TC PipeLines, LP

Consolidated Financial Statements

June 30, 2022

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF INCOME

(unaudited) *(millions of dollars)*	Six months ended June 30, 2022	2021
Transmission revenues	**211**	190
Equity earnings ***(Note 3)***	**95**	88
Impairment of equity-method investment ***(Note 3)***	**(221)**	—
Operation and maintenance expenses	**(29)**	(31)
Property taxes	**(13)**	(13)
General and administrative	**(2)**	(3)
Depreciation and amortization	**(49)**	(43)
Financial charges and other ***(Note 10)***	**(25)**	(28)
Net income before taxes	**(33)**	160
Income taxes	**(2)**	(1)
Net income (loss)	**(35)**	159
Net income (loss) attributable to non-controlling interest	**15**	11
Net income (loss) attributable to controlling interests	**(50)**	148

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

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) *(millions of dollars)*	Six months ended June 30, **2022**	2021
Net income (loss)	**(35)**	159
Other comprehensive income		
Reclassification to net income of gains and losses on cash flow hedges ***(Note 9)***	**—**	4
Comprehensive income	**(35)**	163
Comprehensive income attributable to non-controlling interests	**15**	11
Comprehensive income attributable to controlling interests	**(50)**	152

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

TC PIPELINES, LP
CONSOLIDATED BALANCE SHEETS

(unaudited)

(millions of dollars)	**June 30, 2022**	December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	**50**	55
Accounts receivable and other	**29**	36
Imbalance receivable	**11**	8
Inventories	**11**	11
Other	**2**	7
	103	117
Equity investments ***(Note 3)***	**1,010**	1,236
Property, plant and equipment (Net of $1,378 million accumulated depreciation; 2021 - $1,331 million)	**2,051**	2,035
Goodwill	**71**	71
TOTAL ASSETS	**3,235**	3,459
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**55**	57
Customer deposits	**25**	6
Accounts payable to affiliates ***(Note 8)***	**3**	9
Demand loan payable to affiliates (***Note 8)***	**257**	441
Accrued interest	**9**	9
Current portion of long-term debt ***(Note 5)***	**2**	2
	351	524
Long-term debt, net ***(Note 5)***	**1,455**	1,454
Deferred state income taxes	**10**	10
Other liabilities	**42**	41
	1,858	2,029
Partners' Equity		
Common units	**1,160**	1,209
Class B units ***(Note 6)***	**95**	95
General partner	**23**	24
Accumulated other comprehensive income (loss) (AOCI)	**3**	3
Controlling interests	**1,281**	1,331
Non-controlling interests	**96**	99
	1,377	1,430
TOTAL LIABILITIES AND PARTNERS' EQUITY	**3,235**	3,459

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

TC PIPELINES, LP
CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(millions of dollars)*	Six months ended June 30, **2022**	2021
Cash flows from operating activities:		
Net Income (loss)	**$ (35)**	159
Adjustments to reconcile net income to partners to net cash provided by operating activities:		
Depreciation and amortization	**49**	43
Impairment of equity-method investment (*Note 3)*	**221**	—
Amortization of debt issue costs reported as interest expense	**1**	1
Equity earnings from equity investments ***(Note 3)***	**(95)**	(88)
Distributions received from operating activities of equity investments ***(Note 3)***	**100**	95
Equity allowance for funds used during construction (AFUDC Equity)	**(4)**	(8)
Change in operating working capital *(Note 7)*	**26**	(33)
Change in other long-term assets and liabilities	**(1)**	1
Total adjustments	**297**	11
Net cash provided by operating activities	**262**	**170**
Cash flows used in investing activities:		
Investment in Great Lakes ***(Note 3)***	**—**	(10)
Investment in Iroquois ***(Note 3)***	**—**	(1)
Capital expenditures	**(66)**	(163)
Net cash used in investing activities	**(66)**	(174)
Cash flows used in financing activities:		
Change in demand loan payable	**(183)**	—
Distributions paid to common units, including the General Partner	**—**	(48)
Distributions paid to non-controlling interests	**(18)**	(11)
Common unit issuance ***(Note 6)***	**—**	200
Long-term debt issued, net of discount ***(Note 5)***	**—**	43
Long-term debt repaid ***(Note 5)***	**—**	(350)
Net cash used in financing activities	**(201)**	(166)
Increase in cash and cash equivalents	**(5)**	(170)
Cash and cash equivalents, beginning of period	**55**	200
Cash and cash equivalents, end of period	**50**	30

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

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

	Limited Partners							
	Common Units [a]		Class B Units		General Partner	Accumulated Other Comprehensive Income (Loss) [b]	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, 2021	82.7	1,209	1.9	95	24	3	99	1,430
Net Income	—	(49)	—	—	(1)	—	15	(35)
Distributions	—	—	—	—	—	—	(18)	(18)
Partners' Equity at June 30, 2022	**82.7**	**1,160**	**1.9**	**95**	**23**	**3**	**96**	**1,377**

(a) Effective March 3, 2021, all of the Partnership's common units became owned by indirect, wholly owned subsidiaries of TC Energy (see Note 1).

