per day in 2002. Following extensive maintenance at the Syncrude facility over the second and third quarters of the year, throughput rose steadily to a 2002 exit volume of 264,000 barrels per day. Revenue contribution from this system was $36.9 million and operating costs totalled $15.1 million for the year. Comparative data for 2001 is not reported as Pembina acquired this system on December 31, 2001.

Returns generated by the AOSPL system are governed by the terms of a long-term agreement with the Syncrude owners. Expiry of the agreement is currently set at December 2035, commensurate with the current expiry of Syncrude's licenses, and the agreement is subject to extension. Pembina earns a rate of return on its capital investment along with full cost recovery. While the rate of return is independent of throughput volume, increased capital investment will ultimately increase the return generating base and the returns generated by this system. Pembina is currently engaged in a $200 million capital expansion of AOSPL throughput capacity, at the request of the Syncrude owners, to facilitate transportation of increasing production arising from Syncrude's Upgrader Expansion 1 and Aurora 2 projects. The AOSPL expansion, which will result in design capacity increased from its present rate of 275,000 barrels per day to 389,000 barrels per day by mid-2004, is progressing on schedule with $15 million expended by Pembina to December 31, 2002. A further estimated $140 million is anticipated to be spent by Pembina in 2003 and the balance in 2004. Pembina anticipates that this capital will be aggregated with the existing AOSPL investment throughout 2003 and 2004, effectively doubling the return generating base of this system.

The AOSPL acquisition also included the Redwater Pipeline, a conventional crude oil pipeline in the Edmonton area.

Alberta Pipelines

Throughput on Pembina's Alberta Pipelines averaged 471,800 barrels per day in 2002 compared with 500,800 barrels per day in 2001, a reduction of six percent. The return of B.C. crude oil production to the Western System, as discussed below, contributed an annualized 5,900 barrels per day of the 29,000 barrel per day reduction. Maintenance events, evolving customer requirements and natural field declines caused the balance of the shortfall.

Pembina's Alberta Pipelines generated revenue of $169.9 million in 2002, compared with $175.7 million in 2001, a three percent reduction. Lower average annual receipts from some connected facilities resulted in the slight decline in revenue. Toll adjustments were posted with an effective date of December 1, 2002. The tariff increases, that fall in the five to ten percent range, were effected to offset the impact of throughput declines and higher projected costs in 2003.

Peace System

The Peace System serves mature and developing oil and gas natural fields of northwestern Alberta and northeastern British Columbia with 2,100 kilometres of multi-product pipeline. Light crude oil, condensate, propane mix and two grades of ethane mix are transported in "batch" mode from 84 receipt points. Peace System throughput averaged 194,100 barrels per day in 2002 compared with 200,000 barrels per day in 2001. The mid-year discontinuation of shipments of B.C. crude oil production on the Peace System upon restoration of service on Pembina's Western System, coupled with a hydrostatic test of the 12 inch NGLs mainline over eight days in August, caused the decline in volume. Net of the B.C. crude oil shipment discontinuation described above, the total Peace System volume was less than one percent lower during the year, as increased receipts of NGLs, including condensate, increased to nearly 105,000 barrels per day. Two new pipeline connections were completed during the year, contributing incremental annualized volumes of approximately 2,000 barrels per day.

Pembina System

The Pembina System, a network of 1,300 kilometres of gathering pipelines connected to nearly 200 receipt points, has been in continuous operation since 1954, transporting crude oil and condensate produced from the long-life Pembina field southwest of Edmonton, Alberta. Although the Pembina production area is mature, the impact of natural field decline has been mitigated by the development activity of royalty trust entities that have acquired significant interests in this area in recent years. Throughput averaged 83,100 barrels per day in 2002, five percent lower than the 2001 throughput of 87,400 barrels per day. During 2002, the major consolidation and upgrading of a major truck unloading terminal was initiated and a new crude oil production battery connection was completed, adding 450 barrels per day of incremental throughput on this system.

Northern System

The Northern System is a batch-operated pipeline originating at Dunvegan, Alberta and extending through northwestern Alberta into the Judy Creek and Swan Hills areas, then to Fort Saskatchewan. A second pipeline originating at Taylor, B.C. delivers into the Northern mainline at Belloy. At Judy Creek, the Northern System mainline transfers crude oil and condensate to the Crude Oil System for delivery to the refining hub at Edmonton. The NGLs remain on the Northern System until delivered to the fractionation hub at Fort Saskatchewan. During 2002, an average of 28,200 barrels per day of crude oil, condensate, propane mix and ethane mix were transported compared to 34,000 barrels per day in 2001. Over 4,700 barrels per day of the decline was due to a reduction in B.C. crude oil receipts, as described under the Peace System above.

Crude Oil System

Pembina's Crude Oil System gathers crude oil from 26 receipt point in the Swan Hills and Judy Creek areas of Alberta, as well as crude oil and condensate from the Northern System, for delivery to Edmonton. Excluding the transfer volume from the Northern System, crude oil receipts were 70,300 barrels per day in 2002 compared to 73,300 barrels per day in 2001, a four percent decline. Long-term maintenance programs in excess of $1 million were continued in 2002, primarily for internal line inspection. A capital program to improve leak detection meters on this system was completed during the year.

NGL System

The NGL System consists of the Mitsue System, the Brazeau System, the Caroline System and the Miscible Flood System. The NGL System transported an average of 60,900 barrels per day of ethane mix and propane mix during 2002 compared to 66,600 barrels per day in the prior year. Throughput had recovered to an average of over 63,000 barrels per day by the fourth quarter of 2002, as increased volume was tendered on all of the pipelines comprising the NGL System, excluding the Mitsue System.

Cremona System

Pembina transports crude oil, condensate and butane from 24 receipt points northwest of Calgary to the BP Rangeland pipeline on the Cremona System. Receipts on this system averaged 18,400 barrels per day in 2002, compared to 20,500 barrels per day in the preceding year.

Non-Operated Systems

Pembina holds a fifty percent and a ten percent undivided interest in the Bonnie Glen System and Wabasca System, respectively. Together, these systems comprise the Non-Operated Systems, which contributed an average throughput of 16,800 barrels per day in 2002, approximately two percent of Pembina's total pipeline throughput.

B.C. Pipelines

The B.C. Pipelines include the NEBC System, which consists of three crude oil gathering pipelines upstream of Taylor, British Columbia (the Blueberry, B.C. Light & Boundary Lake pipelines) and the truck-unloading and pipeline terminal at Taylor, collectively called the NEBC System; the Western System (which delivers into Prince George and Kamloops, B.C.); and the Taylor System (which is a crude oil gathering pipeline out of Taylor). The NEBC System gathered an average of 39,200 barrels per day of crude oil and condensate in 2002, representing 95 percent of the crude oil produced in British Columbia. The Western System transported an average of 17,200 barrels per day from Taylor to delivery points in Prince George and Kamloops. At the beginning of 2002, 72 percent of B.C.'s crude oil was delivered into Edmonton on Pembina's Peace System and Northern System, with service on the Western System limited to delivery to Prince George. By mid-year, service to Kamloops was restored and, by year-end, 93 percent of the crude oil produced in B.C. was being carried on the Western System. The condensate produced at Taylor and the balance of the crude oil was transported to Edmonton on other Pembina pipelines. Reinvestment in the B.C. Pipelines continued in 2002 with nearly $12 million expended on capital and major expense projects designed to increase reliability and leak detection on the gathering systems, the Taylor Terminal and the Western System.

On the upstream ends of the gathering systems, pipeline facilities at nine production batteries were rebuilt or expanded. Within the gathering systems, internal inspections were conducted on two pipeline segments and work commenced on the expansion of the North Pine Booster Station. At the downstream end, a major upgrading and consolidation of the Taylor Terminal has commenced. Until a few years ago, parts of the Taylor Terminal were owned by or dedicated to four separate pipeline operations – Blueberry, B.C. Light & Boundary Lake, Federated and Pembina's Taylor to Dawson Creek pipeline. Following pipeline acquisitions in 2000 by Pembina, all the crude oil facilities at the Taylor Terminal were for the first time owned by a single party, making rationalization and efficiency enhancements possible. A December 2002 toll application to the BCUC was approved by Western System shippers and the BCUC and became effective January 1, 2003. The higher toll structure provides for the required returns generated under the rate-base methodology established for this system.

The southern portion of the Western System, from Prince George to Kamloops, was shutdown in August of 2000 to allow several major integrity projects to proceed. The line to Kamloops was reopened in mid-2002 following a hydrostatic test and, once in service, a high-resolution inspection was conducted to further ensure the integrity of this pipeline. Other 2002 projects included the construction of a pressure regulating station and a separate pressure relief station upstream of the Thompson River. In total, $9 million of a multi-year capital program for this system was expended in 2002. The five-year toll agreement established with Western System shippers in mid-2002 provides shippers toll certainty over this period and provides Pembina with the cash flow required to improve this pipeline.

