TC PipeLines, LP

Consolidated Financial Statements

March 31, 2024 and 2023

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF INCOME

(unaudited) *(millions of dollars)*	Three months ended March 31, 2024	2023
Transmission revenues, net ***(Note 4)***	**122**	115
Equity earnings ***(Note 3)***	**96**	75
Operating and other expenses:		
Operation and maintenance expenses	**(20)**	(16)
Property taxes	**(6)**	(7)
Depreciation and amortization	**(25)**	(25)
Total operating and other expenses	**(51)**	(48)
Operating income	**167**	142
Financial charges and other ***(Note 10)***	**(13)**	(11)
Net income before taxes	**154**	131
Income taxes	**(1)**	(1)
Net income	**153**	130
Less: Net income attributable to non-controlling interest	**9**	9
Net income attributable to controlling interests	**144**	121

The accompanying notes are an integral part of these consolidated financial statements.

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) *(millions of dollars)*	Three months ended March 31, **2024**	2023
Net income	**153**	130
Other comprehensive income:		
Comprehensive income	**153**	130
Comprehensive income attributable to non-controlling interests	**9**	9
Comprehensive income attributable to controlling interests	**144**	121

The accompanying notes are an integral part of these consolidated financial statements.

TC PIPELINES, LP
CONSOLIDATED BALANCE SHEETS

(unaudited) *(millions of dollars)*	**March 31, 2024**	December 31, 2023
ASSETS		
Current Assets		
Cash and cash equivalents	**—**	29
Accounts receivable and other	**28**	39
Demand loan receivable from affiliates ***(Note 8)***	**273**	127
Imbalance receivable	**4**	7
Inventories	**12**	12
Assets held for sale ***(Note 12)***	**506**	—
Other	**8**	7
Total current assets	**831**	221
Equity investments ***(Note 3)***	**1,001**	990
Property, plant and equipment (Net of $1,244 million accumulated depreciation; 2023 - $1,519 million)	**1,629**	2,102
Goodwill	**71**	71
Other assets	**9**	8
TOTAL ASSETS	**3,541**	3,392
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**19**	31
Accounts payable to affiliates ***(Note 8)***	**5**	10
Imbalance payable	**4**	7
Customer deposits	**23**	25
Accrued interest	**13**	10
Liabilities related to assets held for sale ***(Note 12)***	**284**	—
Current portion of long-term debt ***(Note 5)***	**350**	—
Total current liabilities	**698**	83
Long-term debt, net ***(Note 5)***	**873**	1,472
Deferred state income taxes	**12**	12
Other liabilities	**35**	46
Total liabilities	**1,618**	1,613
Partners' Equity		
Common units	**1,721**	1,580
Class B units ***(Note 6)***	**95**	95
General partner	**25**	22
Accumulated other comprehensive income (loss) (AOCI)	**2**	2
Controlling interests	**1,843**	1,699
Non-controlling interests	**80**	80
Total partners' equity	**1,923**	1,779
TOTAL LIABILITIES AND PARTNERS' EQUITY	**3,541**	3,392

The accompanying notes are an integral part of these consolidated financial statements.

TC PIPELINES, LP
CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(millions of dollars)*		Three months ended March 31, **2024**	2023
Cash flows from operating activities:			
Net Income	**$**	**153**	130
Adjustments to reconcile net income to partners to net cash provided by operating activities:			
Depreciation and amortization		**25**	25
Equity earnings from equity investments ***(Note 3)***		**(96)**	(75)
Distributions received from operating activities of equity investments ***(Note 3)***		**64**	43
Equity allowance for funds used during construction (AFUDC Equity) ***(Note 10)***		**(1)**	(4)
Regulatory assets		**(1)**	—
Change in operating working capital ***(Note 7)***		**5**	11
Net cash provided by operating activities		**149**	130
Cash flows used in investing activities:			
Capital expenditures		**(10)**	(33)
Distribution received from Iroquois as return of investment ***(Note 3)***		**22**	12
Change in demand loan receivable ***(Note 8)***		**(146)**	(86)
Net cash used in investing activities		**(134)**	(107)
Cash flows used in financing activities:			
Change in demand loan payable ***(Note 8)***		**—**	(17)
Distributions paid to non-controlling interests		**(9)**	(16)
Net cash used in financing activities		**(9)**	(33)
Increase (Decrease) in cash and cash equivalents, including cash balances classified as Assets Held for Sale		**6**	(10)
Cash balances classified as assets held for sale ***(Note 12)***		**(35)**	—
Increase (Decrease) in Cash and cash equivalents		**(29)**	(10)
Cash and cash equivalents, beginning of period		**29**	43
Cash and cash equivalents, end of period	**$**	**—**	33

The accompanying notes are an integral part of these consolidated financial statements.