(b) Gain (loss) related to cash flow hedges reported in AOCI were fully settled as a result of the termination of the 2013 Term Loan Facility on November 8, 2021.

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.

On March 3, 2021, the Partnership merged with a wholly-owned subsidiary of TC Energy Corporation through a share for unit exchange transaction whereby 0.70 TC Energy Corporation common shares were issued and exchanged for every common unit of the Partnership not beneficially owned by TC Energy (Merger).

NOTE 2 SIGNIFICANT ACCOUNTING MATTERS

The accompanying 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 six months ended June 30, 2022 and 2021 are not necessarily indicative of the results that may be expected for the full fiscal year.

The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2021 (2021 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 2021 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.

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 statement of operations, is includable 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

Great Lakes

Great Lakes previously operated under a settlement approved by the Federal Energy Regulatory Commission (FERC) in Docket No. RP17-598 effective January 1, 2018 (2017 Settlement). On March 18, 2022, Great Lakes filed a rate settlement (2022 Settlement) with FERC that satisfies the obligations from the 2017 Settlement that Great Lakes file for rates to become effective no later than October 1, 2022. The 2022 Settlement, approved by FERC on April 26, 2022, maintains Great Lakes' existing maximum transportation rates through October 31, 2025. Great Lakes' annual depreciation rates remain unchanged. The 2022 Settlement contains a moratorium until October 31, 2025. Great Lakes will be required to file for new rates no later than April 30, 2025, with such new rates effective no later than November 1, 2025.

Tuscarora

Tuscarora operates under rates established as part of the FERC-approved 501-G proceeding effective August 1, 2019 (2019 Settlement). Under the terms of the 2019 settlement, Tuscarora is required to file for new rates to be effective no later than February 1, 2023. Tuscarora filed a general NGA Section 4 Rate Case with FERC on July 29, 2022, requesting an increase to Tuscarora's maximum rates, subject to refund.

Impairment of Equity-Method Investments

We review our equity-method investments when a significant event or change in circumstances has occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, we compare the estimated fair value to the carrying value of the related investment. We calculate the estimated fair value of an investment in an equity-method investee using an income approach and market approach. The development of fair value estimates requires significant judgment including estimates of future cash flows, which is dependent on internal forecasts, estimates of the long-term rate of growth for the investee, estimates of the useful life over which cash flows will occur, and determination of weighted average cost of capital. The estimates used to calculate the fair value of an investee can change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and our assessment as to whether an investment in an equity-method investee has suffered an impairment.

If the estimated fair value of an investment is less than its carrying value, we are required to determine if the decline in fair value is other than temporary. This determination considers the aforementioned valuation methodologies, the length of time and the extent to which fair value has been less than carrying value, the financial condition and near-term prospects of the investee, including any specific events which may influence the operations of the investee, the intent and ability of the holder to retain its investment in the investee for a period of time sufficient to allow for any anticipated recovery in market value, and other facts and circumstances. If the fair value of an investment is less than its carrying value and the decline in value is determined to be other than temporary, we record an impairment charge. See Note 3 herein for more discussion related to the equity-method investment impairment of Great Lakes.

Contract Assets and Liabilities from Contracts with Customers

In October 2021, the Financial Accounting Standards Board (FASB) issued new guidance that amends the accounting for contract assets and liabilities from contracts with customers acquired in a business combination. At the acquisition date, an acquirer should account for the contract assets and liabilities in accordance with guidance on revenue from contracts with customers. This new guidance is effective January 1, 2023 and is applied prospectively with early adoption permitted. Early adoption requires the application of the amendments retrospectively to all business combinations with an acquisition date in the year of early adoption. The Partnership elected to adopt the new guidance effective January 1, 2022 and it did not have a material impact on the Partnership's consolidated financial statements.