Major Customers

There are approximately 65 shippers (including all major shippers of products in western Canada) on the pipeline systems owned and operated by Pembina. The major delivery points include the Enbridge Pipeline system, the Trans Mountain Pipeline system, the refineries in the Edmonton area as well as the fractionators near Fort Saskatchewan, Alberta. Deliveries are also made to the Husky refinery in Prince George, British Columbia.

Competitive Environment

Competition in the feeder pipeline industry of western Canada arises in two forms. Unconnected volumes of product are typically trucked to the most competitive truck unloading facility. Also, there is direct competition from other pipelines serving the same area. An example of this is the Alliance Pipeline that is a natural gas gathering and pipeline system carrying liquids-rich natural gas from northeastern British Columbia through northwestern Alberta to Chicago, Illinois. This pipeline competes for the volumes of ethane and other NGLs carried on the Peace System. At present ethane makes up 9% of the daily throughput volumes on the Peace System.

Pembina believes that its reasonable tariffs make it competitive with alternate pipelines. In addition, Pembina has been active in entering into long term contracts with shippers and producers.

Tariffs

Pipeline tariffs for all of Pembina's systems are generally established to recover all costs and earn a reasonable rate of return on the investment in its pipelines. On certain systems, Pembina earns a return using the semi-depreciated methodology where only 50% of the original cost of the investment is subject to depreciation for rate-making purposes even though full depreciation is recognized for financial statement purposes. On the AOSPL System, the tariffs are set by a long term contract that expires in 2035. This contract provides for returns on current and invested capital and a recovery of operating costs.

Tariffs are established under contracts of varying terms and conditions and are also posted by location. Tariffs, where posted, can be generally adjusted to respond to changing volumes and costs. Contracted tariffs generally can be adjusted for changes in power costs, municipal taxes, environmental and safety costs with Pembina being at risk for volume declines.

In British Columbia, the tariffs on the NEBC System and the Western System are set by the BCUC. In June 2001 the BCUC set the tariff for 2000 and 2001 on the Western System after a contested toll hearing. Since that decision, producers and shippers from northeast British Columbia have negotiated with Pembina to achieve negotiated tolls that will be in place until July 1, 2007.

Major Contracts

Transportation

There are a number of service contracts on Pembina's pipeline systems. On the AOSPL System, Pembina has an exclusive contract to ship all Syncrude Project production until 2035. This arrangement provides for a tariff that recovers all operating costs and provides for a return on current and future invested capital and is not dependent upon throughputs. This contract is capable of being extended beyond 2035. The major contract on the Peace System is the Vendor's Transportation Agreement that sets the toll methodology on the Peace System and creates a cap on the allowed return. This agreement is set to expire in November 2006. In addition, Pembina has recently negotiated a contract on the Western System for throughputs on that system. This contract will expire in 2007.

Power

Pembina has hedged 25% of its expected electric power consumption for the period 2003 through 2005 and a further 25% for the period 2003 through 2006.

BUSINESS STRATEGY AND OPPORTUNITIES

Pembina's business strategy is to continue to consolidate the pipeline systems and related assets that it has acquired and achieve efficiencies available through the ownership and operatorship of its diversified pipeline network. Pembina will continue to seek expansion opportunities arising from increased exploration and development in areas it presently serves, and pursue extensions into areas not presently serviced if the economics support the incremental investment. Pembina will also carefully consider future growth through acquisitions if there is a strategic fit to its existing operations.

Pembina's operations are well positioned to respond to transportation opportunities stemming from the significant increase in NGLs that are produced in association with natural gas. Pembina's pipeline systems have the capacity to meet the anticipated demand growth for NGLs transportation, which together with condensate, averaged 44 percent of total Pembina pipeline system throughput volume in 2002. Pembina also has the capacity to transport conventional light crude oil which has seen renewed interest with sustained higher commodity prices and a shift in ownership from the majors to development-focused royalty trusts. Pembina is also in the process of expanding the AOSPL System to meet the needs of the Syncrude owners, who have approved a major expansion of the Syncrude Project.

PIPELINE OPERATIONS

Information and Communication Systems

During 2002, Pembina focused on the integration of the $625 million in pipeline assets and facilities that it acquired over the previous two years. Pembina has realized many of the operating efficiencies and economies identified during the evaluation of these assets through optimization of product movements, merged operations and asset rationalization. Key to this integration initiative has been the centralization of control centre operations, providing remote control and monitoring across Pembina's expanded pipeline network. This was essentially completed by the second quarter of 2002, whereupon Pembina embarked on a multi-year initiative that will rationalize the communications infrastructure, Supervisory Control and Data Acquisition (SCADA) systems and leak detection platforms utilized by the various pipelines. Tightly coupled with these initiatives is the continuing development and enhancement of a remotely located back-up control centre. This facility will ensure business continuity for Pembina's operational control systems in the event of disruption at the primary control facility.

Pipeline Environmental Incidents

Environmental incidents have been infrequent on Pembina's pipeline systems. With the exception of the Pine River spill, the Latornell River spill, and the Swan Hills spill discussed below, in the past five years, Pembina has experienced three incidents that individually exceeded $250,000 in costs to Pembina, with total costs not exceeding $1,000,000.

Pine River Spill

A rupture occurred on the Western System on August 1, 2000 that resulted in a release of approximately 6,000 barrels of crude oil. Approximately 3,000 barrels went into the Pine River in British Columbia. The release was caused by a manufacturing defect in the pipe. Cleanup of the river and the spill site has been completed. The pipeline was shut down as a result the break. Repairs were made and to ensure operational integrity, the pipeline was hydrotested between Taylor and Prince George in 2001 and between Prince George and Kamloops in 2002, and the pipeline is now back in service. Pembina's team of independent scientists have completed two years of exhaustive study on impacts to the various components of the river ecosystem. Studies show that the river system has rapidly recovered and the ecosystem is capable of supporting fish and wildlife and has almost returned to pre-spill conditions. Pembina is in the process of discussing closure with authorities.

Latornell River Spill

A leak occurred on the 12-inch La Glace to Fox Creek Pipeline (part of the Peace System) on May 4, 2001. The break resulted in a release of approximately 880 barrels of crude oil, most of which entered the Latornell River. The pipeline SCADA system detected the leak immediately and the line was shut in and block valves were closed. The leak was caused by corrosion. The spot where the leak occurred was not identified by internal inspections recently completed on the line. The spill has been cleaned up and a release has been obtained from authorities. Approximately 3,000 cubic yards of contaminated soil was removed from the spill site and is being remediated in bio-cells constructed at a nearby Pembina pump station.

Swan Hills Spill

On January 3, 2003, a three-inch line ruptured due to stress corrosion cracking. This resulted in a release of 780 barrels of crude oil. Clean up has been completed and site reclamation is underway. Approximately 20,000 yards of soil was removed from the site for remediation. An operational review was completed and steps are being implemented to prevent reoccurrence.

The pipeline breaks are not expected to have an adverse financial impact on Pembina. Pembina maintains sudden and accidental seepage and pollution insurance. The limit on these insurance policies is $101 million, which Pembina believes is considerably above estimates of the expenses and damages incurred.

Pipeline Maintenance

Pipelines and the materials used in them are designed, built and tested to high standards. When pipelines are properly maintained failures due to pipe breakdown are rare. Approximately one-third of Pembina's operating budget is dedicated to pipeline maintenance.

Bare steel pipe will corrode in soil, water and, to some extent, air. To avoid external corrosion, below-ground pipelines are coated with a material impervious to water and above ground piping is painted. Cathodic protection systems are used on steel pipelines to impress a small voltage on the pipe to help protect it from external corrosion. Pipelines can also corrode internally due to various forms of bacteria found in oil. Inhibitors can be added to pipeline throughputs to control internal corrosion.

Internal Inspection Program

Internal inspection tools became available In the 1970's which were designed to allow pipeline operators to measure the wall thickness along their pipelines so that areas of metal loss could be located and repaired. As these tools became available, Pembina incorporated them into its monitoring programs. By 1990, Pembina had increased the annual use of these tools with the intention of inspecting all lines within both the Peace System and the Pembina System on a regular seven to ten year cycle. By the end of the 1990's Pembina had switched from the older inspection technology and was conducting internal inspections on over 30 line segments per year using the new, more accurate high-resolution inspection tools.

Currently, Pembina's target inspection frequency is a three to seven year cycle. The major lines have been inspected since 1996. In 2002 there were 48 line segments inspected, representing approximately 20% of Pembina's total pipeline system length.

