TC PipeLines, LP

Consolidated Financial Statements

December 31, 2022

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF INCOME

(millions of dollars)	Year ended December 31, **2022**	2021
Transmission revenues, net ***(Note 6)***	**419**	382
Equity earnings ***(Note 4)***	**189**	165
Impairment of equity-method investment ***(Note 4)***	**(221)**	—
Operation and maintenance expenses	**(65)**	(66)
Property taxes	**(25)**	(26)
General and administrative	**(2)**	(2)
Depreciation and amortization	**(99)**	(89)
Financial charges and other ***(Note 16)***	**(49)**	(56)
Net income before taxes	**147**	308
Income taxes	**(5)**	(4)
Net income	**142**	304
Net income attributable to non-controlling interest	**28**	24
Net income attributable to controlling interests	**114**	280

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

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,	
(millions of dollars)	**2022**	2021
Net income	**142**	304
Other comprehensive income		
Reclassification to net income of gains and losses on cash flow hedges ***(Note 14)***	—	15
Other comprehensive income (loss) on equity investments	(2)	1
Comprehensive income	**140**	320
Comprehensive income attributable to non-controlling interests	**28**	24
Comprehensive income attributable to controlling interests	**112**	296

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

TC PIPELINES, LP
CONSOLIDATED BALANCE SHEETS

(millions of dollars)	**December 31, 2022**	December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	**43**	55
Accounts receivable and other ***(Note 15)***	**42**	36
Imbalance receivable	**9**	8
Inventories	**11**	11
Other	**8**	7
Total current assets	**113**	117
Equity investments ***(Note 4)***	**890**	1,236
Property, plant and equipment ***(Note 9)***	**2,094**	2,035
Goodwill	**71**	71
TOTAL ASSETS	**3,168**	3,459
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**58**	57
Accounts payable to affiliates ***(Note 13)***	**9**	9
Customer deposits	**28**	6
Demand loan payable to affiliates ***(Note 13)***	**17**	441
Accrued interest	**10**	9
Current portion of long-term debt ***(Note 8)***	**2**	2
Total current liabilities	**124**	524
Long-term debt, net ***(Note 8)***	**1,453**	1,454
Deferred state income taxes	**12**	10
Other liabilities ***(Note 17)***	**43**	41
Total liabilities	**1,632**	2,029
Partners' Equity		
Common units	**1,321**	1,209
Class B units ***(Note 10)***	**95**	95
General partner	**26**	24
Accumulated other comprehensive income (loss) (AOCI)	**1**	3
Controlling interests	**1,443**	1,331
Non-controlling interests	**93**	99
Total partners' equity	**1,536**	1,430
TOTAL LIABILITIES AND PARTNERS' EQUITY	**3,168**	3,459

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

TC PIPELINES, LP
CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of dollars)		Year ended December 31, 2022	2021
Cash flows from operating activities:			
Net Income	$	**142**	304
Adjustments to reconcile net income to partners to net cash provided by operating activities:			
Depreciation and amortization		**99**	89
Impairment of equity-method investment ***(Note 4)***		**221**	—
Amortization of debt issue costs reported as interest expense		**1**	2
Equity earnings from equity investments ***(Note 4)***		**(189)**	(165)
Distributions received from operating activities of equity investments ***(Note 4)***		**164**	166
Equity allowance for funds used during construction (AFUDC Equity)		**(9)**	(19)
Change in operating working capital ***(Note 11)***		**18**	2
Change in other long-term liabilities		**2**	—
Total adjustments		**307**	75
Net cash provided by operating activities		**449**	379
Cash flows used in investing activities:			
Investment in Great Lakes ***(Note 4)***		**—**	(14)
Investment in Iroquois ***(Note 4)***		**—**	(152)
Capital expenditures		**(149)**	(338)
Capital contribution from parent ***(Note 10)***		**—**	148
Distribution received from Iroquois as return of investment ***(Note 4)***		**148**	—
Customer advances for construction		**—**	(1)
Net cash used in investing activities		**(1)**	(357)
Cash flows used in financing activities:			
Change in demand loan payable ***(Note 13)***		**(424)**	441
Distributions paid to common units, including the General Partner		**—**	(48)
Distributions paid to non-controlling interests		**(34)**	(23)
Common unit issuance ***(Note 10)***		**—**	200
Long-term debt issued, net of discount ***(Note 8)***		**—**	206
Long-term debt repaid ***(Note 8)***		**(2)**	(943)
Net cash used in financing activities		**(460)**	(167)
Increase (decrease) in cash and cash equivalents		**(12)**	(145)
Cash and cash equivalents, beginning of period		**55**	200
Cash and cash equivalents, end of period	$	**43**	55
Interest payments paid		**56**	62
State income taxes paid		**2**	2
Supplemental information about non-cash investing and financing activities			
Accrued capital expenditures, net		**(4)**	17

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
	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, 2020	71.3	637	1.9	95	16	(13)	98	833
Net Income	—	274	—	—	6	—	24	304
Common unit issuance (Note 10)	6.6	200	—	—	—	—	—	200
Other comprehensive income (loss)	—	—	—	—	—	16	—	16
Distributions	—	(47)	—	—	(1)	—	(23)	(71)
Capital contribution from parent	4.8	145	—	—	3	—	—	148
Partners' Equity at December 31, 2021	82.7	1,209	1.9	95	24	3	99	1,430
Net Income	—	112	—	—	2	—	28	142
Other comprehensive income (loss)	—	—	—	—	—	(2)	—	(2)
Distributions	—	—	—	—	—	—	(34)	(34)
Partners' Equity at December 31, 2022	**82.7**	**1,321**	**1.9**	**95**	**26**	**1**	**93**	**1,536**

(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 (see Note 8).

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

TC PIPELINES, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

Unless the context clearly indicates otherwise, TC PipeLines, LP and its subsidiaries are collectively referred to in this annual 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).