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 June 30, 2022	Equity Earnings Six months ended June 30, 2022	2021	Equity Investments June 30, 2022	December 31, 2021
Northern Border	50.00%	**36**	33	**387**	398
Great Lakes	46.45%	**32**	33	**311**	531
Iroquois	49.34%	**27**	22	**312**	307
		95	88	**1,010**	1,236

Distributions from Equity Investments

Distributions received from equity investments in the six months ended June 30, 2022 totaled $100 million (June 30, 2021 - $95 million).

During the six months ended June 30, 2022, nil of the total $100 million distributions received from equity investments (June 30, 2021 - nil) was considered return of capital and included in "Investing Activities" in the Partnership's consolidated statement of cash flows.

Northern Border

During the six months ended June 30, 2022, the Partnership received distributions from Northern Border amounting to $47 million (June 30, 2021 - $39 million).

The Partnership did not have undistributed earnings from Northern Border for the six months ended June 30, 2022 and 2021.

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

(millions of dollars)	**June 30, 2022**	December 31, 2021
ASSETS		
Cash and cash equivalents	**22**	26
Other current assets	**48**	38
Property, plant and equipment, net	**941**	961
Other assets	**11**	11
	1,022	1,036
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**52**	45
Deferred credits and other	**46**	45
Long-term debt, net [a]	**380**	380
Partners' equity		
Partners' capital	**544**	566
	1,022	1,036

(unaudited) (millions of dollars)	Six months ended June 30, 2022	2021
Transmission revenues	**146**	143
Operating expenses	**(39)**	(38)
Depreciation	**(31)**	(32)
Financial charges and other	**(3)**	(7)
Net income	**73**	66

[a] On September 15, 2021, Northern Border refinanced its 7.50 percent Senior Notes by issuing $250 million of Series A Senior Notes with an interest rate of 2.97 percent maturing September 15, 2031. At June 30, 2022, 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 six months ended, June 30, 2022, the Partnership made no equity contribution to Great Lakes. The Partnership made an equity contribution to Great Lakes of $10 million during the six months ended June 30, 2021. This amount represents the Partnership's 46.45 percent share of a $21 million cash call from Great Lakes to make a scheduled debt repayment.

During the six months ended June 30, 2022, the Partnership received distributions from Great Lakes amounting to $31 million (June 30, 2021 - $34 million).

The Partnership did not have undistributed earnings from Great Lakes for the six months ended June 30, 2022 and 2021.

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

(unaudited)

(millions of dollars)	**June 30, 2022**	December 31, 2021
ASSETS		
Current assets	**68**	89
Property, plant and equipment, net	**732**	726
	800	815
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**55**	51
Net long-term debt, including current maturities [a]	**146**	167
Other long term liabilities	**13**	12
Partners' equity	**586**	585
	800	815

(unaudited) (millions of dollars)	Six months ended June 30, 2022	2021
Transmission revenues	**128**	131
Operating expenses	**(36)**	(36)
Depreciation	**(19)**	(17)
Financial charges and other	**(5)**	(7)
Net income	**68**	71

[a] Includes current maturities of $21 million as of June 30, 2022 (December 31, 2021 - $21 million), net of unamortized debt issuance costs and debt discounts. At June 30, 2022, Great Lakes was in compliance with all of its financial covenants.

Impairment Considerations

As noted under Note 2, Significant Accounting Matters, our equity investments in Northern Border, Great Lakes, and Iroquois are evaluated whenever events or changes in circumstances have occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, we compare the estimated fair value to the carrying value of the related investment. We calculate the estimated fair value of an investment in an equity-method investee using a discounted cash flow analysis using a risk-adjusted discount rate. The development of fair value estimates requires significant judgment including estimates of future cash flows, which is dependent on internal forecasts, estimates of the long-term rate of growth for the investee, estimates of the useful life over which cash flows will occur, and determination of weighted average cost of capital. The estimates used to calculate the fair value of an investee can change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and our assessment as to whether an investment in an equity-method investee has suffered impairment.

If the estimated fair value of an investment is less than its carrying value, we are required to determine if the decline in fair value is other than temporary. This determination considers the aforementioned valuation methodologies, the length of time and the extent to which fair value has been less than carrying value, the financial condition and near-term prospects of the investee, including any specific events which may influence the operations of the investee, the intent and ability of the holder to retain its investment in the investee for a period of time sufficient to allow for any anticipated recovery in market value, and other facts and circumstances. If the fair value of an investment is less than its carrying value and the decline in value is determined to be other than temporary, we record an impairment charge.