Prior to its acquisition by Pembina, AOSPL also had an internal inspection program for the five line segments that make up the AOSPL System. One segment was inspected in 2000, two were inspected in 2001 and one, most recently inspected in 1997, was re-inspected in 2002**.** The fifth segment was only constructed in 2000 and is not yet scheduled for inspection.

Hydrostatic Testing

Government regulations require new pipelines to be filled with water and pressure tested to 125% of their licensed maximum operating pressure before being put into service. This hydrostatic test is designed to reveal any structural weaknesses in the pipe or welds, such as cracks that internal inspection tools are not capable of detecting. Internal inspection tools capable of finding cracks are now becoming available and may soon be an alternative to re-hydrostatically testing pipe. During 2002, Pembina retested portions of the Peace System and the southern half of the Western System.

Bacterial Monitoring and Treatment

The pipeline systems have programs for regularly sampling and testing oil for bacteria. Producers with excessive bacteria are required to treat their tanks with a biocide to kill the bacteria. Similarly, biocide is periodically shipped through pipelines to control and kill bacteria.

Cathodic Protection

Every month, readings are taken to ensure that the cathodic protection systems on the pipeline systems are operating at effective levels. A complete cathodic protection survey of the pipeline systems is done annually in compliance with regulatory requirements and any necessary repairs or adjustments to the cathodic protection system are made. Evaluation of the survey results provides important information on the condition of the pipeline coatings.

Tank Maintenance

The pipeline systems include a number of above and below ground storage tanks that are the subject of regular inspection and repair programs. The tanks acquired with the acquisitions have been combined with Pembina's program.

Environmental Audit

Operation of Pembina's pipelines is subject to environmental controls in the form of approvals and compliance to applicable federal, provincial, and local laws and regulations. Such laws and regulations govern, among other things, operating and maintenance standards, emissions and waste discharge and disposal. Management believes that company facilities and operations meet or exceed those requirements.

Pembina has in place a Planned Inspection Program that includes requirements for both internal and external audits. Regularly scheduled facility inspections are conducted annually – on all major facilities every three years. An independent environmental audit was completed on company facilities in 2002. The audit concluded that Pembina facilities are operated in a manner that displays and establishes a level of environmental due diligence and that compliance levels are satisfactory and commendable. The concerns raised in the audit have been reviewed and a program is in place to address those concerns in a timely and effective manner.

Reclamation Obligations

At present, Pembina has made no accounting provision for the costs of abandonment. On abandonment of any of the Pipeline Assets, costs of abandonment are for the account of Pembina as to its ownership interest in the system. Under the terms of the various agreements governing the operations of the Pipeline Assets, the proceeds from the sale of line-fill would be available to apply to abandonment costs where such line fill is owned by Pembina. The value of the line-fill and other assets owned by Pembina may be more or less than the abandonment costs. It is not possible to estimate the abandonment costs since they will be a function of a number of factors, including regulatory requirements at the time of abandonment, the condition of the pipeline and the pipeline's location. Abandonment requirements can vary considerably, ranging from emptying the pipeline and charging it with an inert gas through to removal of the pipe and reclamation of the right-of-way.

OTHER MATTERS RELATING TO THE PIPELINE ASSETS

Industry Regulation

The feeder pipeline industry in Alberta normally operates in an environment of unregulated tariffs. Once a permit to construct the pipeline is issued by the AEUB, and subject to the licensing of operational matters, the pipeline is free to establish tariffs in a competitive environment.

Producers and shippers have recourse to the AEUB with respect to pipeline access and tariff rates if they can establish that the pipeline should be deemed a common carrier. Once deemed a common carrier the AEUB has the ability to set rates. No major feeder pipeline in Alberta has ever been declared a common carrier and had its tariff rates set.

Producers and shippers can also apply to the AEUB for review of tariffs if they can establish that the tariffs are not just and reasonable.

On the AOSPL System, the shippers have agreed not to apply to the AEUB for tolls during the term of the agreement.

The Taylor System, the NEBC System and the Western System are financially regulated by the BCUC. The BCUC approves tariffs and regulates on a complaints basis.

Portions of the Peace System, the NEBC System and the Northern System are Group II NEB regulated pipelines, which means the NEB can review the tariffs if shippers file a formal complaint concerning the tariffs. There have been no complaints to the NEB on tariffs on these systems.

Pipeline Rights-of-Way and Land Tenure

Pembina's real property interests fall into two basic categories of ownership: (i) a number of locations, including many pumping stations and terminal and storage facilities, which are owned in fee simple; and (ii) the majority of locations which are covered by leases, easements, rights of way, permits or licences from landowners or governmental authorities permitting the use of such land for the construction and operation of a pipeline.

Pembina believes that the operator of each of its pipeline systems has sufficient title to its property interests to permit the operation of such system.

Shipper Relations

Pembina enjoys amicable relationships with its shippers and in most cases is able to negotiate acceptable terms in relation to the various shipping arrangements.

Indemnification and Insurance

PPC maintains insurance to provide coverage in relation to the ownership and operation of the Pipeline Assets. Insurance coverage currently includes: (i) property insurance coverage, providing coverage on the property and equipment that is above-ground or that facilitates river crossings, with recovery based upon replacement costs, and business interruption coverage for loss of income arising from specific property damage, and (ii) comprehensive general liability coverage, providing coverage in actions by third parties. The latter coverage includes Pembina's sudden and accidental pollution coverage, which specifically insures against certain claims for damage from pipeline leaks or spills.

Pembina believes that it has procured insurance coverage as would be maintained by a prudent pipeline owner and operator. This insurance coverage is subject to limits and exclusions or limitations on coverage that Pembina considers to be reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that insurance coverage will be adequate in any particular situation.

Employees

Pembina employs approximately 315 personnel in its pipeline operations, of which 250 are engaged in the performance of field operations and superintendence activities, 65 are engaged in the performance of facilities engineering, systems, management, finance, administration, human resources, information services, and safety and environmental service activities. All employees are non-unionized. Pembina's workforce is stable with limited turnover.

RISK FACTORS

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Renewal Annual Information Form.

Fluctuating Distributions

Distributions by the Fund to Unitholders may fluctuate. Although the Fund will distribute Distributable Cash, there can be no assurance regarding the amounts thereof. The actual amount thereof will depend upon numerous factors including operating cash flow, general and administrative costs, debt service costs, taxes, capital expenditures, reclamation reserves, if any, and working capital requirements. Payments by PPC to the Fund may be delayed or reduced by restrictions imposed by lenders, disruptions in service, or the ability of PPC to delay interest payments on the Notes for up to twelve months in certain circumstances.

Reserves Replacement and Throughput

Future throughput on the pipelines and replacement of oil and gas reserves in the service areas will be dependent upon the success of producers operating in those areas in exploiting their existing reserve bases and exploring for and developing additional reserves. Without reserve additions, or expansion of the service areas, throughput on the pipelines will decline over time as reserves are depleted. In addition, as reserves are depleted or if product prices for crude oil, condensate and NGLs decline, production costs may increase relative to the remaining value of the reserves in place, producers may shut-in production, seek out lower cost alternatives for transportation, or pressure the pipeline operators to reduce tariffs. The Syncrude Project, which supplies product for the AOSPL System, is in the process of expanding its facilities and production capacity in the next few years.

Over the long term, the business of the Fund will depend, in part, on the level of demand for crude oil and NGLs in the markets served by the pipelines. The Fund cannot predict the impact of future economic conditions and competition on the energy and petrochemical industries which in turn would affect the demand for crude oil, condensate and NGLs.

Tariff revenues are based upon a variety of tolling arrangements, including "deliver or pay" contracts, cost of service arrangements and market based tolls, therefore some tariff revenues are not necessarily dependent upon throughput.

Environmental Costs and Liabilities

The operation of the Pipeline Assets is subject to Canadian federal and Alberta and British Columbia provincial laws and regulations relating to environmental protection and operational safety.

Although Pembina believes that the current operation of its pipeline systems is in compliance with all applicable environmental and safety regulations, risks of substantial costs and liabilities are inherent in pipeline operations, and there can be no assurance that substantial costs and liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws, regulations and enforcement policies thereunder, and claims for damages to persons or property resulting from the Fund's operations, could result in significant costs and liabilities to the Fund. If the Fund was not able to recover the resulting costs through insurance or increased tariffs, distributions to Unitholders and payments to holders of Debentures could be adversely affected.