Pipeline	Length	Description	Ownership
GTN	1,378 miles	Extends between an interconnection near Kingsgate, British Columbia, Canada at the Canadian border to a point near Malin, Oregon at the California border and delivers natural gas to the Pacific Northwest and to California.	100 percent
Bison	302 miles	Extends from a location near Gillette, Wyoming to Northern Border's pipeline system in North Dakota. Bison can transport natural gas from the Powder River Basin to Midwest markets.	100 percent
North Baja	86 miles	Extends between an interconnection with the El Paso Natural Gas Company pipeline near Ehrenberg, Arizona and an interconnection with a natural gas pipeline near Ogilby, California on the Mexican border transporting natural gas in the Southwest. North Baja is a bi-directional pipeline.	100 percent
Tuscarora	305 miles	Extends between the GTN pipeline near Malin, Oregon to its terminus near Reno, Nevada and delivers natural gas in northeastern California and northwestern Nevada.	100 percent
Norther Border	1,411 miles	Extends between the Canadian border near Port of Morgan, Montana to a terminus near North Hayden, Indiana, south of Chicago. Northern Border is capable of receiving natural gas from Canada, the Bakken, the Williston Basin and Rocky Mountain area for deliveries to the Midwest. ONEOK Northern Border Pipeline Company Holdings, LLC owns the remaining 50 percent of Northern Border.	50 percent
PNGTS	297 miles	Connects with the TQM at the Canadian border to deliver natural gas to customers in the U.S. Northeast. Northern New England Investment Company, Inc. owns the remaining 38.29 percent of PNGTS. The 297-mile pipeline includes 108 miles of jointly owned pipeline facilities (the Joint Facilities) with Maritimes and Northeast Pipeline, LLC (MNE). The Joint Facilities extend from Westbrook, Maine to Dracut, Massachusetts and PNGTS owns approximately 31.6 percent of the undivided ownership interest based on contractually agreed upon percentages. The Joint Facilities are maintained and operated by M&N Operating Company, LLC (MNOC), a wholly owned subsidiary of MNE. MNE is a subsidiary of Enbridge Inc.	61.71 percent
Great Lakes	2,115 miles	Connects with the TC Energy Mainline at the Canadian border near Emerson, Manitoba, Canada and St. Clair, Michigan, near Detroit. Great Lakes is a bi-directional pipeline that can receive and deliver natural gas at multiple points along its system. TC Energy Corporation owns the remaining 53.55 percent of Great Lakes.	46.45 percent
Iroquois	416 miles	Extends from the TC Energy Mainline system near Waddington, New York to deliver natural gas to customers in the U.S. northeast. The remaining 50.66 percent is owned by: TC Energy Corporation (0.66 percent), Berkshire Hathaway (50 percent). Iroquois is maintained and operated by a subsidiary of Iroquois.	49.34 percent

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.

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 financial statements and notes present the financial position of the Partnership as of December 31, 2022 and 2021 and the results of its operations, cash flows and changes in partners' equity for the years ended December 31, 2022, and 2021.

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 4 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 statement of income, 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.

The Partnership has reclassified certain amounts relating to its prior period results to conform to its current period presentation. These reclassifications have not changed the results of operations of prior periods.

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.

Regulation

Our pipeline systems’ accounting policies conform to Accounting Standards Codification (ASC) 980 – ***Regulated Operations***. As a result, our pipeline systems record assets and liabilities that result from the regulated rate-making process that may not be recorded under GAAP for non-regulated entities.

The Partnership’s natural gas pipelines and regulated natural gas storage assets are subject to the authority of the U.S. Federal Energy Regulatory Commission (FERC). The Partnership’s natural gas transmission operations are regulated with respect to construction, operations and the determination of rates. Rate-regulated accounting (RRA) standards may impact the timing of the recognition of certain revenues and expenses in these rate-regulated businesses which may differ from that otherwise expected in non-rate-regulated businesses to appropriately reflect the economic impact of the regulator's decisions regarding revenues and rates. Regulatory assets represent costs that are expected to be recovered in customer rates in future periods and regulatory liabilities represent amounts that are expected to be returned to customers through future rate-setting processes. An asset qualifies for the use of RRA when it meets three criteria:

- a regulator must establish or approve the rates for the regulated services or activities
- the regulated rates must be designed to recover the cost of providing the services or products and

- it is reasonable to assume that rates set at levels to recover the cost can be charged to (and collected from) customers because of the demand for services or products and the level of direct or indirect competition.

The Partnership's businesses that apply RRA currently include natural gas pipelines.

Cash and Cash Equivalents

The Partnership’s cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less and are recorded at cost, which approximates fair value.

The Partnership participates in a cash management program with TransCanada PipeLine USA Ltd. (TCPL USA), a TC Energy subsidiary. This program matches short-term cash surpluses and needs of participating affiliates, thus minimizing the total borrowings from outside sources. The regulated entities participating in the cash management program treat monies advanced under the program as a loan, accruing interest and repayable on demand. In addition, the regulated entities shall receive interest on monies advanced to TCPL USA at the rate of interest earned by TCPL USA on its short-term cash investments. The regulated entities shall pay interest on monies advanced from TCPL USA based on the short-term borrowing costs of TCPL USA.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest, except for those receivables subject to late charges. The Partnership maintains an allowance for doubtful accounts for estimated losses on accounts receivable, if it is determined the Partnership will not collect all or part of the outstanding receivable balance. The Partnership regularly reviews its allowance for doubtful accounts and establishes or adjusts the allowance as necessary using the specific-identification method. Account balances are charged to the allowance after all means of collection have been exhausted and the potential for recovery is no longer considered probable. There were no accounts charged to the allowance as of December 31, 2022 and 2021.

Natural Gas Imbalances

Natural gas imbalances occur when the actual amount of natural gas delivered to or received from a pipeline system differs from the amount of natural gas scheduled to be delivered or received. The Partnership values these imbalances due to or from shippers and interconnecting parties at current index prices. Imbalances are settled in kind, subject to the terms of the pipelines’ tariff.

