PEMBINA

June 27, 2005

Via Email and Mail

Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario
M5H 3S8

Re: Comments on the Proposed Multilateral Instrument and Companion Policy 52-111 Reporting on Internal Control over Financial Reporting

Dear Sirs:

We would like to thank you for the opportunity to respond to the proposed Multilateral Instrument 52-111 – Reporting on Internal Control over Financial Reporting ('MI 52-111'). Pembina Pipeline Income Fund ('Pembina') is a publicly traded Canadian income fund engaged, through its operating subsidiaries, in the transportation of light conventional and synthetic crude oil, condensate and natural gas liquids in Western Canada. Pembina has a market value of approximately $2.0 billion dollars and trades on the Toronto Stock Exchange. Under the current timeline, Pembina will be required to fully comply with the requirements of both MI 52-111 and Multilateral Instrument 52-109 – Certification of Disclosure in Issuers Annual and Interim Filings by December 31, 2006.

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While we fully support the initiative to improve the internal control environments of publicly listed companies, we believe that the proposed rules relating to audit and attestation of the internal controls are somewhat misguided and will add an undue burden to the reporting and auditing effort required for public issuers in Canada. Furthermore, using the attestation standard currently set out by the Canadian Institute of Chartered Accountants for internal control would set the standard for compliance so high that it would ultimately be unmet. This standard, which defines a material weakness in internal control as one where there is more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected, is unrealistic. Auditors in the United States have been using a very narrow interpretation of an almost exact standard and have, as a result, been reviewing the internal control architecture and operations to the most minute of levels. The costs, both in time and money, of having to audit to such a finite standard are undoubtedly exceptionally high and very few companies, regardless of their size, could set up and maintain such an internal controls system. We further believe that any potential benefit from requiring such an impossible standard for Canadian companies would be greatly outweighed by the cost of compliance. This standard is even above and beyond the standard that is currently required for the audit of financial statements, which currently only require reasonable assurance that the financial statements are free of material misstatement.

Given the potential disruptive effect the adoption of MI 52-111 would have on the publicly traded companies in Canada, the expected cost versus the questionable overall benefit to the entity of having to live up to this standard and the potential for highly adverse reactions from the investment communities due to minor internal control issues being elevated into material weaknesses in internal control, it is our view that the various securities regulatory authorities should, at a minimum, delay the implementation of MI 52-111. Steps should then be taken to closely review the requirements of MI 52-111 to ensure that its implementation would have the desired effect, and not be put in place simply to ape the requirements of the Securities Exchange Commission in the United States. When one considers the overall negative experiences of the companies in the United States to having to live up to the implementation of the SOX legislation, the securities regulatory authorities in Canada should have more than enough reason to rethink the implementation of MI 52-111.

We would also like to point out that the current crisis in investor confidence was not created through fundamentally weak or ineffective internal controls in the entities that, unfortunately, were the impetus for MI 52-111. It was created by the fraudulent and grossly unethical activities of a few very greedy individuals who, through collusion and manipulation of the financial statements of their respective companies, materially changed the financial results to their own ends. Audit procedures should not be looked upon as a cure for these issues, as, regardless of how well designed and implemented they may be, they are not intended to uncover fraud.

Respectfully submitted,

PEMBINA PIPELINE INCOME FUND

R.B. Michaleski
President and CEO

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C. Wagner CA
Controller