While Pembina maintains insurance in respect of damage caused by seepage or pollution in an amount it considers prudent and in accordance with industry standards, certain provisions of such insurance may limit the availability thereof in respect of certain occurrences unless they are discovered within fixed time periods, which typically range from 72 hours to seven days. If Pembina is unaware of a problem or is unable to locate the problem within the relevant time period, insurance coverage may not be available. However, Pembina is of the opinion that it has adequate leak detection systems in place to monitor a significant spill of product.

Competition

Pembina competes with other pipelines in its service areas as well as with truckers of crude oil and NGLs. Alliance Pipeline began operating in late 2000 and competes with Pembina for NGLs. However, Pembina believes it is prepared for and is determined to meet these competitive pressures.

Regulatory Intervention

Legislation in Alberta and British Columbia exists to ensure that producers have fair and reasonable opportunities to produce, transport, process and market their reserves. In Alberta, the AEUB, and in British Columbia, the BCUC may, on application, and following a hearing (and in Alberta with the approval of the Lieutenant Governor in Council), declare the operator of a pipeline a common carrier of oil or natural gas and, as such, must not discriminate between producers who seek access to the pipeline. Producers and shippers may also apply to the regulatory authorities for a review of tariffs if they prove the tariffs are not just and reasonable. Applications by producers to have a pipeline operator declared a common carrier are usually accompanied with an application to have tariffs set by the regulatory authorities. The extent to which regulatory authorities in such instances can override existing transportation or processing contracts has not been fully decided.

Pipeline Abandonment Costs

Pembina is responsible for compliance with all applicable laws and regulations regarding the abandonment of the Pipeline Assets at the end of their economic life, which abandonment costs may be substantial. The proceeds of the disposition of certain assets associated with the Pipeline Assets would be available to offset abandonment costs. However it is not possible to predict abandonment costs since they will be a function of regulatory requirements at the time and the value of Pembina's assets may then be more or less than abandonment costs. Pembina may, in the future, determine it prudent or be required by applicable laws or regulations to establish and fund one or more reclamation funds to provide for payment of future abandonment costs. Such reserves could decrease Distributable Cash per Trust Unit and funds available to service obligations under the Debentures.

Operational Hazards

Pembina's operations will be subject to the customary hazards of the pipeline transportation business. The operations of Pembina's pipelines could be disrupted by natural disasters or other events beyond the control of Pembina. A casualty occurrence could result in the loss of equipment or life, as well as injury and property damage. Pembina will carry insurance coverage with respect to some, but not all, casualty occurrences in amounts customary for similar business operations which coverage may not be sufficient to compensate for all casualty occurrences.

Investment Eligibility

The Fund will endeavour to ensure that the Trust Units and Debentures continue to be qualified investments for trusts governed by registered retirement savings plans, registered education savings plans, and registered retirement income funds and deferred profit sharing plans (collectively, the "Plans") under the Tax Act and will not be "foreign property" to such Plans. If the Fund ceases to qualify as a mutual fund trust, the Trust Units and Debentures will cease to be qualified investments for the Plans. Where, at the end of any month, a Plan holds Trust Units and/or Debentures that are not qualified investments, the Plan must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1% of the fair market value of the Trust Units and/or Debentures at the time the Trust Units and/or Debentures were acquired by the Plan. One of the ways in which the Fund could cease to qualify as a mutual fund trust would be if non-residents of Canada ("non-residents") within the meaning of the Tax Act were to become the beneficial owners of a majority of the Trust Units calculated on a fully diluted basis (including Trust Units issuable on conversion of the Debentures). There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders or holders of Debentures.

Dependence Upon PPC and Other Operating Subsidiaries

The Fund is, at present, entirely dependent upon the operations and assets of PPC and its other subsidiaries through its ownership of the PPC Shares and Notes. Additionally, the distributions to the Unitholders and ability to pay obligations under the Debentures will be dependent upon the ability of the Fund's operating subsidiaries to pay cash flow to the Fund, including the ability of PPC to pay interest on or principal of the Notes or other debt instruments issued by PPC to the Fund and to declare and pay dividends or repay capital in respect of the PPC Shares. Such payments on the Notes and any other debt instruments issued by PPC to the Fund are subordinated to the obligations of PPC under its bank facilities and the PPC Senior Notes.

Potential Sales of Additional Securities of the Fund

The Fund may issue additional Trust Units or other securities in the future to finance certain of Pembina's capital expenditure requirements. Such additional securities may be issued without the approval of Unitholders. The Unitholders will have no pre-emptive rights in connection with such additional issues. The responsibility of determining the price and the terms of issue of additional Trust Units or other securities of the Fund has been delegated to the Manager, subject to the supervision of the PPC Directors.

Reliance on Management

Unitholders will be dependent on the Manager and the PPC Directors in respect of the administration and management of all matters relating to Pembina and its operations and administration. The loss of the services of key individuals or termination of the Management Agreement could have a detrimental effect on Pembina.

Potential Conflicts of Interest

Unitholders are dependent upon the Manager and the PPC Directors for the administration of the Fund and the management of Pembina. There may be situations in which conflicts of interest may arise between the Manager and the Fund. Additionally, certain directors and officers of PPC and the Manager may be directors or officers of entities in competition to Pembina.

Capital Resources

Future acquisitions, expansions of the Pipeline Assets and other capital expenditures will be financed from sources such as cash generated from operations, sales of additional Trust Units or other securities of the Fund and borrowings. There can be no assurance that sufficient capital will be available on terms acceptable to the Fund to fund expansions or other required capital expenditures. To the extent that external sources of capital become limited or unavailable, Pembina's ability to make the necessary or desirable capital expenditures will be impaired. To the extent Pembina is required to use cash flow to finance capital expenditures, the level of Distributable Cash will be reduced.

Debt Service

Pembina has secured credit facilities. Variations in interest rates and scheduled principal repayments, if required under the terms of the banking agreements, could result in significant changes in the amount required to be applied to debt service before payment of any amounts by the operating subsidiaries to the Fund. Certain covenants in the agreements with the lenders may also limit payments by the operating subsidiaries to the Fund. Although it is believed that the lines of credit are sufficient, there can be no assurance that the amount will be adequate for the financial obligations of Pembina or that additional funds can be obtained.

Pembina's lenders, including the holders of the PPC Senior Notes, have been provided with security over substantially all of the assets of Pembina. If Pembina becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, the lenders may rank senior to the Fund in respect of payments made by the operating subsidiaries on securities or Notes which are held by the Fund.

Redemption Right

It is anticipated that the redemption right will not be the primary mechanism for holders of Trust Units to liquidate their investment. Cash distributions are subject to limitations and any Notes and PPC Shares which may be distributed in specie to holders of Trust Units in connection with a redemption will not be listed on any stock exchange and no market is expected to develop for Notes and PPC Shares. Any Notes which may be distributed may not be qualified investments for trusts governed by a Plan. PPC Shares which may be distributed may not be qualified investments for trusts governed by such Plans, depending on the law existing at the time of the distribution. In addition, there may be resale restrictions imposed by law upon the recipients of PPC Shares and Notes pursuant to the redemption right.

Nature of Trust Units

The Trust Units are dissimilar to conventional debt instruments in that there is no principal amount owing directly to Unitholders. The Trust Units do not represent a traditional investment and should not be viewed by investors as shares of PPC or a conventional pipeline corporation. Each Trust Unit represents an equal undivided beneficial interest in the Fund. The Fund's sole assets are currently the PPC Shares, the Notes, one voting, non-participating share in two subsidiaries of PPC and other permitted investments. As holders of Trust Units, unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The price per Trust Unit is a function of anticipated cash distributions to Unitholders and the ability to effect long-term growth in the value of Pembina. The market price of the Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates and the ability of Pembina to acquire and maintain suitable Pipeline Assets. Changes in market conditions may adversely affect the trading price of the Trust Units.