Imbalances owed to others are reported on the balance sheets as accounts payable and accrued liabilities and accounts payable to affiliates. Imbalances due from others are reported on the balance sheets as imbalance receivable. The determination of the asset or liability classification is based on the net position of the customer. In addition, the Partnership classifies all imbalances as current as the Partnership expects to settle them within a year.

Inventories

Inventories primarily consist of materials and supplies and are carried at the lower of weighted average cost or net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at original cost. Costs of restoring the land above and around the pipeline are capitalized to pipeline facilities and depreciated over the remaining life of the related pipeline facilities. Repair and maintenance costs are expensed as incurred. Costs that are considered a betterment are capitalized. Pipeline facilities and compression equipment have an estimated useful life of 6 to 52 years and metering and other equipment ranges from 0.2 to 76 years. Depreciation of our subsidiaries’ assets is based on rates approved by FERC from the pipelines’ last rate proceeding and is calculated on a straight-line composite basis over the assets’ estimated useful lives. Under the composite method, assets with similar lives and characteristics are grouped and depreciated as one asset. Amounts included in construction work in progress are not depreciated until transferred into service. During the years ended December 31, 2022 and 2021, the Partnership incurred depreciation expenses of $99 million and $89 million, respectively. Refer to Note 9 for further details regarding our Property, plant and equipment balance.

The Partnership’s subsidiaries capitalize a carrying cost on funds invested in the construction of long-lived assets. This carrying cost includes a return on the investment financed by debt and equity allowance for funds used during construction (AFUDC), calculated based on the average cost of debt and equity. Capitalized carrying costs for AFUDC debt and equity are reflected as an increase in the cost of property, plant and equipment on the balance sheets.

Both capitalized AFUDC debt and equity amounts are reported as part of Financial Charges and Other line item in the Consolidated Statements of Operations and broken out further in Note 16. Capitalized AFUDC equity amounts during

the years ended December 31, 2022 and 2021 were $9 million and $19 million, respectively. Capitalized AFUDC Debt during the year ended December 31, 2022 was $0.7 million (2021 - $3.3 million). Refer to Note 16.

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 4 herein for more discussion related to the equity-method investment impairment of Great Lakes.

Impairment of Long-lived Assets

The Partnership reviews long-lived assets, such as property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the assets, an impairment loss is recognized for the excess of the carrying value over the fair value of the assets.

Partners' Equity

Costs incurred in connection with the issuance of units are deducted from the proceeds received.

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 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 utilizes the practical expedient of recognizing revenue as invoiced. 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. Refer to Note 6 for detailed disclosures regarding the Partnership’s revenues.

Long-Term Debt Transaction Costs and Issuance Costs

Costs related to the issuance of debt are deferred and amortized using the effective interest rate method over the term of the related debt. Consistent with debt discount, long-term debt transaction costs and issuance costs are presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability. The amortization of debt issuance costs is reported as interest expense. Refer to Note 16.

Acquisitions and Goodwill

The Partnership accounts for business acquisitions from third parties using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of net assets acquired is attributed to goodwill.

Goodwill is not amortized and is tested for impairment on an annual basis or more frequently if any indicators of impairment are evident. The Partnership can initially assess qualitative factors to determine whether events or changes in circumstances indicate that the goodwill might be impaired. The factors the Partnership considers include, but are not limited to, macroeconomic conditions, industry and market considerations, cost factors, historical and forecasted financial results, and events specific to that reporting unit. If the Partnership concludes there is not a greater than 50 percent likelihood that the fair value of the reporting unit is greater than its carrying value, the Partnership will then perform the quantitative goodwill impairment test. The Partnership can also elect to proceed directly to the quantitative goodwill impairment test for any of its reporting units. If the quantitative goodwill impairment test is performed, the Partnership compares the fair value of the reporting unit to its carrying value, including its goodwill. If the carrying value of a reporting unit including its goodwill exceeds its fair value, goodwill impairment is measured at the amount by which the reporting unit's carrying value exceeds its fair value.

We calculate the estimated fair value of the reporting unit 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 reporting unit, estimates of the useful life over which cash flows will occur, and a determination of weighted average cost of capital. The estimates used to calculate the fair value of the reporting unit 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 the goodwill in the reporting unit has suffered an impairment.

Fair Value Measurements

For cash and cash equivalents, receivables, accounts payable, certain accrued expenses and short-term debt, the carrying amount approximates fair value due to the short maturities of these instruments. For long-term debt instruments, interest rate swap agreements, and natural gas imbalances, fair value is estimated based upon market values (if applicable) or on the current interest rates available to us for debt with similar terms and remaining maturities. Judgment is required in developing these estimates.

Derivative Financial Instruments and Hedging Activities

The Partnership recognizes all derivative instruments as either assets or liabilities on the balance sheet at their respective fair values. For derivatives designated in hedging relationships, changes in the fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in accumulated other comprehensive income, to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings.

The Partnership only enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). In a cash flow hedging relationship, the change in the fair value of the hedging derivative is reported as a component of other comprehensive income and reclassified into earnings as part of "financial charges and other" line in the Consolidated statement of income in the same period or periods during which the hedged transaction affects earnings or is reclassified immediately to net income when the hedged item is sold or terminated early, or when it becomes probable that the anticipated transaction will not occur.

In some instances, the derivatives do not meet the specific criteria for hedge accounting treatment. In these instances, the changes in fair value are recorded in net income in the period of change.

Asset Retirement Obligation

The Partnership recognizes the fair value of a liability for asset retirement obligations in the period in which it is incurred, when a legal obligation exists, and a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and the liability is accreted through charges to operating expenses.

The Partnership has determined it has legal obligations associated with its natural gas pipelines and related transmission facilities. The obligations relate primarily to purging and sealing the pipelines if they are abandoned. The Partnership is also required to operate and maintain its natural gas pipeline system and intends to do so as long as supply and demand for natural gas exists, which the Partnership expects for the foreseeable future. Therefore, the Partnership

believes its natural gas pipeline system's assets have indeterminate lives and, accordingly, has recorded no asset retirement obligation as of December 31, 2022 and 2021.