TC PIPELINES, LP
CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the three months ended March 31, 2024:

	Limited Partners							
	Common Units		Class B Units		General Partner	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Equity
(unaudited)	*millions of units*	*millions of dollars*	*millions of units*	*millions of dollars*	*millions of dollars*	*millions of dollars*	*millions of dollars*	*millions of dollars*
Partners' Equity at December 31, 2023	82.7	1,580	1.9	95	22	2	80	1,779
Net Income	—	141	—	—	3	—	9	153
Distributions	—	—	—	—	—	—	(9)	(9)
Partners' Equity at March 31, 2024	**82.7**	**1,721**	**1.9**	**95**	**25**	**2**	**80**	**1,923**

For the three months ended March 31, 2023:

	Limited Partners							
	Common Units		Class B Units		General Partner	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Equity
(unaudited)	*millions of units*	*millions of dollars*	*millions of units*	*millions of dollars*	*millions of dollars*	*millions of dollars*	*millions of dollars*	*millions of dollars*
Partners' Equity at December 31, 2022	82.7	1,321	1.9	95	26	1	93	1,536
Net Income	—	118	—	—	3	—	9	130
Distributions	—	—	—	—	—	—	(16)	(16)
Partners' Equity at March 31, 2023	**82.7**	**1,439**	**1.9**	**95**	**29**	**1**	**86**	**1,650**

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 ORGANIZATION

Unless the context clearly indicates otherwise, TC PipeLines, LP and its subsidiaries are collectively referred to in this quarterly report as "we," "us," "our", "TC PipeLines" and the "Partnership." We use "our pipeline systems" and "our pipelines" when referring to the Partnership's ownership interests in Gas Transmission Northwest LLC (GTN), Northern Border Pipeline Company (Northern Border), Bison Pipeline LLC (Bison), Great Lakes Gas Transmission Limited Partnership (Great Lakes), North Baja Pipeline, LLC (North Baja), Tuscarora Gas Transmission Company (Tuscarora), Portland Natural Gas Transmission System (PNGTS) and Iroquois Gas Transmission System, LP (Iroquois).

The Partnership was formed by TransCanada PipeLines Limited, a wholly-owned subsidiary of TC Energy Corporation (TC Energy Corporation together with its subsidiaries collectively referred to herein as TC Energy), to acquire, own and participate in the management of energy infrastructure assets in North America. The Partnership is managed by its General Partner, TC Pipelines GP, LLC (General Partner), an indirect wholly-owned subsidiary of TC Energy Corporation. The General Partner provides management and operating services to the Partnership and is reimbursed for its costs and expenses. The Partnership is wholly-owned by TC Energy.

NOTE 2 SIGNIFICANT ACCOUNTING MATTERS

These unaudited consolidated financial statements and related notes have been prepared in accordance with United States generally accepted accounting principles (GAAP) and amounts are stated in United States (U.S.) dollars. The results of operations for the three months ended March 31, 2024 and 2023 are not necessarily indicative of the results that may be expected for the full fiscal year.

These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2023 (2023 Financial Statements). That report contains a more comprehensive summary of the Partnership's significant accounting policies. Our significant accounting policies are consistent with those disclosed in Note 2 of our 2023 Financial Statements.

Basis of Presentation

The Partnership consolidates its interests in entities over which it is able to exercise control. To the extent there are interests owned by other parties, these interests are included as non-controlling interests. The Partnership uses the equity method of accounting for its investments in entities over which it is able to exercise significant influence. The Partnership is considered to have a variable interest in Great Lakes, which is accounted for as an equity investment since the Partnership is not the primary beneficiary (Refer to Note 3 for more details).

U.S. federal and certain state income taxes are the responsibility of the limited partners and are not reflected in these consolidated financial statements. The tax effect of the Partnership's activities accrues to its limited partners. The Partnership's taxable income or loss, which may vary substantially from the net income or loss reported in the Consolidated Statements of Income, can be included in the U.S. federal income tax returns of each partner.

In instances where the Partnership's consolidated entities are subject to state income taxes, the asset-liability method is used to account for taxes. This method requires recognition of deferred tax assets and liabilities for future tax consequences attributable to the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are classified as non-current on our Consolidated Balance Sheets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates are reasonable, actual results could differ from these estimates.