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations and affairs. The Declaration of Trust also provides that the Fund shall make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Fund or the Trustee of the Fund a contractual provision to the effect that neither the Unitholders nor the Trustee have any personal liability or obligations in respect thereof. Notwithstanding the foregoing statements in the Declaration of Trust, because of uncertainties in the law relating to investment trusts such as the Fund, there is a risk that a Unitholder could be held personally liable for obligations of the Fund to the extent that claims are not satisfied by the Fund. Personal liability may arise in respect of claims against the Fund that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. It is intended that the operations of the Fund will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the Unitholders for claims against the Fund. In any event, it is considered that the risk of any personal liability of Unitholders in Canada is minimal, particularly where the beneficiaries are not controlling the day-to-day activities of the Fund and there is no direct contact between the beneficiaries of the Fund and parties who contract with the Fund, each of which conditions is satisfied in the case of Pembina and its Unitholders.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The Fund

The following is a summary of selected financial information for the Fund for the periods indicated:

	As at and for the year ended December 31, 2000	As at and for the year ended December 31, 2001	As at and for the year ended December 31, 2002
Financial ($000)			
Revenue	$136,190	$191,647	$224,467
Operating expenses	52,475	71,368	88,972
General and administrative expenses	7,411	9,834	11,827
EBITDA(1)	79,852	114,112	122,843
EBIT(2)	14,299	31,971	54,870
Net earnings before goodwill amortization	69,798	60,791	59,536
Net earnings income	52,488	40,271	59,536
Total assets	1,114,799	1,297,552	1,255,562
Long term debt	329,423	315,000	326,259
Distributed cash	62,818	80,913	96,288
Per Trust Unit amounts ($)			
Net earnings income - Basic	$ 0.80	$0.52	$0.65
- Diluted	0.80	0.49	0.59
Distributed income	0.96	1.05	1.05

Notes:
(1) EBITDA means income before interest, income taxes and depreciation.
(2) EBIT means income before interest and income taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fund's Management's Discussion and Analysis relating to the Fund's consolidated financial statements for the year ended December 31, 2002, which is contained on pages 16 through 28 of the Fund's Annual Report, is incorporated herein by reference and forms an integral part of this Renewal Annual Information Form.

MARKET FOR SECURITIES

The outstanding Trust Units of the Fund are listed and posted for trading on the Toronto Stock Exchange under the symbol "PIF.UN". The two separate issues of outstanding Debentures of the Fund are listed and posted for trading on the Toronto Stock Exchange under the symbols "PIF.DB" and "PIF.DB.A".

PEMBINA PIPELINE INCOME FUND MANAGEMENT

Computershare Trust Company of Canada is the Trustee of the Fund and its main responsibility is to supervise the activities and manage the investments and affairs of the Fund. Additionally, the Trustee holds title to the assets of the Fund, provides timely reports to Unitholders, effects payment of distributions to Unitholders and votes the Fund's ownership in the PPC Shares in a manner which is in the best interests of the Fund and its Unitholders, generally subject to the direction of the Unitholders. Pursuant to the Administration Agreement, the Trustee has delegated the day-to-day administration and management of the Fund to the Administrator, including the administration of the general responsibilities listed above.

The Unitholders elect the directors of PPC of which only one director is a member of management. The Board of Directors has three committees, namely the Audit Committee, the Health Safety and Environment Committee and the Compensation Committee.

The Audit Committee is currently comprised of three directors, each of whom is an outside director and unrelated to management. The Audit Committee is responsible for reviewing significant accounting, reporting and internal control matters, reviewing all published quarterly and annual financial statements and recommending their approval to the directors and assessing the performance of the Fund's and PPC's external auditors.

The Compensation Committee is also comprised of three directors, all of whom are outside directors and unrelated to management. The Compensation Committee reviews compensatory benefits and working conditions of the employees of PPC.

The Health Safety and Environment Committee is comprised of three outside unrelated directors and is responsible for reviewing PPC's safety and environment policies and compliance.

The directors of PPC and officers of the Manager beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 442,183 Trust Units, representing less than 1% of the outstanding Trust Units of the Fund.

Directors of PPC

The following table sets out the full name and municipality of residence for each director of PPC, the date on which they were appointed as a director of PPC (or a trustee of the Fund prior to an internal reorganization in which the directors of PPC replaced a board of trustees of the Fund) and their principal occupations during the past five years.

Name & Municipality	Date Appointed	Principal Occupation During the Past Five Years
Robert B. Michaleski Calgary, Alberta	January 4, 2000	President and Chief Executive Officer of PPC since January 4, 2000; prior thereto, Vice President Finance of PPC.
Lorne B. Gordon(1) (2) (3) Calgary, Alberta	October 24, 1997	President and Chief Executive Officer of Coril Holdings Ltd.
Robert F. Taylor(3) (4) Calgary, Alberta	October 24, 1997	Independent businessman.
Myron F. Kanik(3) (4) Calgary, Alberta	October 24, 1997	Independent businessman since June 1999; prior thereto, President of Canadian Energy Pipeline Association.
David N. Kitchen(2) Calgary, Alberta	April 30, 1999	Independent businessman.
David A. Bissett(2) Calgary, Alberta	May 3, 2001	Independent businessman since July 1, 1999; prior thereto, Chairman, Bissett & Associates Investment Management Ltd.
Donald L. Krogseth(4) Vancouver, British Columbia	June 12, 2001	Independent businessman since June 1, 2000; prior thereto Senior Partner & Director, The CC & L Financial Services Group.

Notes:
(1) Chairman of the Board.
(2) Member of Audit Committee.
(3) Member of Compensation Committee.
(4) Member of the Health, Safety and Environment Committee.

The directors of PPC serve until their successors are duly elected or appointed. Mr. Michaleski is the only executive officer of PPC who serves on PPC's board of directors.

Each director of PPC who is not a full time employee of PPC is paid an annual retainer of $18,000. Directors are also paid $1,000 for each directors' meeting attended and are reimbursed for their out-of-pocket expenses associated with attending meetings. The Chairman of the Board receives an additional retainer of $10,000 per annum and each Chairman of a committee receives an additional $3,000.

Executive Officers of PPC and the Manager

The following table sets out the name, municipality of residence and office with PPC and the Manager for each executive officer of PPC and the Manager, as well as their principal occupations during the past five years.

Name & Municipality	Position	Principal Occupation During the Past Five Years
Robert B. Michaleski Calgary, Alberta	President and Chief Executive Officer	President and Chief Executive Officer of PPC since January 4, 2000; prior thereto, Vice President Finance of PPC
Peter D. Robertson Calgary, Alberta	Vice President Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer of PPC since January 4, 2000; prior thereto, Controller of PPC
Fred E. Webb Calgary, Alberta	Vice President and General Manager	Vice President and General Manager of PPC
D. James Watkinson, Q.C. Calgary, Alberta	Vice President, General Counsel and Secretary	Vice President, General Counsel and Secretary of PPC

Certain of the directors and officers named above may be directors or officers of issuers which are in competition to the Fund, and as such may encounter conflicts of interest in the administration of their duties with respect to the Fund. See "Risk Factors - Potential Conflicts of Interest".

ADMINISTRATION AGREEMENT

Pursuant to the Administration Agreement, the Manager has agreed to act as administrator for the Fund, or arrange for the provision of services required in the administration of the Fund, in consideration for an annual fee of $20,000, plus reimbursement of all expenses incurred by the Manager in connection with such services. For the fiscal year ended December 31, 2002, the Manager received $20,000 in compensation and no reimbursement of expenses pursuant to the Administration Agreement. The Administration Agreement has an indefinite term, but may be terminated by either party on 90 days' written notice.

MANAGEMENT AGREEMENT

Pursuant to the Management Agreement, the Manager has agreed to provide managerial services to PPC (including its subsidiaries) in respect of the operation of Pembina's pipeline assets. As compensation for its services, the Management Agreement provides for the Manager to receive a management fee equal to 0.9675% of the distributions paid by the Fund to Unitholders in any calendar year; fees of 0.645% and 0.48375% of the purchase or sale price, respectively, for the acquisition or disposition of any material pipeline asset or facility; additional incentive fees related to the increase in the amount of distributions by the Fund to Unitholders; and reimbursement of all expenses incurred by the Manager on behalf of PPC. For the financial year ended December 31, 2002, total compensation paid by PPC to the Manager pursuant to the Management Agreement was $975,950. The Manager was not reimbursed for any expenses during this period.

Additional information regarding the Manager and the Management Agreement is contained in Appendices A and B to this Renewal Annual Information Form.

The Management Agreement has an initial term of seven years, expiring on October 23, 2004, and will automatically continue in effect for successive five year terms unless it is otherwise terminated as provided in the Management Agreement. The names of the officers of the Manager are listed above under "Pembina Pipeline Income Fund Management - Executive Officers of PPC and the Manager".

ADDITIONAL INFORMATION

Additional financial information is contained in the audited consolidated financial statements of the Fund for the year ended December 31, 2002, which are included in the Fund's Annual Report.

Additional information regarding remuneration of the Trustee, directors and officers and principal holders of the Trust Units, and interests of insiders in material transactions is contained in the Fund's Information Circular dated March 18, 2003.

Upon request to Pembina Management Inc. at its offices located at 2700, 707 - 8th Avenue S.W., Calgary, Alberta T2P 2M7, the Fund will provide to any person:

(a) when the securities of the Fund are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:

  (i) one copy of this Renewal Annual Information Form together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Renewal Annual Information Form;

  (ii) one copy of the consolidated financial statements of the Fund for the year ended December 31, 2002, together with the accompanying report of the auditors and one copy of any subsequent interim financial statements of the Fund;

  (iii) one copy of the Fund's Information Circular dated March 18, 2003; and

  (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of the documents referred to in (i) to (iv) above, provided that the Fund may require the payment of a reasonable charge if the request is made by a person who is not a Unitholder.