Contingencies

The Partnership and its pipeline systems are subject to various legal proceedings in the ordinary course of business. Our accounting for contingencies covers a variety of business activities, including contingencies for legal and environmental liabilities. The Partnership accrues for these contingencies when the assessments indicate it is probable that a liability has been incurred or an asset will not be recovered, and an amount can be reasonably estimated in accordance with ASC 450, ***Contingencies***. We base these estimates on currently available facts and the estimates of the ultimate outcome or resolution. Actual results may differ from estimates resulting in an impact, positive or negative, on earnings and cash flow. Contingencies that might result in a gain are not accrued in our consolidated financial statements.

At December 31, 2022, the Partnership is not aware of any contingent liabilities that would have a material adverse effect on the Partnership's financial condition, results of operations or cash flows.

NOTE 3 ACCOUNTING CHANGES

Reference Rate Reform

In March 2020, the Financial Accounting Standards Board (FASB) issued optional guidance with respect to the expected cessation of certain reference interest rates. The guidance provides optional expedients for contracts and hedging relationships that are affected by reference rate reform if certain criteria are met. In December 2022, FASB issued an update to defer the sunset date of the guidance to December 31, 2024. For eligible hedging relationships, the Partnership has applied the optional expedient allowing an entity to assume that the hedged forecasted transaction in a cash flow hedge is probable of occurring. The Partnership expects to use practical expedients available in the guidance to treat contract modifications as events that do not require contract remeasurement or reassessment of previous accounting determinations. As such, these changes are not expected to have a material impact on the Partnership's consolidated financial statements.

NOTE 4 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.

(millions of dollars)	Ownership Interest at December 31, 2022	Equity Earnings [(a)] Year ended December 31,		Equity Investments [(b)]	
		2022	2021	**December 31, 2022**	December 31, 2021
Northern Border	50.00%	**71**	65	**380**	398
Great Lakes	46.45%	**60**	57	**339**	531
Iroquois	49.34%	**58**	43	**171**	307
		189	165	**890**	1,236

(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.

(b) During the first quarter of 2022, we recognized an impairment charge on our investment in Great Lakes amounting to $221 million. See discussion below.

Distributions from Equity Investments

Distributions received from equity investments in the year ended December 31, 2022 totaled $312 million (December 31, 2021 - $166 million).

During the year ended December 31, 2022, $148 million of the total $312 million distributions received from equity investments (December 31, 2021 - none) was considered return of capital and included in "Investing Activities" in 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 year ended December 31, 2022, the Partnership received distributions from Northern Border amounting to $89 million (December 31, 2021 - $73 million).

The Partnership did not have undistributed earnings from Northern Border for the year ended December 31, 2022 and 2021. At December 31, 2022, the Partnership had a $115 million (December 31, 2021 - $115 million) difference between the carrying value of Northern Border and the underlying equity in the net assets primarily resulting from the recognition and inclusion of goodwill in the Partnership's investment in Northern Border relating to the Partnership's April 2006 acquisition of an additional 20 percent general partnership interest in Northern Border.

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

(millions of dollars)	**December 31, 2022**	December 31, 2021
ASSETS		
Cash and cash equivalents	**22**	26
Other current assets	**46**	38
Property, plant and equipment, net	**923**	961
Other assets	**11**	11
	1,002	1,036
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**45**	45
Deferred credits and other	**45**	45
Long-term debt, net [a]	**382**	380
Partners' equity		
Partners' capital	**530**	566
	1,002	1,036

	Year ended December 31,	
(millions of dollars)	**2022**	2021
Transmission revenues	**290**	280
Operating expenses	**(78)**	(75)
Depreciation	**(63)**	(64)
Financial charges and other	**(7)**	(12)
Net income	**142**	129

[a] Includes current maturities of nil as of December 31, 2022 for Northern Border's 7.50% Senior Notes (December 31, 2021 - nil), net of unamortized debt issuance costs and debt discounts. On September 15, 2021, Northern Border refinanced its 7.50% Senior Notes by issuing $250 million of Series A Senior Notes with an interest rate of 2.97% maturing September 15, 2031. At December 31, 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 year ended December 31, 2022, the Partnership made no equity contribution to Great Lakes. During the twelve months ended December 31, 2021, the Partnership made an equity contribution to Great Lakes of $14 million. This amount represented the Partnership's 46.45 percent share of a $31 million cash call from Great Lakes to make a scheduled debt repayment.

During the year ended December 31, 2022, the Partnership received distributions from Great Lakes amounting to $31 million (December 31, 2021 - $50 million).

The Partnership did not have undistributed earnings from Great Lakes for the year ended December 31, 2022 and 2021. At December 31, 2022, the equity method goodwill related to Great Lakes amounted to $39 million (December 31, 2021 - $260 million). The equity method goodwill relates to the Partnership's February 2007 acquisition of a 46.45 percent general partner interest in Great Lakes and is the difference between the carrying value of our investment in Great Lakes and the underlying equity in Great Lakes' net assets.

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

(millions of dollars)	**December 31, 2022**	December 31, 2021
ASSETS		
Current assets	**118**	89
Property, plant and equipment, net	**733**	726
	851	815
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**42**	51
Net long-term debt, including current maturities [a]	**146**	167
Other long term liabilities	**15**	12
Partners' equity	**648**	585
	851	815

(millions of dollars)	Year ended December 31, **2022**	2021
Transmission revenues	**254**	253
Operating expenses	**(77)**	(80)
Depreciation	**(38)**	(37)
Financial charges and other	**(10)**	(13)
Net income	**129**	123

[a] Includes current maturities of $21 million as of December 31, 2022 (December 31, 2021 - $21 million). At December 31, 2022, Great Lakes was in compliance with all of its financial covenants.

