

PEMBINA PIPELINE CORPORATION

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2013

Pembina's operations include rail loading, offloading and terminalling facilities. Pembina relies on railroads and trucks to distribute its products for customers as well as to transport raw materials to its processing facilities. Costs for environmental damage, damage to property and personal injury in the event of a railway incident involving hydrocarbons have the potential to be significant and liabilities to Pembina are possible. At this time, the Railway Safety Act (Canada), which governs the operation of railway equipment, does not contemplate regulatory enforcement proceedings against shippers, but consignors and shippers may be subject to regulatory proceedings under the Transportation of Dangerous Goods Act (Canada), which specifies the obligations of shippers to identify and classify dangerous goods, select appropriate equipment and prepare shipping documentation. The Canadian Transportation Agency has recently announced that it will be reviewing third party liability insurance regulations for railways, and Transport Canada has initiated a broader consultation process concerning the allocation of risk and responsibilities for third party liability among railways, shippers and other stakeholders. In addition, major railway companies in Canada have implemented standard contract and/or tariff provisions aimed at shifting responsibility for certain damages and claims to shippers. Under various environmental statutes in both Canada and the United States, Pembina could be held responsible for environmental damage caused by hydrocarbons loaded at its facilities or being carried on its leased rail cars. Pembina partially mitigates this risk by securing insurance coverage.

Recent railway incidents in Canada and the United States have prompted regulatory bodies to initiate reviews of transportation rules and publish various directives. While most legislative changes apply directly to railway companies, costs associated with retrofitting locomotives, implementing safety systems, increased inspection and reporting requirements may be indirectly passed on to Pembina through increased shipping costs.

In addition,

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regulators in Canada and the United States are considering changes that may impose additional obligations, such as car integrity, certification of product and equipment procedures, third party insurance obligations and emergency response procedures, directly to consignors and shippers such as Pembina.

In the event that Pembina is ultimately held liable for any damages resulting from its activities relating to crude/NGL by rail, for which insurance is not available, or increased costs or obligations are imposed on Pembina as a result of new regulations, such could

have an impact on Pembina's business, operations and prospects and could impact earnings and cash flow available to pay dividends to Shareholders and holders of Class A Preferred Shares and to service obligations under Pembina's debt securities and other debt obligations.

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