APPENDIX A
DESCRIPTION OF THE FUND AND PPC

Declaration of Trust

The Fund is an unincorporated, open ended trust established pursuant to the Declaration of Trust and governed by the laws of Alberta. The Trust Units are issued pursuant to the Declaration of Trust and represent equal undivided beneficial interests in the Fund. All Trust Units share equally in all distributions from the Fund and all Trust Units carry equal voting rights at meetings of Unitholders.

The following is a summary of certain provisions of the Declaration of Trust. For a complete description of the Trust Units and the Declaration of Trust, reference should be made to the Declaration of Trust, a copy of which is available to Unitholders from the Fund.

The Declaration of Trust provides that, subject to the terms and conditions of the Declaration of Trust, the Trustee may, in respect of the trust assets and the investments and affairs of the Fund, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof. The Trustee is responsible for, among other things: (i) acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of PPC; (ii) maintaining records and providing reports to Unitholders; (iii) supervising the activities and managing the investments and affairs of the Fund; and (iv) effecting payments of Distributable Cash from the Fund to Unitholders.

The Trustee is appointed for an initial term of ten years. The Trustee may resign by giving not less than 60 days' written notice to the Fund and may be removed by notice in writing by the Administrator in the event the Trustee fails to satisfy certain criteria described in the Declaration of Trust. The removal of a Trustee shall not become effective until approved by a Special Resolution at a meeting of the Unitholders called for that purpose and a successor Trustee is appointed by a majority of Unitholders at such meeting. If no successor Trustee is appointed by Unitholders, the Administrator or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor Trustee.

The Declaration of Trust provides that the Trustee shall act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that the Trustee, and each of its directors, officers, employees and agents, shall be entitled to indemnification from the Fund in respect of the performance of its duties under the Declaration of Trust in the absence of a breach of its duties and standard of care. The Declaration of Trust states that the duties and standard of care of the Trustee provided in the Declaration of Trust are intended to be similar to, and not greater than, those imposed on a director of a corporation governed by the ABCA.

Trust Units

An unlimited number of Trust Units may be issued pursuant to the Declaration of Trust. Each Trust Unit is transferable and represents an equal undivided beneficial interest in any distribution from the Fund whether of net income, net realized capital gains or other amounts, and in any net assets of the Fund in the event of termination or winding-up of the Fund. All Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority. Trust Units are not subject to future calls or assessments except that future offerings of Trust Units may be issuable for consideration payable in instalments in which case the Fund may take security over any such Trust Units, and each Trust Unit entitles the holder thereof to one vote for each whole Trust Unit held at all meetings of Unitholders. Except as set out under "Redemption Right", the Trust Units have no conversion, retraction, redemption or pre-emptive rights. Additional Trust Units, including rights, warrants or other securities to purchase, to convert into or exchange into Trust Units, may be issued in the future.

Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan

The Fund has instituted a Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan (the "Plan"), which provides Unitholders of the Fund the opportunity to either receive a premium cash payment in lieu of the cash distribution declared payable by Pembina or accumulate additional Units at a 5% discount to an average market price. Participants may also purchase additional Units by investing additional sums within the limits and subject to the terms of this Plan. The Plan provides an efficient and cost-effective way for Pembina to issue additional equity to existing Unitholders.

Pembina will determine for each distribution payment date the amount of new equity, if any, that will be made available under the Plan on that date.

Convertible Debentures

On March 21, 2001, the Fund issued $60.0 million of 8.25% convertible unsecured subordinated debentures maturing on March 31, 2006. These debentures may be converted at the option of the holder at a conversion price of $9.00 per Trust Unit at any time prior to maturity and may be redeemed by the Fund after April 1, 2004. The Fund may, at its option, after April 1, 2004 elect to redeem the debentures by issuing Trust Units. The Fund can elect to pay interest on the debentures by issuing Trust Units. As at December 31, 2002, $18.4 million of these debentures were outstanding.

On December 4, 2001 the Fund issued $87.5 million in 7.5% convertible unsecured subordinated debentures maturing on June 30, 2007. These debentures may be converted at the option of the holder at a conversion price of $10.50 per Trust Unit at any time prior to maturity and may be redeemed by the Fund after June 30, 2005. The Fund may at its option, after June 30, 2005 elect to redeem the debentures by issuing Trust Units. The Fund can elect to pay interest on the debentures by issuing Trust Units. As at December 31, 2002, $55.5 million of these debentures were outstanding.

Issuance of Trust Units

The Declaration of Trust provides that Trust Units, and rights, warrants or other securities to purchase, convert into or exchange into Trust Units, may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustee determines. The Trustee has delegated responsibility for these matters to the Manager, subject to the supervision and approval of the PPC Directors. Trust Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis. The Declaration of Trust also provides that immediately after any pro rata distribution of Trust Units to Unitholders in satisfaction of any non-cash distribution, the number of outstanding Trust Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Trust Units as the Unitholder held before the non-cash distribution.

Cash Distributions

The amount of Distributable Cash to be distributed annually per Trust Unit shall be equal to a pro rata share of interest and repayments of principal on the Notes accruing to the Fund and dividends and repayments of capital on the PPC Shares or other securities received by the Fund in the year, less administrative expenses of the Fund and amounts which may be paid by the Fund in connection with any cash redemptions of Trust Units. Any income of the Fund which is applied to any cash redemptions of Trust Units or is otherwise unavailable for cash distribution will be distributed to Unitholders in the form of additional Trust Units. Such additional Trust Units will be issued pursuant to exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The Fund intends to make monthly payments based upon anticipated interest income of the Fund, less estimated amounts required for the payment of expenses and assuming there are no cash redemptions of Trust Units. The Fund will also include in its monthly distributions cash dividends, repayments of principal on the Notes and repayments of capital on the PPC Shares, if any, received from PPC. Monthly distributions are due and payable to Unitholders of record on each Record Date (currently the last day of each month) and are to be paid on or about the 15th day of the following month without interest or penalty.

Redemption Right

Trust Units are redeemable at any time at the option of the holders thereof. As the Trust Units are issued in "book entry only" form, a Unitholder who wishes to exercise the redemption right is required to obtain a redemption notice from his or her investment dealer who is required to deliver the completed redemption notice form to the Fund. Upon receipt of the redemption request by the Fund, all rights of the holder with respect to the Trust Units tendered for redemption shall cease and the holder thereof shall only be entitled to receive a price per Trust Unit ("Cash Redemption Price") equal to the lesser of: (i) 95% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the ten trading day period commencing immediately after the date on which the Trust Units were surrendered for redemption (the "Redemption Date"); and (ii) the "closing market price" on the principal market on which the Trust Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average trading price of the Trust Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market cannot provide a weighted average trading price but only provides the highest and lowest prices of the Trust Units traded on a particular day, the "market price" shall be an amount equal to the simple average of the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the ten trading days, the "market price" shall be the simple average of the following prices established for each of the ten trading days: (i) the average of the last bid and last ask prices of the Trust Units for each day on which there was no trading; (ii) the weighted average trading price of the Trust Units for each day that there was trading if the exchange or market provides a weighted average trading price; and (iii) the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day. The "closing market price" shall be: (i) an amount equal to the closing price of the Trust Units if there was a trade on the date; (ii) an amount equal to the average of the highest and lowest prices of Trust Units if there was trading and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; or (iii) the average of the last bid and last ask prices of the Trust Units if there was no trading on the date.

The aggregate Cash Redemption Price payable by the Fund in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on the last day of the following month, provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the limitations that: (i) the total amount payable by the Fund in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month shall not exceed $250,000 (provided that such limitation may be waived at the discretion of the Administrator); (ii) at the time such Trust Units are tendered for redemption the outstanding Trust Units shall be listed for trading on the Toronto Stock Exchange or traded or quoted on any other market which the Trustee consider, in their sole discretion, provides representative fair market value prices for the Trust Units; and (iii) the normal trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Trust Units as a result of the foregoing limitations, then the redemption price for such Trust Units shall be the fair market value thereof as determined by the Administrator taking into account any taxes payable by the Fund arising from such redemption. The redemption price shall, subject to any applicable regulatory approvals, be paid and satisfied by way of distribution in specie of a pro rata number of PPC Shares, Notes (in integral multiples of $100) and other securities in additional businesses, if any, acquired by the Fund and from time to time outstanding. No fractional PPC Shares, Notes or securities of other businesses, if any, will be distributed and, where the number of PPC Shares, Notes or securities of other businesses, if any, to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number. The Fund shall be entitled to all interest accrued and unpaid on the Notes or other debt securities held by the Fund, if any, to all dividends declared payable on the PPC Shares or other shares held by the Fund, if any, on or before the date of the distribution in specie.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Trust Units. The PPC Shares and Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange, no market is expected to develop in such securities and such securities may be subject to resale restrictions under applicable securities laws. Such securities will not be qualified investments for trusts governed by a Plan (as defined under "Risk Factors - Investment Eligibility").