Iroquois

During the year ended December 31, 2022, the Partnership made no equity contribution to Iroquois. During the year ended December 31, 2021, the Partnership made equity contributions to Iroquois of $152 million. This amount represented the Partnership's 49.34 percent share of $308 million cash calls from Iroquois to cover costs of their capital project. Of the total $152 million contributed, $148 million was a one-time, non-recurring equity contribution that was declared on December 13, 2021 and was paid on December 23, 2021, for expenditures related to the ExC Project, GHG mitigation projects, and other capital expenditures.

During the year ended December 31, 2021, the Partnership received total distributions from Iroquois amounting to $43 million. During the year ended December 31, 2022, the Partnership received total distributions from Iroquois amounting to $192 million, which includes the Partnership's 49.34 percent share of a $300 million one-time, non-recurring distribution from Iroquois, in the amount of $148 million, related to return of equity contribution due to delays in the permitting of the EXC Project, which were reported as a return of investment in the Partnership's consolidated statement of cash flows.

The Partnership did not have undistributed earnings from Iroquois for the year ended December 31, 2022 and 2021. At December 31, 2022 and 2021, the Partnership had a $42 million and $38 million difference, respectively, between the carrying value of Iroquois and the underlying equity in the net assets primarily from TC Energy's carrying value due to the fair value assessment of Iroquois' assets at the time of its acquisition of interests from third parties (refer to Note 2 - Acquisitions and Goodwill for our accounting policy on acquisitions from TC Energy).

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

(millions of dollars)	**December 31, 2022**	December 31, 2021
ASSETS		
Cash and cash equivalents	**67**	335
Other current assets	**54**	38
Property, plant and equipment, net	**474**	494
Other assets	**16**	23
	611	890
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**23**	17
Long-term debt, net [(a)]	**307**	310
Other non-current liabilities	**16**	21
Partners' equity	**265**	542
	611	890

	Year ended December 31,	
(millions of dollars)	**2022**	2021
Transmission revenues	**220**	190
Operating expenses	**(65)**	(62)
Depreciation	**(31)**	(30)
Financial charges and other	**(7)**	(11)
Net income	**117**	87

(a) Includes current maturities of $4.5 million as of December 31, 2022 (December 31, 2021 - $3 million). At December 31, 2022, Iroquois 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 5). 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 year ended December 31, 2022.

NOTE 5 RATE-REGULATED BUSINESSES

The Partnership's businesses that apply RRA currently include natural gas pipelines. Regulatory Assets and Liabilities represent future revenues that are expected to be recovered from or refunded to customers based on decisions and approvals by the applicable regulatory authorities. Depending on whether they are current or long-term in nature, Regulatory Assets are included on the balance sheets as either Other Current Assets or Regulatory Assets; Regulatory Liabilities are included in Accounts Payable and Accrued Interest or Regulatory Liabilities.

Great Lakes

Great Lakes previously operated under a settlement approved by FERC in Docket No. RP17-598 effective January 1, 2018 (2017 Settlement). On March 18, 2022, Great Lakes filed a rate case 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 the term of the 2022 Settlement. 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 rate settlement 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 effective February 1, 2023, subject to refund.

GTN

On September 29, 2021, GTN filed a rate settlement (2021 Settlement) with FERC that satisfies the obligations from the 2015 and 2018 rate settlements that GTN filed for rates to become effective no later than January 1, 2022. The 2021 Settlement, approved by FERC on November 18, 2021, extends GTN's existing maximum transportation rates at their current levels. GTN's annual depreciation rates remain unchanged. The 2021 Settlement contains a moratorium until December 31, 2023. 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. GTN will be required to file for new rates to become effective no later than April 1, 2024.

Iroquois

In anticipation of Iroquois's obligation to file a Section 4 rate case no later than September 1, 2022, Iroquois entered into discussions with the RP16-301 and the RP19-445 interested parties. These discussions resulted in an agreement in principal resolving all rate case issues (2022 Settlement). The 2022 Settlement was filed with FERC and approved by order dated August 31, 2022, with new rates being placed into effect September 1, 2022. Pursuant to the 2022 Settlement, there will be a rate moratorium wherein no new firm recourse rates can be placed into effect on Iroquois's mainline or Eastchester facilities until September 1, 2026. Following the conclusion of the moratorium, if no rate case is filed or if no new rate settlement is reached, Iroquois must file a Section 4 rate case no later than September 1, 2027.

NOTE 6 REVENUES

Disaggregation of Revenues

For the years ended December 31, 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.

Revenue Recognition

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. These 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 utilizes the practical expedient of recognizing revenue as invoiced. Revenues are invoiced and paid monthly. 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 December 31, 2022 and 2021, there are no refund provisions reflected in these financial statements.

Contract Balances

All of the Partnership’s contract balances pertain to receivables from contracts with customers amounting to $39 million at December 31, 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 (Refer to Note 15, "Accounts Receivable and Other").

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 7 GOODWILL

On a quarterly basis during 2022, we evaluated changes within our business and the external environment including considerations regarding whether such changes are permanent, to determine whether a triggering event had occurred. Qualitative factors in this analysis include, but are not limited to, macroeconomic conditions, industry and market considerations, cost factors, historical and forecasted financial results, or events specific to our North Baja and Tuscarora reporting units. Through our quarterly analysis, no triggering events were identified.

The following factors were considered as part of our qualitative analysis specific to the Partnership's Tuscarora and North Baja reporting units:

- we evaluated the multiples and discount rate assumptions within the current economic environment and compared to the last quantitative model. The multiples and discount rate ranges identified for the current year were comparative to those used in the last quantitative model and reflective of the long-term outlook for Tuscarora and North Baja, in line with their underlying asset lives;

- at least 90 percent of Tuscarora's and North Baja's revenue is tied to long-term take-or-pay, fixed-price contracts which have a low correlation to short-term changes in demand;
- Tuscarora and North Baja have not experienced any material customer defaults to date and hold collateral, as appropriate, in support of their contracts;
- Tuscarora's expansion project, Tuscarora XPress, has been fully placed in service as of November 2021. North Baja's expansion project, North Baja XPress, is materially on track, and we do not anticipate any significant changes in outlook or delay or inability to proceed due to financing requirements; and
- Tuscarora and North Baja's businesses are broadly considered essential in the United States given the important role their infrastructures play in delivering energy to the market areas they serve.