Regulatory Matters

Northern Border

Northern Border operates under a settlement approved by FERC effective January 1, 2018 (2017 Settlement). The 2017 Settlement provided for tiered rate reductions from January 1, 2018 to December 31, 2019 that equates to an overall rate reduction of 12.5% by January 1, 2020 when compared to the 2017 rates (10.5% by December 31, 2019 and additional 2% by January 1, 2020). The 2017 Settlement did not contain a moratorium and Northern Border is required to file new rates effective July 1, 2024. Effective February 1, 2019, FERC approved an additional 2% rate reduction to July 1, 2024 unless superseded by a subsequent rate case or settlement. On December 29, 2023, Northern Border filed a general NGA Section 4 Rate Case with FERC requesting an increase to Northern Border's maximum rates to become effective July 1, 2024, and subject to refund.

GTN

GTN operates under rates established as part of the FERC-approved rate settlement effective November 18, 2021 (2021 Settlement) which contains a moratorium that expired on December 31, 2023 and required the GTN to file for new rates to become effective no later than April 1, 2024. Additionally, the 2021 Settlement provides for a regulatory asset structure to capture any carbon/greenhouse gas related taxes incurred by GTN in the states of Oregon and Washington.

On September 29, 2023, GTN filed a general NGA Section 4 Rate Case with FERC, requesting an increase to GTN's maximum rates to become effective April 1, 2024, and subject to refund.

NOTE 3 EQUITY INVESTMENTS

The Partnership has equity interests in Northern Border, Great Lakes and Iroquois. The pipeline systems owned by these entities are regulated by FERC. The Northern Border and Great Lakes pipeline systems are operated by subsidiaries of TC Energy. The Iroquois pipeline system is operated by Iroquois Pipeline Operating Company, a wholly owned subsidiary of Iroquois. The Partnership uses the equity method of accounting for its interests in its equity investees.

(unaudited) *(millions of dollars)*	Ownership Interest at March 31, 2024	Equity Earnings [(a)] Three months ended March 31, **2024**	2023	Equity Investments **March 31, 2024**	December 31, 2023
Northern Border	50.00%	**26**	24	**451**	453
Great Lakes	46.45%	**27**	20	**374**	366
Iroquois	49.34%	**43**	31	**176**	171
		96	75	**1,001**	990

(a) Equity Earnings represents our share in an investee's earnings and does not include any impairment charge on the equity method investment recorded as a reduction of carrying value of these investments.

Distributions from Equity Investments

Distributions received from equity investments in the three months ended March 31, 2024 totaled $86 million (March 31, 2023 - $55 million).

During the three months ended March 31, 2024, $22 million of the total $86 million distributions received from equity investments (March 31, 2023 - $12 million) was considered as return of capital and included in "Investing Activities" of the Partnership’s Consolidated Statement of Cash Flows. The return of capital was related to our investment in Iroquois (see further discussion below).

Northern Border

During the three months ended March 31, 2024, the Partnership received distributions from Northern Border amounting to $27 million (March 31, 2023 - $30 million).

The Partnership did not have undistributed earnings from Northern Border for the three months ended March 31, 2024 and 2023.

The summarized financial information provided to us by Northern Border is as follows:

(unaudited) *(millions of dollars)*	**March 31, 2024**	December 31, 2023
ASSETS		
Cash and cash equivalents	**37**	102
Other current assets	**41**	41
Property, plant and equipment, net	**966**	915
Other assets	**10**	10
	1,054	1,068
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**35**	50
Deferred credits and other	**50**	49
Long-term debt, net [(a)]	**296**	293
Partners' equity	**673**	676
	1,054	1,068

(unaudited) *(millions of dollars)*	Three months ended March 31, **2024**	2023
Transmission revenues	**84**	84
Operating expenses	**(19)**	(18)
Depreciation	**(16)**	(16)
Financial charges and other	**2**	(2)
Net income	**51**	48

[(a)] Includes current maturities of nil as of March 31, 2024 for Northern Border's 2.97% Series A Senior Notes (December 31, 2023 - nil), net of unamortized debt issuance costs and debt discounts. At March 31, 2024, Northern Border was in compliance with all of its financial covenants.

Great Lakes, a *variable interest entity*

The Partnership is considered to have a variable interest in Great Lakes, which is accounted for as an equity investment as we are not its primary beneficiary. A variable interest entity is a legal entity that either does not have sufficient equity at risk to finance its activities without additional subordinated financial support, is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains or losses of the entity.

During the three months ended March 31, 2024, the Partnership received distributions from Great Lakes amounting to $19 million (March 31, 2023 -$ nil million).