Meetings of Unitholders

The Declaration of Trust provides for annual meetings of Unitholders at which Unitholders shall appoint the directors of PPC and the auditors of the Fund and PPC. The Declaration of Trust also provides that Unitholders may pass resolutions that bind the Trustee or the Fund with respect to: (i) the appointment or removal of a Trustee; (ii) the appointment or removal of auditors of the Fund; (iii) the election of the PPC Directors; (iv) the approval of amendments to the Declaration of Trust (except as described under "Description of the Fund - Amendments to the Declaration of Trust"); (v) the appointment of an inspector to investigate the performance of the Trustee or the Administrator regarding the Fund; (vi) the sale of all or substantially all of the assets of the Fund (other than as part of an internal reorganization); (vii) the termination of the Fund; (viii) amendments to or renewals of the Administration Agreement; and (ix) matters which require securityholder approval pursuant to securities laws or stock exchange sales applicable to the Fund. The resolutions in items (iv), (vi) and (vii) must be passed by Special Resolution while the other items require the approval of a majority of votes cast at a meeting of Unitholders. Additionally, the matters described below under "Exercise of Voting Rights Attached to PPC Shares" must be passed by a Special Resolution of Unitholders.

A special meeting of Unitholders may be called at any time by the Trustee and must be convened if requisitioned by the holders of not less than 5% of the Trust Units then outstanding (not including Trust Units beneficially owned by the Manager) by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at such meeting.

Unitholders may attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two individuals present in person either holding personally or representing by proxy in the aggregate at least 10% of the votes attaching to all outstanding Trust Units shall constitute a quorum for the transaction of business at all such meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Exercise of Voting Rights Attached to PPC Shares

The Declaration of Trust provides that the Trustee shall not authorize, either by agreement or by voting its PPC Shares:

(a) any amendment to the Articles of PPC to add or change any restriction on the business of PPC or change the authorized share capital or amend the rights, privileges, restrictions and conditions attaching to any class of shares of PPC;

(b) any sale, lease or other disposition of all or substantially all of the property and assets of PPC except in the ordinary course of business of PPC or as part of an internal reorganization of that corporation;

(c) any matter which, under the ABCA or such other legislation as may at the relevant time govern PPC, requires the sanction of a special resolution of the shareholders of PPC;

(d) any amalgamation or other merger of PPC with any other corporation, except one or more wholly owned subsidiaries of PPC; or

(e) any amendment to the Declaration of Trust (other than as described below under "Amendments to Declaration of Trust") or the Governance Agreement;

without the authorization of the Unitholders by Special Resolution at a meeting of Unitholders called for that purpose.

Limitation on Non-resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada ("non-residents") within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents be the beneficial owners of a majority of the Trust Units. If the Trustee becomes aware that the beneficial owners of 49% of the Trust Units then outstanding are or may be non-residents or that such a situation is imminent, the Fund may make a public announcement thereof and shall not accept a subscription for Trust Units from, or issue or register a transfer of Trust Units to, a person unless the person provides a declaration that the beneficial owner is not a non-resident. If, notwithstanding the foregoing, the Trustee determines that a majority of the Trust Units are held by non-residents, the Trustee may send a notice to non-resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustee may consider equitable and practicable, requiring them to sell their Trust Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Trust Units or provided the Trustee with satisfactory evidence that the beneficial owners are not non-resident within such period, the Trustee may on behalf of such Unitholders sell such Trust Units and, in the interim, shall suspend the voting and distribution rights attached to such Trust Units. Upon such sale, the affected holders shall cease to be holders of Trust Units and their rights shall be limited to receiving the net proceeds of such sale.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by Special Resolution. The Trustee may, without the approval of the Unitholders, authorize certain amendments to the Declaration of Trust without Unitholder approval, including amendments:

(a) for the purpose of ensuring continuing compliance with the applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustee or the Fund;

(b) which, in the opinion of the Trustee, provides additional protection for the Unitholders;

(c) not inconsistent with the Declaration of Trust, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions that are, in the opinion of the Trustee, necessary or desirable and not materially prejudicial to the rights of Unitholders; or

(d) which, in the opinion of the Trustee, are necessary or desirable as a result of changes in taxation law.

Termination of the Fund

The Fund has been established for a term ending 21 years after the date of the death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on September 4, 1997. The Declaration of Trust requires the Trustee to commence to wind-up the affairs of the Fund not more than two years prior to the end of the term of the Fund. In addition, at any time prior to the expiry of the term of the Fund, the Unitholders may pass a Special Resolution to terminate the Fund, following which the Trustee is obligated to commence to windup the affairs of the Fund.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Trust Units and not less than 90% of the Trust Units (other than Trust Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Trust Units held by Unitholders who did not accept the offer on the terms offered by the offeror.

Reporting to Unitholders

The Fund will furnish to the Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation. PPC has undertaken to provide the Fund with: (i) a report of any material change that occurs in its affairs in form and content that it would file with applicable regulatory authorities if it were a reporting issuer, and (ii) all financial statements that it would be required to file with applicable regulatory authorities if it were a reporting issuer under applicable securities laws. All such reports and statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required under applicable securities laws. The Fund will distribute the financial statements it receives from PPC as a supplement to the financial statements of the Fund that are sent to Unitholders.

Prior to each meeting of Unitholders the Fund will provide the Unitholders with information similar to that required to be provided to shareholders of an Alberta public company along with notice of such meeting.

Administration of the Fund

The Manager administers the Fund pursuant to the Administration Agreement and is responsible for the administration and management of the affairs of the Fund subject to the supervision of the Trustee and the board of directors of PPC. The Manager is reimbursed for certain liabilities, costs and expenses incurred by the Manager in administering the Fund and is also paid an annual fee of $20,000 in consideration for services provided to the Fund under the Administration Agreement. The Administration Agreement is terminable on 90 days' notice, or immediately in the event of termination of the Management Agreement, winding-up of the Fund, the insolvency or receivership of the Manager, a change of control of the Manager (other than a change of control to which the Fund consents) or default by the Manager in the performance of a material obligation which is not remedied within 30 days.

SHARE AND LOAN CAPITAL OF PPC

Share Capital of PPC

The authorized capital of PPC consists of an unlimited number of common shares. Each common share entitles its holder to receive notice of and to attend all meetings of shareholders of PPC and to one vote at such meetings subject to the Fund's right to vote 100% of the PPC Shares at any time it owns at least 25% of such shares. See "Governance and Management - Governance Agreement" in Appendix B. The holders of the common shares are, at the discretion of the Board of Directors of PPC and subject to applicable legal restrictions, entitled to receive any dividends declared by the Board of Directors on the shares.

Distribution Policy of PPC

The distribution policy of PPC will be to pay interest on (and in certain circumstances repay principal of) the Notes and to distribute all of its remaining available cash, subject to applicable law and to PPC retaining appropriate working capital reserves, satisfying its financing covenants, making loan payments and, if applicable, establishing reclamation reserves. At the end of each month, the Board of Directors will determine whether PPC has sufficient cash to declare a dividend for that month, to return capital on the PPC Shares or to repay principal on the Notes and, if so, what the amount of any such payment will be. The decision of what amount, if any, to declare as a dividend, to repay as principal or to return as capital will be a conservative estimate based on the results of each month. An adjustment, if appropriate, to the total amount of the capital returned or dividend payable for a fiscal year will be paid prior to March 31 of the following year. The distribution policy represents the present intention of PPC and is not legally binding upon the board of directors of PPC.

Notes of PPC Issued to the Fund

PPC has issued certain unsecured, subordinated promissory notes (the "Notes") to the Fund at various interest rates, with interest on each payable monthly on the Record Dates. The interest on the Notes and the principal of the Notes is payable in Canadian funds. PPC may defer, for a period of up to 12 months, payment of interest on the Notes to the extent that its earnings before interest, taxes, depreciation and amortization are inadequate to pay the interest on the Notes.

On or about October 24, 2017, and from time to time thereafter, the holder of the Notes (being the Fund), together with PPC's board of directors, will review PPC's facilities and pipeline operations, the economic conditions relating to the pipeline industry and the business prospects of PPC. If this review, in the opinion of the holder of a Note and the PPC board of directors indicates that it is unlikely that the indebtedness of PPC evidenced by the Notes could be refinanced on the same terms and conditions upon maturity of the Notes, then PPC will commence principal repayments on the Notes such that the Notes will be fully repaid upon maturity. In that event, PPC's available cash will be utilized to the extent required to fund such repayments in lieu of dividends on the PPC Shares.