During the first quarter of 2022, Great Lakes elected to pursue an unanticipated opportunity to extend the existing recourse rates on Great Lakes. This prompted Great Lakes to re-evaluate the impact of maintaining recourse rates at the current level as opposed to moving forward with the previously presumed rate case process in 2022.

On March 18, 2022, Great Lakes reached a pre-filing settlement with its customers and filed an unopposed rate case settlement with FERC by which Great Lakes and the settling parties agreed to maintain existing recourse rates through October 31, 2025 (see details discussed in Note 2). While the settlement created short-term rate certainty, it prompted a re-evaluation of Great Lakes' long-term free cash flows. With recourse rates maintained at the current level for the next three years, the expectation of increased contracting, growth and other near-term commercial and regulatory opportunities were negatively impacted. As a result, we determined that the carrying value of our investment in Great Lakes was in excess of its fair value and the decline is not temporary. Accordingly, we concluded that the carrying value of our investment in Great Lakes was impaired.

Our analysis determined that the fair value of our investment in Great Lakes is $317 million, resulting in an impairment charge of $221 million in the first quarter of 2022, reflected as Impairment of equity-method investment on our Statement of Income for the six months ended June 30, 2022.

Iroquois

During the six months ended June 30, 2022, the Partnership received total distributions from Iroquois amounting to $22 million (June 30, 2021 - $22 million).

The Partnership did not have undistributed earnings from Iroquois for the six months ended June 30, 2022 and 2021.

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

(unaudited)

(millions of dollars)	**June 30, 2022**	December 31, 2021
ASSETS		
Cash and cash equivalents	**362**	335
Other current assets	**29**	38
Property, plant and equipment, net	**483**	494
Other assets	**24**	23
	898	890
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**16**	17
Long-term debt, net [(a)]	**308**	310
Other non-current liabilities	**21**	21
Partners' equity	**553**	542
	898	890

(unaudited) *(millions of dollars)*	Six months ended June 30, **2022**	2021
Transmission revenues	**107**	96
Operating expenses	**(32)**	(30)
Depreciation	**(15)**	(15)
Financial charges and other	**(5)**	(5)
Net income	**55**	46

(a) Includes current maturities of $4 million as of June 30, 2022 (December 31, 2021 - $3 million). At June 30, 2022, Iroquois was in compliance with all of its financial covenants.

NOTE 4 REVENUES

Disaggregation of Revenues

For the six months ended June 30, 2022 and 2021, effectively all of the Partnership's revenues were from capacity arrangements and transportation contracts with customers as discussed in more detail below.

Capacity Arrangements and Transportation Contracts

The Partnership's performance obligations in its contracts with customers consist primarily of capacity arrangements and natural gas transportation contracts.

The Partnership's revenues are generated from contractual arrangements for committed capacity and from transportation of natural gas which are treated as a bundled performance obligation. Revenues earned from firm contracted capacity arrangements are recognized ratably 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 has elected to utilize the practical expedient of recognizing revenue as invoiced.

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 June 30, 2022, the Partnership did not have any outstanding refund obligations related to any rate proceedings. 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.

Contract Balances

All of the Partnership's contract balances pertain to receivables from contracts with customers amounting to $29 million at June 30, 2022 (December 31, 2021 - $36 million) and are recorded as trade accounts receivable and reported as "Accounts receivable and other" in the Partnership's consolidated balance sheet.

Additionally, our accounts receivable represent the Partnership's unconditional right to consideration for services completed which includes billed and unbilled accounts.

Right to invoice practical expedient

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 variable volume of natural gas transported, corresponds directly to the value the customer received. These revenues are recognized on a monthly basis once the Partnership's performance obligation to provide capacity has been satisfied.

NOTE 5 DEBT

(unaudited) *(millions of dollars)*	**June 30, 2022**	Weighted Average Interest Rate for the six months ended June 30, 2022		December 31, 2021	Weighted Average Interest Rate for the Year Ended December 31, 2021	
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]
5.69% Unsecured Senior Notes due 2035	**150**	5.69%	[a]	150	5.69%	[a]
PNGTS						
Revolving Credit Facility due 2023 [b]	**—**	—%		—	1.23%	[b]
2.84% Series A Senior Notes due 2030	**125**	2.84%	[a]	125	2.84%	[a]
2.68% Series B Senior Notes due 2031	**125**	2.68%	[a]	125	2.68%	[a]
Tuscarora						
Unsecured Term Loan due 2024	**36**	1.71%		36	1.79%	
Total	**1,461**			1,461		
Less: unamortized debt issuance costs and debt discount	**4**			5		
Less: current portion [c]	**2**			2		
Total long-term debt, net	**1,455**			1,454		

[a] Fixed interest rate
[b] PNGTS Revolving Credit Facility repaid on October 29, 2021. Weighted average of interest is through October 28, 2021.
[c] At June 30, 2022 and December 31, 2021 this amount included $2 million due in August 2022 of Tuscarora's $36 million Unsecured Term Loan.