The summarized financial information provided to us by Great Lakes is as follows:

(unaudited) *(millions of dollars)*	**March 31, 2024**	December 31, 2023
ASSETS		
Current assets	**155**	163
Property, plant and equipment, net	**732**	734
	887	897
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**43**	50
Net long-term debt, including current maturities [(a)]	**104**	125
Other long term liabilities	**18**	17
Partners' equity	**722**	705
	887	897

(unaudited) *(millions of dollars)*	Three months ended March 31, **2024**	 2023
Transmission revenues	**86**	72
Operating expenses	**(17)**	(18)
Depreciation	**(10)**	(10)
Financial charges and other	**(1)**	(1)
Net income	**58**	43

[(a)] Includes current maturities of $21 million as of March 31, 2024 (December 31, 2023 - $21 million). At March 31, 2024, Great Lakes was in compliance with all of its financial covenants.

Iroquois

During the three months ended March 31, 2024 the Partnership received total distributions from Iroquois amounting to $39 million (2023 - $25 million) which includes $22 million (2023 - $12 million) non-recurring distribution from Iroquois, reported as return of capital investing activity in the statement of cash flows. Both 2024 and 2023 non-recurring distributions from Iroquois relates to returns of equity contributions due to delays in the permitting of the EXC project, which were reported as a return of investment in the Partnership's respective Consolidated Statements of Cash Flows.

The summarized financial information provided to us by Iroquois is as follows:

(unaudited) *(millions of dollars)*	**March 31, 2024**	December 31, 2023
ASSETS		
Cash and cash equivalents	**81**	71
Other current assets	**61**	59
Property, plant and equipment, net	**453**	457
Other assets	**23**	22
	618	609
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**22**	21
Long-term debt, net [(a)]	**303**	303
Other non-current liabilities	**16**	17
Partners' equity	**277**	268
	618	609

(unaudited)	Three months ended March 31,	
(millions of dollars)	**2024**	2023
Transmission revenues	**116**	89
Operating expenses	**(18)**	(16)
Depreciation	**(8)**	(8)
Financial charges and other	**(2)**	(2)
Net income	**88**	63

(a) Includes current maturities of $4 million as of March 31, 2024 (December 31, 2023 - $4 million). At March 31, 2024, Iroquois was in compliance with all of its financial covenants.

NOTE 4 REVENUES

Revenue Recognition

The Partnership's revenues are generated from contractual arrangements for committed capacity and from transportation of natural gas which are treated as a single performance obligation. For the three months ended March 31, 2024 and 2023, effectively all of the Partnership's revenues were from capacity arrangements and transportation contracts with customers.

Revenues earned from firm contracted capacity arrangements are recognized over the term of the contract regardless of the amount of natural gas that is transported. Transportation revenues for interruptible or volumetric-based services are recognized when the service is performed. The Partnership utilizes the practical expedient of recognizing revenue as invoiced. In the application of the right to invoice practical expedient, the Partnership's revenues from regulated capacity arrangements are recognized based on rates specified in the contract. Therefore, the amount invoiced, which includes the capacity contracted and available volume of natural gas transported, corresponds directly to the value the customer received. Revenues are invoiced and paid on a monthly basis.

The Partnership's pipeline systems do not take ownership of the natural gas that is transported for customers. Revenues from contracts with customers are recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

The Partnership's pipeline systems are subject to FERC regulations and, as a result, a portion of revenues collected may be subject to refund if invoiced during an interim period when a rate proceeding is ongoing. Allowances for these potential refunds are recognized using management's best estimate based on the facts and circumstances of the proceeding. Any allowances that are recognized during the proceeding process are refunded or retained, as applicable, at the time a regulatory decision becomes final. As of March 31, 2024 and 2023, there are no refund provisions reflected in these financial statements.

NOTE 5 DEBT

(unaudited) *(millions of dollars)*	**March 31, 2024**	Weighted Average Interest Rate for the three months ended March 31, 2024		December 31, 2023	Weighted Average Interest Rate for the year ended December 31, 2023	
TC PipeLines, LP						
4.375% Unsecured Senior Notes due 2025	**350**	4.375%	[a]	350	4.375%	[a]
3.90% Unsecured Senior Notes due 2027	**500**	3.90%	[a]	500	3.90%	[a]
GTN						
3.12% Series A Senior Notes due 2030	**175**	3.12%	[a]	175	3.12%	[a]
4.92% Series B Senior Notes due 2030	**50**	4.92%	[a]	50	4.92%	[a]
5.69% Unsecured Senior Notes due 2035	**150**	5.69%	[a]	150	5.69%	[a]
PNGTS [c]						
Revolving Credit Facility due 2028 [d]	**—**	—%		—	—%	
2.84% Series A Senior Notes due 2030	**—**	2.84%		125	2.84%	[a]
2.68% Series B Senior Notes due 2031	**—**	2.68%		125	2.68%	[a]
Total	**1,225**			1,475		
Less: unamortized debt issuance costs and debt discount	**2**			3		
Less: current portion [b]	**350**			—		
Total long-term debt, net	**873**			1,472		

[a] Fixed interest rate

[b] At March 31, 2024, this amount included $350 million of TC PipeLines, LP 4.375% Unsecured Senior Notes due March 2025.