The Notes are unsecured debt obligations of PPC, are subordinate in right of payment to all secured debt of PPC and are also subordinate to all other debt of PPC that is unsecured but not subordinated.

The following shall constitute an Event of Default under the Notes: (i) default in payment of the principal of the Notes when due; (ii) the failure to pay the interest obligations of the Notes when due, subject to the deferral of interest referred to above; (iii) default on any senior indebtedness for borrowed money; (iv) certain events of winding-up, liquidation, bankruptcy, insolvency, receivership, general assignment for the benefit of creditors, or proceedings with respect to a compromise or arrangement under the *Companies' Creditors Arrangement Act* (Canada); (v) the taking of possession by an encumbrancer of all or substantially all of the property of PPC; (vi) ceasing to carry on in the ordinary course the business of PPC; (vii) default in performing any material lease, licence or other agreement whereby any material property or rights of PPC may be forfeited or terminated; and (viii) default in the observance or performance of any other covenant or condition of the Notes and the continuance of such default for a period of 30 days after notice in writing has been given by the holder to PPC specifying such default and requiring PPC to rectify the same.

Credit Facility and PPC Senior Secured Notes

PPC has arranged secured credit facilities with Canadian chartered banks. Additionally, in July 2002, PPC issued the PPC Senior Notes on a private placement basis. Both the terms of the facilities and the PPC Senior Notes are summarized in the Management Discussion and Analysis and in Note 6 to the audited consolidated financial statements of the Fund for the year ended December 31, 2002, both as contained in the 2002 Annual Report of the Fund.

Capital Expenditures

PPC may approve and fund capital expenditures, however, all capital expenditures in excess of $5 million for a specific project must be approved by the board of directors. It is anticipated that maintenance capital expenditures will be funded from available cash while ongoing pipeline development, material expansions and acquisitions of pipelines or other assets, including new connections to the system or for the provision of additional system storage capacity will be funded primarily by borrowing by PPC or issuance of additional Trust Units by the Fund.

APPENDIX B
INFORMATION REGARDING THE MANAGER

The Manager was established as a means of aligning the interests of the executive officers and senior management of PPC with interests of the Unitholders.

Incorporation and Authorized Capital

The Manager was incorporated under the laws of Alberta and its authorized capital consists of an unlimited number of common shares and an unlimited number of preferred shares.

Holders of the Manager's common shares are entitled to receive dividends thereon in an amount equal to the net after tax income earned by the Manager and are entitled to one vote for each share held at all meetings of the Manager's shareholders.

Ownership of Manager Shares

The Manager's common shares are, and in the future will be, held by the executive officers and senior management of PPC. Upon a holder of the Manager's common shares ceasing to be employed by PPC, PPC will have the option to purchase such holders shares in the capital of the Manager at a price multiplied by 2.5 times such holder's annualized share of the management fee and any incentive fee other than the acquisition or disposition fees, as described below. If PPC acquires such shares, the shares will be surrendered for cancellation and the fees payable to the Manager will be reduced in the proportion that the number of shares of the Manager is reduced. If PPC subsequently requests that the Manager employ a person to replace the former shareholder, the Manager will do so and issue, at a nominal price, new shares in the capital of the Manager as PPC may request, such number not to exceed the aggregate number of Manager shares cancelled over time, and the fees payable to the Manager by PPC will be readjusted in a similar manner, such fees not to exceed the fees originally payable under the Management Agreement.

Unanimous Shareholders' Agreement

The Manager's shareholders have entered into a unanimous shareholders' agreement which restricts the ownership of the Manager's shares to employees of PPC and, in limited circumstances, former employees of PPC.

GOVERNANCE AND MANAGEMENT

Governance Agreement

The Articles of Amalgamation of PPC provide that the number of directors is fixed at a minimum of five and a maximum of nine. Based on an ordinary resolution passed at an annual general meeting of Unitholders, the Trustee shall vote the PPC Shares to appoint the directors of PPC, provided that the directors may, between such meetings appoint one or more additional directors to serve until the next annual meeting, provided that the number of additional directors shall not exceed one-third of the number of directors who hold office at the expiration of the last annual meeting.

The Governance Agreement will remain in force for so long as the Management Agreement remains in force.

The Governance Agreement also provides that:

(a) the Fund is, at any time it owns at least 25% of the PPC Shares, entitled to control 100% of the votes associated with the PPC Shares; and

(b) the Fund has the first right to provide any further subordinated debt or equity financing required by PPC for acquisitions and expansions.

The Governance Agreement functions as a unanimous shareholders' agreement under ABCA. The Governance Agreement will be binding on any Unitholder who may receive a distribution in specie of PPC Shares, if any, in connection with the surrender of Trust Units for redemption. See "Description of the Fund - Redemption Right" in Appendix A.

Management Agreement

PPC and the Manager have entered into the Management Agreement, pursuant to which the Manager provides management services (the "Management Services") to PPC, subject to the supervision and direction of the PPC Directors. The Management Services provided include (without limitation) advice and consultation concerning business planning, support, guidance and policy making and general management services. Senior officers of the Manager also act as executive officers of PPC. Specific functions performed by the Manager include:

(a) accounting and financial services;

(b) assisting in the preparation of financial statements and other financial reports and assisting with tax matters;

(c) negotiating and communicating with third parties with respect to contractual and other matters;

(d) arranging external professional or non-professional services;

(e) assisting in providing human resources and staffing services; and

(f) advising on major acquisitions and expansions and sales of subsidiaries and/or businesses.

As compensation for its services, the Manager presently receives: i) a management fee equal to 0.9675% of distributions paid to Unitholders; ii) an acquisition fee of 0.645% of the purchase price of any material pipeline asset or facility acquired by PPC; and iii) a disposition fee of 0.48375% of the sale price of any material pipeline asset or facility sold by PPC. In case of property exchanges or swaps, the Manager receives the applicable acquisition fee up to the purchase price of any pipeline or facility acquired and will receive the applicable disposition fee to the extent the value of the pipeline or facility being disposed of exceeds the purchase price. Under the terms of the Management Agreement, the Manager is entitled to be reimbursed for all reasonable out-of-pocket, third party expenses and any general and administrative expenses incurred in connection with its activities as Manager of PPC.

In addition, as an incentive for the Manager to enhance the profitability of PPC and the cash distributions paid to Unitholders, the Manager is entitled to earn an annual incentive fee calculated as a percentage of the per Trust Unit cash distributions by the Fund. The percentage of cash distributions per Trust Unit which is payable as an incentive fee is 4.8375% of such cash equal to or in excess of $1.05 per Trust Unit annually but less than $1.09 per Trust Unit annually, 6.450% of such cash equal to or in excess of $1.09 per Trust Unit annually but less than $1.19 per Trust Unit annually and 7.74% of such cash equal to or in excess of $1.19 per Trust Unit annually.

In providing services under the Management Agreement, the Manager shall exercise the degree of care, diligence and skill that a reasonably prudent advisor or manager having responsibility for the management of a similar business would exercise in comparable circumstances. The Management Agreement provides that the Manager is not in a fiduciary relationship with PPC.

The Manager need not devote all its personnel and resources exclusively to or for the benefit of PPC and may engage in any other business activities not competitive with the business activities of the Fund.

The Management Agreement has an initial term of seven years, expiring on October 24, 2004, and will be automatically renewed for successive five year terms unless termination at the end of the initial term or a renewal term is authorized by PPC and six months notice is given to the Manager.

The Manager is also entitled to terminate the Management Agreement within 12 months of a change of control of the Fund or PPC and in such case, will be entitled to a termination fee, payable by PPC, equal to the aggregate of the management fees paid for the past four calendar quarters and estimated for the next four calendar quarters.

PPC is entitled to terminate the Management Agreement at any time on six months prior written notice to the Manager and in such case, the Manager is entitled to a termination fee, payable by PPC, equal to the aggregate of the management fee paid for the past four calendar quarters and estimated for the next four calendar quarters.

PPC or the Manager may terminate the Management Agreement in the event of insolvency or receivership of the other party or in the case of default by the other party in a material obligation under the Management Agreement which is not remedied within 60 days. The Manager will be entitled to terminate the Management Agreement at any time on 180 days prior written notice to PPC without any entitlement to a termination fee.

The Management Agreement contains provisions to regulate any conflicts of interest which may arise and provides for indemnification by the Manager of the Fund and the Trustee in certain circumstances.