At December 31, 2022 the Partnership's Goodwill of $71 million (December 31, 2021 - $71 million) related to the Tuscarora ($23 million) and North Baja ($48 million) acquisitions. Adverse changes to our key considerations could, however, result in future impairments on our goodwill.

As part of the annual goodwill impairment assessment at December 31, 2022, the Partnership evaluated qualitative factors impacting the fair value of the underlying reporting unit. It was determined that it was more likely than not that the fair value of the reporting unit exceeded its carrying amount, including goodwill.

NOTE 8 DEBT

(millions of dollars)	**December 31, 2022**	Weighted Average Interest Rate for the Twelve Months ended December 31		December 31, 2021	Weighted Average Interest Rate for the Year Ended December 31, 2021	
TC PipeLines, LP						
2013 Term Loan Facility due 2022	**—**	—		—	1.26%	(c)
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	**—**	—		—	1.23%	(d)
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%	
Tuscarora						
Unsecured Term Loan due 2024	**34**	2.95%		36	1.79%	
North Baja						
Unsecured Term Loan due 2021	**—**	—		—	1.18%	(e)
Total	**1,459**			1,461		
Less: unamortized debt issuance costs and debt discount	**4**			5		
Less: current portion [b]	**2**			2		
Total long-term debt, net	**1,453**			1,454		

(a) Fixed interest rate

(b) At December 31, 2022, this amount included $2 million of Tuscarora's $34 million Unsecured Term Loan due in August 2023. At December 31, 2021, this amount included $2 million of Tuscarora's $36 million Unsecured Term Loan due in August 2022.

(c) TC PipeLines, LP 2013 Term Loan Facility repaid on November 8, 2021. Weighted average of interest is through November 7, 2021.

(d) PNGTS Revolving Credit Facility repaid on October 29, 2021. Weighted average of interest is through October 28, 2021.

[e] North Baja Unsecured Term Loan repaid on December 20, 2021. Weighted average of interest is through December 19, 2021.

TC PipeLines, LP

The Partnership’s $500 million senior facility under a revolving credit agreement dated November 10, 2016, as amended (Senior Credit Facility) was terminated effective March 4, 2021.

On March 15, 2021, the Partnership's $350 million 4.65 percent Unsecured Senior Notes were repaid in full from the proceeds of a $200 million equity contribution from TC Energy and cash on hand of $150 million.

On November 8, 2021 the Partnership repaid the $450 million 2013 Term Loan Facility in full, including accrued interest, for a total of $450.1 million, and additionally terminated the related interest rate swaps hedging the 2013 Term Loan Facility with a fair value liability of $12 million. Funding for both the repayment of the 2013 Term Loan Facility and the termination of the related interest rate swaps was provided by TCPL USA's cash management program. Prior to hedging activities, the LIBOR interest rate on the 2013 Term Loan Facility was 1.20 percent at November 8, 2021.

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. The GTN Private Shelf Facility includes a 3-year private shelf agreement for an additional $75 million of Senior Notes. The 3.12 percent Series A Notes do not require any principal payments until maturity on June 1, 2030.

GTN's Series A Notes contain a covenant that limits total 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 total funded debt to total capitalization ratio at December 31, 2022 was 31.7 percent and GTN's total debt to total capitalization ratio at December 31, 2022 was 30.1 percent. As of December 31, 2022, GTN was in compliance with all its financial covenants.

PNGTS

On April 5, 2018, PNGTS entered into a revolving credit agreement which allowed PNGTS to borrow up to $125 million with a variable interest rate based on the London Interbank Offered Rate (LIBOR) (PNGTS Revolving Credit Facility). The Facility is utilized by PNGTS to primarily fund the costs of its expansion projects and for general corporate purposes. As of December 31, 2022, $125 million was available for future borrowings. The credit agreement's original term was set to mature on April 5, 2023.

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.

On October 8, 2020, PNGTS entered into a Note Purchase and Private Shelf Agreement, whereby PNGTS issued $125 million of 10-year Series A Senior Notes with a coupon of 2.84 percent per annum (PNGTS Series A Notes) and entered into a 3-year private shelf agreement (PNGTS Private Shelf Facility) for an additional $125 million of Senior Notes. The PNGTS Series A Notes do not require any principal payments until maturity on October 8, 2030.

On October 29, 2021, PNGTS issued the remaining $125 million available under the PNGTS Private Shelf Facility as 10-year Series B Senior Notes, with a coupon of 2.68 percent per annum (PNGTS Series B Notes). The PNGTS Series B Notes do not require any principal payments until maturity on October 29, 2031. Proceeds from the issuance were used to pay down the outstanding $93 million balance of the PNGTS Revolving Credit Facility and for general corporate purposes including funding of its remaining capital expansion projects.

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 2.46 to 1.00 as of December 31, 2022. 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 December 31, 2022, PNGTS' ratio of funded debt to capitalization is 51 percent. As of December 31, 2022, PNGTS was in compliance with all its financial covenants. PNGTS Revolving Credit Facility was repaid in full on October 29, 2021. The LIBOR-based variable interest rate on the Revolving Credit Facility at October 28, 2021 was 1.21 percent. The weighted average interest rate was 1.23 percent through October 28, 2021.

Tuscarora

On August 3, 2021, Tuscarora's $23 million variable rate Unsecured Term Loan (Unsecured Term Loan) was amended to increase the facility to $36 million and to extend the maturity date to August 1, 2024. The Unsecured Term Loan requires $2 million of annual principal payments which began on August 1, 2022. 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 December 31, 2022, the ratio was 6.03 to 1.00. As of December 31, 2022, Tuscarora was in compliance with all its financial covenants. The LIBOR-based interest rate applicable to Tuscarora's Unsecured Term Loan was 6.46 percent at December 31, 2022 (December 31, 2021 - 1.35 percent).