GTN

GTN's Series A Notes contain a covenant that limits consolidated funded debt to no greater than 65 percent of total 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 funded debt to total capitalization ratio at June 30, 2022 was 35.8 percent and GTN’s total debt to total capitalization ratio at June 30, 2022 was 31.7 percent, respectively.

PNGTS

PNGTS's Series A and Series B Notes contain a covenant that limits total funded debt to no greater than 65 percent of PNGTS’ total adjusted capitalization and PNGTS' Revolving Credit Facility requires PNGTS to maintain a leverage ratio of no greater than 5.00 to 1.00. The ratio of funded debt to adjusted capitalization was 50 percent and the leverage ratio was 2.57 to 1.00 as of June 30, 2022. As of June 30, 2022, $125 million was available on the Revolving Credit Facility for future borrowings.

Tuscarora

Tuscarora's Unsecured Term Loan contains a covenant that requires Tuscarora to maintain a debt service coverage ratio (cash available from operations divided by the sum of interest expense and principal payments) of greater than or equal to 3.00 to 1.00. As of June 30, 2022, the ratio was 30.76 to 1.00.

The LIBOR-based interest rate applicable to Tuscarora’s Unsecured Term Loan was 1.78 percent at June 30, 2022 (December 31, 2021 - 1.35 percent).

Partnership

The principal repayments required of the Partnership on its debt at June 30, 2022 are as follows:

(unaudited) *(millions of dollars)*	**Principal Payments**
2022	2
2023	2
2024	32
2025	350
2026	—
Thereafter	1,075
	1,461

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 the six months ended June 30, 2022 and the year ended December 31, 2021, there were no Class B distributions as the threshold had not been exceeded, therefore no distributions were declared related to the Class B units

Common unit issuance

On March 11, 2021, the Partnership issued 6,595,436 common units (at an average price of $30.32 per common unit) in return for a $200 million equity contribution from TC Energy. On March 15, 2021, the proceeds from the equity contribution, in addition to the Partnership's cash on hand, were used to redeem its $350 million 4.65 percent Unsecured Senior Notes due June 2021.

NOTE 7 CHANGE IN OPERATING WORKING CAPITAL

(unaudited)	Six months ended June 30,	
(millions of dollars)	**2022**	2021
Change in accounts receivable and other [(a)]	**7**	11
Change in imbalance receivable	**(3)**	(6)
Change in demand loan receivable	**—**	(44)
Change in inventories	**—**	(1)
Change in other current assets	**5**	3
Change in accounts payable and accrued liabilities [(a)]	**4**	2
Change in customer deposits	**19**	2
Change in accounts payable to affiliates	**(6)**	1
Change in accrued interest	**—**	(1)
Change in operating working capital	**26**	(33)

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

NOTE 8 RELATED PARTY TRANSACTIONS

The Partnership does not have any employees. The management and operating functions are provided by its general partner, TC PipeLines GP, Inc. (the General Partner). The General Partner does not receive a management fee in connection with its management of the Partnership. The Partnership reimburses the General Partner for all costs of services provided, including the costs of employee, officer and director compensation and benefits, and all other expenses necessary or appropriate to conduct the business of, and allocable to the Partnership. Such costs include (i) overhead costs (such as office space and equipment) and (ii) out-of-pocket expenses related to the provision of such services. The Partnership Agreement provides that the General Partner will determine the costs that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. For the six months ended June 30, 2021 the total costs charged to the Partnership by the General Partner were $1 million, with nil in the six months ended June 30, 2022.

As operator of our pipelines, except Iroquois and a certain portion of the PNGTS facilities, TC Energy's subsidiaries provide capital and operating services to our pipeline systems. TC Energy's subsidiaries incur 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").

Cash Management Program

Following the Merger, the Partnership became part of TC Energy's cash management program. As a result, all of the Partnership's cash, with the exception of cash generated by PNGTS, Iroquois and Northern Border, is now managed by TC Energy. 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 TC Energy at the rate of interest earned by TC Energy on its short-term cash investments. The Partnership pays interest on monies advanced from TC Energy based on TC Energy's short-term borrowing costs. For the six months ended June 30, 2022 the net interest income on this arrangement was immaterial. At June 30, 2022 the Partnership had a demand loan payable to TC Energy of $257 million.