[c] Debt securities held by PNGTS have been reclassified as Liabilities related to Assets Held for Sale on the Consolidated Balance Sheet. See Note 12 for additional details.

[d] See note on PNGTS below for more discussion related to the PNGTS Revolving Credit Facility.

GTN

On June 1, 2020, GTN entered into a Note Purchase and Private Shelf Agreement (GTN Private Shelf Facility) whereby GTN issued $175 million of 10-year Series A Senior Notes (GTN Series A Notes) with a coupon of 3.12 percent per annum, maturing on June 1, 2030. The GTN Private Shelf Facility allows for the issuance of up to an additional $75 million of Senior Notes within a period extending to June 1, 2023. On June 1, 2023, GTN extended the issuance period of the GTN Private Shelf Facility until May 1, 2026 and increased the availability to $350 million. The 3.12 percent Series A Notes do not require any principal payments until maturity on June 1, 2030.

On June 14, 2023, GTN issued an additional $50 million of 7-year Series B Senior Notes (GTN Series B Notes) at a coupon of 4.92 percent from the existing GTN Private Shelf Facility. The 4.92 percent GTN Series B Notes require two $25 million principal payments on June 14, 2029 and 2030.

GTN's Series A Notes and Series B Notes contain a covenant that limits total funded debt to no greater than 65 percent of total consolidated capitalization and GTN's Unsecured Senior Notes contain a covenant that limits total debt to no greater than 70 percent of GTN's total capitalization. GTN's total consolidated funded debt to adjusted capitalization ratio at March 31, 2024 was 34.2 percent and GTN's total debt to total capitalization ratio at March 31, 2024 was 33.6 percent. As of March 31, 2024, GTN was in compliance with all its financial covenants.

PNGTS

The PNGTS Revolving Credit Facility, the PNGTS Series A Notes, and the PNGTS Series B Notes require PNGTS to maintain a leverage ratio of not greater than 5.00 to 1.00. The leverage ratio was 2.43 to 1.00 as of March 31, 2024. The PNGTS Series A Notes and Series B Notes also contain a covenant that limits total debt to no greater than 65 percent of PNGTS' total capitalization. At March 31, 2024, PNGTS' ratio of funded debt to capitalization is 54 percent. On January 31, 2023, the PNGTS Revolving Credit Facility was amended to extend the term for an additional five-year term with a variable interest rate based on Secured Overnight Financing Rate (SOFR). As of March 31, 2024, $125 million was available for future borrowings. As of March 31, 2024, PNGTS was in compliance with all its financial covenants.

Partnership

At March 31, 2024, the Partnership was in compliance with all debt terms and conditions including its financial covenants and its other covenants including restrictions on entering into mergers, consolidations, sales of assets, and granting of liens. The Partnership was also in compliance with the related provisions of the Fourth Amended and Restated Agreement of Limited Partnership (Partnership Agreement), including restrictions on incurring additional debt and distributions to unitholders.

The principal repayments required of the Partnership on its debt at March 31, 2024 are as follows:

(unaudited) *(millions of dollars)*	**Principal Payments**
2024	—
2025	350
2026	—
2027	500
2028	—
Thereafter	375
	1,225

NOTE 6 PARTNERS’ EQUITY

Class B units issued to TC Energy

The Class B units entitle TC Energy to an annual distribution from 2020 onward based on 30 percent of GTN’s annual distributable cash flow less $20 million, multiplied by 25 percent (Class B Distribution). Additionally, for any calendar year for which the cash distributions payable on the Partnership's common units are less than $3.94 per common unit, the Class B Distribution will be reduced by the same percentage as the percentage by which distributions payable on the common units are reduced below $3.94 per common unit (Class B Reduction).

For both the three months ended March 31, 2024 and year ended December 2023, there were no Class B distributions as the threshold had not been exceeded, therefore no distributions were declared related to the Class B units. During the second quarter of 2024, the Partnership declared and paid a Class B distribution to TC Energy amounting to $2.6 million.