North Baja

North Baja paid off its $50 million outstanding balance on its unsecured variable interest term loan facility (Term Loan Facility) on December 20, 2021. The LIBOR-based interest rate applicable to North Baja's Term Loan Facility was 1.16 percent at December 20, 2021.

Partnership

At December 31, 2022, 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 December 31, 2022 are as follows:

(millions of dollars)	**Principal Payments**
2023	2
2024	32
2025	350
2026	—
2027	500
Thereafter	575
	1,459

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

The following table includes property, plant and equipment of our consolidated entities:

	2022			2021		
December 31 *(millions of dollars)*	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Pipeline facilities	**1,951**	**(1,047)**	**904**	1,923	(1,001)	922
Compression equipment	**1,170**	**(290)**	**880**	1,120	(256)	864
Metering and other equipment	**253**	**(88)**	**165**	246	(74)	172
Construction in progress	**145**	**—**	**145**	77	—	77
	3,519	**(1,425)**	**2,094**	3,366	(1,331)	2,035

NOTE 10 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 years ended December 31, 2022 and 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.

Capital contribution from parent to Iroquois

On December 13, 2021, the Partnership declared and then issued on December 23, 2021, 4,801,709 common units (at an average price of $30.83 per common unit) in return for a $148 million equity contribution from TC Energy. The proceeds from the capital contribution were distributed to Iroquois for expenditures related to capital projects.

Partnership

For the year ended December 31, 2022, the Partnership did not declare any distributions. On January 19, 2021, the board of directors of our General Partner declared the Partnership's fourth quarter 2020 cash distribution in the amount of $0.65 per common unit and was paid on February 12, 2021 to unitholders of record as of January 29, 2021. The declared distribution totaled $47 million and is payable in the following manner: $46 million to common unitholders (including $4 million to the General Partner as a holder of 5,797,106 common units and $7 million to another subsidiary of TC Energy as holder of 11,287,725 common units) and $1 million to the General Partner for its two percent general partner interest. The General Partner did not receive any distributions in respect of its IDRs for the fourth quarter 2020.

NOTE 11 CHANGE IN OPERATING WORKING CAPITAL

	Year ended, December 31,	
(millions of dollars)	**2022**	2021
Change in accounts receivable and other [a]	**(6)**	3
Change in imbalance receivable	**(1)**	(7)
Change in other current assets	**(1)**	(1)
Change in accounts payable and accrued liabilities [a]	**3**	2
Change in accounts payable to affiliates	**—**	2
Change in customer deposits	**22**	5
Change in accrued interest	**1**	(2)
Change in operating working capital	**18**	2

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

NOTE 12 TRANSACTIONS WITH MAJOR CUSTOMERS

For the year ended December 31, 2022 and 2021 no customer accounted for more than 10 percent of our consolidated revenue and trade accounts receivable.

NOTE 13 RELATED PARTY TRANSACTIONS

The Partnership does not have any employees. The management and operating functions are provided by its general partner, TC PipeLines GP, LLC (formerly known as "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. Total costs charged to the Partnership by the General Partner was nil for the year ended December 31, 2022 (2021 - $1 million).

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’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 4, "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 MNOC. Therefore, Iroquois and the Joint Facilities do not receive capital and operating services from TC Energy.

Capital and operating costs charged to our pipeline systems, except for Iroquois, for the twelve months ended December 31, 2022 and 2021 by TC Energy's subsidiaries and amounts payable to TC Energy's subsidiaries at December 31, 2022 and 2021 are summarized in the following tables:

	Year ended, December 31,	
(millions of dollars)	**2022**	**2021**
Capital and operating costs charged by TC Energy's subsidiaries to:		
Great Lakes [(a)]	**38**	40
Northern Border [(a)]	**37**	39
PNGTS [(a)]	**5**	6
GTN	**38**	53
Bison	**1**	1
North Baja	**8**	5
Tuscarora	**5**	5
Impact on the Partnership's net income [(b)]:		
Great Lakes	**16**	17
Northern Border	**16**	16
PNGTS	**3**	3
GTN	**29**	31
Bison	**1**	1
North Baja	**3**	3
Tuscarora	**4**	3

	December 31,	
(millions of dollars)	**2022**	**2021**
Amounts payable to TC Energy's subsidiaries are as follows:		
Great Lakes [(a)] [(c)]	**5**	4
Northern Border [(a)]	**3**	4
PNGTS [(a)]	**1**	1
GTN	**4**	7
Bison	**—**	—
North Baja	**1**	1
Tuscarora	**—**	1

(a) Represents 100 percent of the costs.
(b) Represents the Partnership's proportionate share-based ownership percentage of these pipelines.
(c) Represents gross related party payable balance. See discussion below for gross related party receivables balance.

Cash Management Program

Following the Merger, the Partnership became part of 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 now 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 year ended December 31, 2021 the interest associated with this arrangement was immaterial. At December 31, 2022 the Partnership had a demand loan payable to TC Energy of $17 million (December 31, 2021 - $441 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 year ended December 31, 2022, Great Lakes earned 60 percent of its transportation revenues from TC Energy (December 31, 2021 - 66 percent).

At December 31, 2022, $18 million was included in Great Lakes' receivables with regard to the transportation contracts with TC Energy (December 31, 2021 - $17 million).

Great Lakes has a long-term transportation agreement with Canadian Mainline, a related party, that commenced on November 1, 2017 for a ten-year period that allows TC Energy to transport up to 0.711 billion cubic feet of natural gas per day. In an election made in November 2021, effective November 1, 2022, Canadian Mainline exercised their reduction rights and reduced the contracted volume of the agreement to 0.346 billion cubic feet of natural gas per day. As of March 9, 2023, no further revisions to this contract have been made.