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 six months ended June 30, 2022, Great Lakes earned 64 percent of its transportation revenues from TC Energy and its affiliates (June 30, 2021 - 67 percent).

At June 30, 2022, $12 million was included in Great Lakes' receivables with regard to the transportation contracts with TC Energy and its affiliates (December 31, 2021 - $17 million).

NOTE 9 FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

Under Accounting Standards Codification (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," "accounts receivable and other," "accounts payable and accrued liabilities," "demand loan payable to affiliates," "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 imbalances 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. The estimated fair value of the Partnership’s debt as at June 30, 2022 and December 31, 2021 was $1,390 million and $1,599 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 LIBOR 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)*	Six months ended June 30, **2022**	 2021
Interest expense [(a)]	**29**	34
Net realized loss (gain) related to the interest rate swaps	**—**	4
AFUDC - Equity	**(4)**	(8)
Other income	**—**	(2)
	25	28

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

NOTE 11 SUBSEQUENT EVENTS

Management of the Partnership has reviewed subsequent events through August 10, 2022, 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 June 2022 distribution of $12.8 million on July 27, 2022, of which the Partnership received its 50 percent share or $6.4 million on July 29, 2022.

PNGTS declared it second quarter 2022 distribution of $20.6 million on July 28, 2022, of which $7.9 million was paid to its non-controlling interest owner on July 29, 2022.

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

The following discussion and analysis 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 2021 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", "estimate", "expect", "believe", "should", "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.

Operating Considerations

In January 2021, the remaining contracts on Bison expired. Management is actively evaluating alternatives for recontracting or redevelopment of Bison; however, management is currently unable to quantify the future cash flows. Management continues to maintain Bison to stand ready for redevelopment and as such, Bison continues to incur costs, primarily in the form of ad valorem tax and operating and maintenance costs which are probable and estimable and will be funded using the cash management program with TC Energy.

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)	Six months ended June 30,		$	%
(millions of dollars)	**2022**	**2021**	**Change [(a)]**	**Change [(a)]**
Transmission revenues	**211**	190	21	11
Equity earnings	**95**	88	7	8
Impairment of equity-method investment	**(221)**	—	(221)	(100)
Operating, maintenance and administrative costs	**(44)**	(47)	3	6
Depreciation and amortization	**(49)**	(43)	(6)	(14)
Financial charges and other	**(25)**	(28)	3	11
Net income before taxes	**(33)**	160	(193)	(121)
Income taxes	**(2)**	(1)	(1)	(100)
Net income	**(35)**	159	(194)	(122)
Net income attributable to non-controlling interests	**15**	11	4	36
Net income attributable to controlling interests	**(50)**	148	(198)	(134)

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

Six months ended June 30, 2022 compared to the same period in 2021

The Partnership’s net income attributable to controlling interests in the three months ended June 30, 2022 decreased compared to the same period in 2021, mainly due to the following:

Transmission revenues - Revenue increased $21 million largely due to:

- higher revenue from PNGTS as a result of new revenues from its Westbrook XPress Phase II project, which went in service in November 2021 and commodity revenues due to the colder weather conditions and high price volatility experienced in early 2022 compared to 2021; and
- higher revenue from GTN as a result of new contracts and an increase to maximum recourse rates; offset by
- lower revenue on Bison as a result of the expiration of all its active contracts beginning January 2021

Equity Earnings - Equity earnings increased $7 million primarily due to:

- higher equity earnings from our investment in Iroquois due to its higher long-term firm reserved service revenues and discretionary revenues compared to the same period in 2021

Impairment of equity-method investment - Impairment charges of $221 million in the current period were due to:

- decrease in equity-method investment in Great Lakes' carrying value due to being in excess of its fair value and the decline is not temporary

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

- decrease in TC Energy's allocated costs related to personnel

Depreciation and amortization - Depreciation and amortization increased $6 million primarily due to:

- increase in property, plant and equipment related to GTN XPress and PNGTS' Westbrook XPress Phase II placed into service in 2021

Financial charges and other - Financial charges and other decreased $3 million primarily due to the following:

- lower interest costs; and
- lower AFUDC primarily due to expansion projects placed in service

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 10th day of August 2022.

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

By: /s/ Nathaniel A. Brown
Nathaniel A. Brown
President
TC PipeLines GP LLC

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