NOTE 7 CHANGE IN OPERATING WORKING CAPITAL

(unaudited) *(millions of dollars)*	Three months ended March 31, 2024	2023
Change in accounts receivable and other	**11**	2
Change in imbalance receivable	**3**	(2)
Change in inventories	**—**	(1)
Change in other current assets	**(1)**	4
Change in accounts payable and accrued liabilities [(a)]	**(1)**	4
Change in customer deposits	**(2)**	—
Change in imbalance payable	**(3)**	—
Change in accounts payable to affiliates	**(5)**	(2)
Change in accrued interest	**3**	6
Change in operating working capital	**5**	11

(a) Excludes certain non-cash items primarily related to capital accruals and credits.

NOTE 8 RELATED PARTY TRANSACTIONS

As operator of our pipelines, except Iroquois and a certain portion of the PNGTS facilities, jointly owned with Maritimes and Northeast Pipeline LLC (MNE) (the Joint Facilities), TC Energy provides capital and operating services to our pipeline systems. TC Energy incurs costs on behalf of our pipeline systems, including, but not limited to, employee salary and benefit costs, and property and liability insurance costs. These costs are reimbursed by our pipeline systems. Iroquois does not receive any capital and operating services from TC Energy (Refer to Note 3, "Equity Investments"). The Iroquois pipeline system is operated by Iroquois Pipeline Operating Company, a wholly owned subsidiary of Iroquois. The Joint Facilities are operated by M&N Operating Company, LLC. Therefore, Iroquois and the Joint Facilities do not receive capital and operating services from TC Energy.

Cash Management Program

The Partnership participates in TransCanada PipeLine USA Ltd. (TCPL USA)'s cash management program. As a result, all of the Partnership's cash including Great Lakes, with the exception of cash generated by PNGTS, Iroquois and Northern Border, is managed by TCPL USA. This program matches short-term cash surpluses and needs of participating related parties, thus minimizing total borrowings from outside sources. Monies advanced under the program are considered loans, accruing interest and repayable on demand. The Partnership receives interest on monies advanced to TCPL USA at the rate of interest earned by TCPL USA on its short-term cash investments. The Partnership pays interest on monies advanced from TCPL USA based on TCPL USA's short-term borrowing costs. For the three months ended, March 31, 2024, the interest associated with this arrangement resulted in a net receivable of $0.8 million (March 31, 2023 - $0.8 million net payable). At March 31, 2024 the Partnership had a demand loan receivable from TC Energy of $273 million (December 31, 2023 - $127 million demand loan receivable).

Great Lakes

Great Lakes earns significant transportation revenues from TC Energy and its affiliates, some of which are provided at discounted rates and some at maximum recourse rates. For the three months ended March 31, 2024, Great Lakes earned 50 percent of its transportation revenues from TC Energy (March 31, 2023 - 60 percent).

At March 31, 2024, $15 million was included in Great Lakes' receivables with regard to the transportation contracts with TC Energy (December 31, 2023 - $15 million).

NOTE 9 FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Under ASC 820 - ***Fair Value Measurements and Disclosures***, fair value measurements are characterized in one of three levels based upon the inputs used to arrive at the measurement. The three levels of the fair value hierarchy are as follows:

Levels	How fair value has been determined
Level I	Quoted prices in active markets for identical assets and liabilities that the Partnership has the ability to access at the measurement date. An active market is a market in which frequency and volume of transactions provides pricing information on an ongoing basis.
Level II	Valuation based on the extrapolation of inputs, other than quoted prices included within Level I, for which all significant inputs are observable directly or indirectly. Inputs include published interest rates, interest rate swap curves, yield curves and broker quotes from external data service providers. This category includes interest rate derivative assets and liabilities where fair value is determined using the income approach and commodity derivatives where fair value is determined using the market approach. Transfers between Level I and Level II would occur when there is a change in market circumstances.
Level III	Valuation of assets and liabilities are measured using a market approach based on extrapolation of inputs that are unobservable or where observable data does not support a significant portion of the derivative's fair value. This category mainly includes long-dated commodity transactions in certain markets where liquidity is low and the Partnership uses the most observable inputs available or, if not available, long-term broker quotes to estimate the fair value for these transactions. Assets and liabilities measured at fair value can fluctuate between Level II and Level III depending on the proportion of the value of the financial instruments that extends beyond the time frame for which significant inputs are considered to be observable. As the financial instruments near maturity and observable market data becomes available, they are transferred out of Level III and into Level II.

Fair Value of Financial Instruments

The carrying value of "cash and cash equivalents", "demand loan receivable from affiliates," "accounts receivable and other," "accounts payable and accrued liabilities," "demand loan payable to affiliates," "customer deposits," "accounts payable to affiliates," and "accrued interest" approximate their fair values because of the short maturity or duration of these instruments, or because the instruments bear a variable rate of interest or a rate that approximates current rates. The fair value of the Partnership's debt is estimated by discounting the future cash flows of each instrument at estimated current borrowing rates. The fair value of interest rate derivatives is calculated using the income approach, which uses period-end market rates and applies a discounted cash flow valuation model.