In 2018, Great Lakes executed long-term transportation capacity contracts with ANR Pipeline Company (ANR), in anticipation of specific possible future needs. The original total contract value was approximately $1.3 billion over a 15-year period. Amongst other changes, one contract was amended November 1, 2021, reducing the capacity to 0.155 billion cubic feet per day, effective October 2022 and total contract value of $137 million over a term of 16 years. The contract was further amended in September 2022 to begin in early 2023. Effective January 19, 2023, the contract was terminated and replaced with a Capacity Lease Agreement with a Lease Capacity maximum daily quantity (MDQ) of 0.155 billion cubic feet per day at the maximum Reservation and Utilization Fees as set forth in the Great Lakes tariff on the Statement of Rates for Rate Schedule firm transportation (FT) for a Western zone to Central zone path.

NOTE 14 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," "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 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 December 31, 2022 and December 31, 2021 was $1,350 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.

On November 8, 2021 the Partnership repaid the 2013 Term Loan Facility in full, and additionally terminated the related interest rate swaps hedging the 2013 Term Loan Facility with a fair value liability of $12 million.

For the year ended December 31, 2022, the net realized loss related to the interest rate swaps included in "financial charges and other" was none (December 31, 2021 - $15 million) (Refer to Note 16).

NOTE 15 ACCOUNTS RECEIVABLE AND OTHER

	Year ended December 31,	
(millions of dollars)	**2022**	2021
Trade accounts receivables, net of immaterial allowance for doubtful accounts	**39**	36
Other	**3**	—
	42	36

NOTE 16 FINANCIAL CHARGES AND OTHER

	Year ended December 31,	
(millions of dollars)	**2022**	2021
Interest expense [(a)]	**60**	64
Net realized loss (gain) related to the interest rate swaps	**—**	15
AFUDC - Equity	**(9)**	(19)
Other income (including AFUDC - Debt)	**(2)**	(4)
	49	56

(a) Includes amortization of debt issuance costs and discount costs, amounting to approximately $1 million and $2 million for the years ended December 31, 2022 and 2021, respectively.

NOTE 17 OTHER LIABILITIES

(millions of dollars)	Year ended December 31, 2022	2021
Regulatory liabilities	**43**	40
Other liabilities	**—**	1
	43	41

The Partnership collects estimated future removal costs related to its transmission and gathering facilities in its current rates (also known as "negative salvage") and recognizes regulatory liabilities in this respect on the balance sheet. The regulatory liabilities balance is primarily comprised of negative salvage. Estimated costs associated with the future removal of transmission and gathering facilities are collected through depreciation as allowed by FERC. These amounts do not represent asset retirement obligations as defined by FASB Accounting Standards Codification (ASC) 410, ***Accounting for Asset Retirement Obligations*** (Refer to Note 2).

NOTE 18 SUBSEQUENT EVENTS

Management of the Partnership has reviewed subsequent events through March 10, 2023, 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 December 2022 distribution of $18.8 million on January 18, 2023, which the Partnership received its 50 percent share or $9.4 million on January 31, 2023.

Northern Border declared its January 2023 distribution of $24.1 million on February 21, 2023, which the Partnership received its 50 percent share or $12.1 million on February 28, 2023.

PNGTS declared its fourth quarter 2022 distribution of $19.7 million on January 24, 2023, which $7.5 million was paid to its non-controlling interest owner on January 31, 2023.

On February 16, 2023, the Management Committee of PNGTS approved a $22.0 million distribution to its general partners to be paid on or before February 28, 2023 from the proceeds of borrowing related to the Westbrook XPress project.

Iroquois declared its fourth quarter 2022 distribution of $27.8 million on March 2, 2023, and the Partnership expects to receive its 49.34 percent share or $13.7 million on March 24, 2023.

Iroquois declared an additional surplus cash distribution of $24.0 million on March 2, 2023, which the Partnership will receive its 49.34 percent share or $11.8 million on March 24, 2023.

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

This report includes 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. These statements are based on management's beliefs and assumptions and on currently available information and include, but are not limited to, statements regarding anticipated financial performance, future capital expenditures, liquidity, market or competitive conditions, regulations, organic or strategic growth opportunities, contract renewals and ability to market open capacity, business prospects and outcome of regulatory proceedings. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. All forward-looking statements are made only as of the date made and except as required by applicable law, we undertake no obligation to update any forward-looking statements to reflect new information, subsequent events or other changes.

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.

	Year ended December 31,			
(millions of dollars)	**2022**	**2021**	**$ Change** [(a)]	**% Change** [(a)]
Transmission revenues	**419**	382	37	10
Equity earnings	**189**	165	24	15
Impairment of equity-method investment	**(221)**	—	(221)	(100)
Operating, maintenance and administrative costs	**(92)**	(94)	2	2
Depreciation and amortization	**(99)**	(89)	(10)	(11)
Financial charges and other	**(49)**	(56)	7	13
Net income before taxes	**147**	308	(161)	(52)
Income taxes	**(5)**	(4)	(1)	(25)
Net income	**142**	304	(162)	(53)
Net income attributable to non-controlling interests	**(28)**	(24)	(4)	(17)
Net income attributable to controlling interests	**114**	280	(166)	(59)

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

Twelve Months Ended December 31, 2022 Compared to the Same Period in 2021

The Partnership’s net income attributable to controlling interests in the twelve months ended December 31, 2022 decreased compared to the same period in 2021, mainly due to the following:

Transmission revenues - Revenue increased $37 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 revenues from its GTN XPress Phase I project, which went into service in November 2021; 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 $24 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; and
- higher equity earnings from our investment in Northern Border due to its higher demand 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 of equity-method investment in Great Lakes due to non-temporary decline in its carrying value exceeding its fair value

Operating, maintenance and administrative (OM&A) costs - OM&A costs decreased $2 million primarily due to:

- decrease in TC Energy's costs related to environmental and contractor expenses

Depreciation and amortization - Depreciation and amortization costs increased $10 million primarily due to:

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

Financial charges and other - Financial charges and other decreased $7 million primarily due to:

- lower AFUDC primarily due to phases of our expansion projects being placed into service; and
- lower interest costs

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 March 2023.

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.