The Partnership has classified the fair value of natural gas imbalance receivable and payable as a Level 2 of the fair value hierarchy for fair value disclosure purposes, as the valuation approach includes quoted prices in the market index and observable volumes for the imbalance.

Long-term debt is recorded at amortized cost and classified as Level 2 of the fair value hierarchy for fair value disclosure purposes. Interest rate derivative assets and liabilities are classified as Level 2 for all periods presented where the fair value is determined by using valuation techniques that refer to observable market data or estimated market prices. The estimated fair value of the Partnership's debt as at March 31, 2024 and December 31, 2023 was $1,182 million and $1,404 million, respectively.

Market risk is the risk that changes in market interest rates may result in fluctuations in the fair values or cash flows of financial instruments. The Partnership's floating rate debt is subject to SOFR benchmark interest rate risk. The Partnership uses derivatives to manage its exposure to interest rate risk. We regularly assess the impact of interest rate fluctuations on future cash flows and evaluate hedging opportunities to mitigate our interest rate risk.

NOTE 10 FINANCIAL CHARGES AND OTHER

(unaudited) *(millions of dollars)*	Three months ended March 31, **2024**	 2023
Interest expense [(a)]	**14**	15
AFUDC - Equity	**(1)**	(4)
	13	11

(a) Includes amortization of debt issuance costs and discount costs.

NOTE 11 GTN CARBON EMISSION CREDITS

In 2021, the state of Washington passed its Climate Commitment Act establishing a market-based cap-and-invest program to reduce carbon emissions. This program took effect on January 1, 2023, and sets a limit, or cap, on overall carbon emissions in the state and requires businesses to obtain allowances equal to its annual covered carbon emissions. The current compliance period being January 1, 2023 through December 31, 2026. The state's cap will be reduced over time to meet the state's carbon emissions reduction targets, which means fewer carbon emissions allowances will be available to purchase each year. These allowances can be purchased through quarterly auctions hosted by the state or bought and sold on a secondary market. In 2023, GTN began purchasing allowances for the carbon emissions from three compressor stations within the state whose annual carbon emissions exceed 25,000 metric tons of carbon dioxide equivalent. GTN's most recent settlement allows for the recovery of the costs of purchasing allowances under the program through a regulatory asset.

GTN records the purchased emission allowances at cost and the associated accumulated interest to Other Assets on the Balance Sheet. A total of $8.7 million was included in Other Assets on the Balance Sheet for March 31, 2024, and $7.9 million as of December 31, 2023.

NOTE 12 PNGTS ASSETS HELD FOR SALE

On March 4, 2024, the Partnership's parent, TC Energy, announced that TC Energy and its partner Northern New England Investment Company, Inc., a subsidiary of Énergir L.P. (Énergir), entered into a purchase and sale agreement to sell PNGTS to BlackRock, through a fund managed by its Diversified Infrastructure business and investment funds managed by Morgan Stanley Infrastructure Partners (the Purchaser), for expected proceeds of approximately $1.1 billion. In addition, the Purchaser will assume $250 million of Senior Notes outstanding at PNGTS, which is currently consolidated on the Partnership's balance sheet.

The cash proceeds will be split pro-rata according to the current PNGTS ownership interests (TC Energy – 61.7 per cent, Énergir – 38.3 per cent) and will be paid at closing, subject to certain customary adjustments. The transaction is expected to close in the second half of 2024, subject to the receipt of regulatory approvals and customary closing conditions.

At March 31, 2024, the related assets and liabilities classified as held for sale were as follows:

(unaudited)

(millions of dollars)	**March 31, 2024**
Assets Held for Sale	
Current assets	51
Property, plant and equipment, net	455
Total Assets Held for Sale	**506**
Liabilities Related to Assets Held for Sale	
Current liabilities	22
Long-term debt, net	250
Other long-term liabilities	12
Total Liabilities Related to Assets Held for Sale	**284**

NOTE 13 SUBSEQUENT EVENTS

Management of the Partnership has reviewed subsequent events through May 24, 2024, the date the consolidated financial statements were issued, and concluded there were no events or transactions during this period that would require recognition or disclosure in the consolidated financial statements other than what is disclosed here and/or those already disclosed in the preceding notes.

Distributions

Northern Border declared its March 2024 distribution of $16.9 million on April 18, 2024, which the Partnership received its 50 percent share of $8.5 million on April 30, 2024.

Northern Border declared its April 2024 distribution of $16.0 million on May 23, 2024, which the Partnership expects to receive its 50 percent share of $8.0 million on May 31, 2024.

Great Lakes declared its first quarter 2024 distribution of $55.7 million on April 24, 2024, which the Partnership received its 46.45 percent share of $25.9 million on April 30, 2024.

North Baja declared its first quarter 2024 distribution of $9.8 million on April 24, 2024, which the Partnership received on April 30, 2024.

PNGTS declared its first quarter 2024 distribution of $25.0 million on April 25, 2024, which $9.6 million was paid to its non-controlling interest owner, on April 30, 2024.

Tuscarora declared its first quarter 2024 distribution of $3.7 million on April 26, 2024, which the Partnership received on April 30, 2024.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis (MD&A) should be read in conjunction with the unaudited consolidated financial statements and notes included in Item 1. "Financial Statements" of this Quarterly Report, as well as our 2023 Financial Statements. Additionally, readers are cautioned that this section contains certain forward-looking statements. Forward-looking statements are identified by words and phrases such as: "anticipate," "assume," "estimate," "expect," "project," "intend," "plan," "believe," "forecast," "should," "predict," "could," "will," "may," and other terms and expressions of similar meaning. The absence of these words, however, does not mean that the statements are not forward-looking. Forward-looking statements do not guarantee future performance. Actual events and results could be significantly different because of assumptions, risks, or uncertainties related to our business or events that happen after the date of this MD&A.

RESULTS OF OPERATIONS

Our ownership interests in eight pipelines were our only material sources of income during the period. Therefore, our results of operations and cash flows were influenced by, and reflect the same factors that influenced, our pipeline systems.

(unaudited) *(millions of dollars)*	Three months ended March 31, 2024	2023	$ Change [(a)]	% Change [(a)]
Transmission revenues	**122**	115	7	6
Equity earnings	**96**	75	21	28
Operating, maintenance and administrative costs	**(26)**	(23)	(3)	(13)
Depreciation and amortization	**(25)**	(25)	—	—
Financial charges and other	**(13)**	(11)	(2)	(18)
Net income before taxes	**154**	131	23	18
Income taxes	**(1)**	(1)	—	—
Net income	**153**	130	23	18
Less: Net income attributable to non-controlling interests	**9**	9	—	—
Net income attributable to controlling interests	**144**	121	23	19

[(a)] Positive number represents a favorable change; bracketed or negative number represents an unfavorable change.

Three Months Ended March 31, 2024 Compared to the Same Period in 2023

The Partnership's net income attributable to controlling interests in the three months ended March 31, 2024 increased compared to the same period in 2023, mainly due to the following:

Transmission revenues - Revenue increased $7 million largely due to:

- higher revenue from North Baja as a result of new revenues from its North Baja XPress, which went into service in June 2023; and
- higher revenue from GTN as a result of higher demand revenues

Equity Earnings - Equity earnings increased $21 million primarily due to:

- higher equity earnings from our investment in Iroquois due to its higher negotiated rates pertaining to discretionary revenues compared to the same period in 2023; and
- higher equity earnings from our investment in Great Lakes as a result of higher demand revenues

Operating, maintenance and administrative (OM&A) costs - OM&A costs increased $3 million primarily due to:

- increase in PNGTS's costs related to the joint facilities with MNE

Financial charges and other - Financial charges and other increased $2 million primarily due to:

- decrease of AFUDC equity due to North Baja XPress, which went into service in June 2023

LIQUIDITY AND CAPITAL RESOURCES

The Partnership strives to maintain financial strength and flexibility in all parts of the economic cycle. Our principal sources of liquidity and cash flows currently include distributions received from our equity investments and operating cash flows from our subsidiaries and access to TC Energy's cash management program, which matches short-term cash surpluses and needs of participating related parties, thus minimizing total borrowings from outside sources.

We continue to be financially disciplined by using our available cash to fund ongoing operating expenses and capital expenditures and maintaining debt at prudent levels and we believe we are well positioned to fund our obligations as required.

We believe our (1) overall cash position, (2) operating cash-flows and (3) access to cash through TC Energy's cash management program are sufficient to fund our short-term liquidity requirements, ongoing capital expenditures, required debt repayments and other financing needs such as capital contribution requests from our equity investments.

SIGNATURES

The Partnership has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 24th day of May 2024.

TC PIPELINES, LP
(A Delaware Limited Partnership)
by its General Partner, TC PipeLines GP, LLC.

By: /s/ Jayson Antolin
Jayson Antolin
Member of Board of Managers
TC PipeLines GP, LLC.

By: /s/ Burton D. Cole
Burton D. Cole
Controller and Treasurer
TC PipeLines GP, LLC.