

TC PipeLines, LP

Consolidated Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF INCOME

<i>(millions of dollars)</i>	Year ended December 31,	
	2023	2022
Transmission revenues, net <i>(Note 2)</i>	448	419
Equity earnings <i>(Note 4)</i>	210	189
Impairment of equity-method investment <i>(Note 4)</i>	—	(221)
Operating and other expenses:		
Operation and maintenance expenses	(72)	(65)
Property taxes	(24)	(25)
General and administrative	—	(2)
Depreciation and amortization	(104)	(99)
Total operating and other expenses	(200)	(191)
Operating income	458	196
Financial charges and other <i>(Note 15)</i>	(50)	(49)
Net income before taxes	408	147
Income taxes	(3)	(5)
Net income	405	142
Less: Net income attributable to non-controlling interest	30	28
Net income attributable to controlling interests	375	114

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

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(millions of dollars)</i>	Year ended December 31,	
	2023	2022
Net income	405	142
Other comprehensive income:		
Other comprehensive income (loss) on equity investments	1	(2)
Comprehensive income	406	140
Comprehensive income attributable to non-controlling interests	30	28
Comprehensive income attributable to controlling interests	376	112

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

TC PIPELINES, LP
CONSOLIDATED BALANCE SHEETS

<i>(millions of dollars)</i>	December 31, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	29	43
Accounts receivable and other <i>(Note 14)</i>	39	42
Demand loan receivable from affiliates <i>(Note 12)</i>	127	—
Imbalance receivable	7	9
Inventories	12	11
Other	7	8
Total current assets	221	113
Equity investments <i>(Note 4)</i>	990	890
Property, plant and equipment <i>(Note 8)</i>	2,102	2,094
Goodwill <i>(Note 6)</i>	71	71
Other assets	8	—
TOTAL ASSETS	3,392	3,168
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	31	50
Accounts payable to affiliates <i>(Note 12)</i>	10	9
Imbalance payable	7	8
Demand loan payable to affiliates <i>(Note 12)</i>	—	17
Customer deposits	25	28
Accrued interest	10	10
Current portion of long-term debt <i>(Note 7)</i>	—	2
Total current liabilities	83	124
Long-term debt, net <i>(Note 7)</i>	1,472	1,453
Deferred state income taxes	12	12
Other liabilities <i>(Note 16)</i>	46	43
Total liabilities	1,613	1,632
Partners' Equity		
Common units	1,580	1,321
Class B units <i>(Note 9)</i>	95	95
General partner	22	26
Accumulated other comprehensive income (loss) (AOCI)	2	1
Controlling interests	1,699	1,443
Non-controlling interests	80	93
Total partners' equity	1,779	1,536
TOTAL LIABILITIES AND PARTNERS' EQUITY	3,392	3,168

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,	
	2023	2022
Cash flows from operating activities:		
Net Income	\$ 405	142
Adjustments to reconcile net income to partners to net cash provided by operating activities:		
Depreciation and amortization	104	99
Impairment of equity-method investment (Note 4)	—	221
Amortization of debt issue costs reported as interest expense	1	1
Equity earnings from equity investments (Note 4)	(210)	(189)
Distributions received from operating activities of equity investments (Note 4)	184	164
Equity allowance for funds used during construction (AFUDC Equity)	(10)	(9)
Regulatory assets	(8)	—
Change in operating working capital (Note 10)	3	18
Change in other long-term liabilities	—	2
Net cash provided by operating activities	469	449
Cash flows used in investing activities:		
Investment in Northern Border (Note 4)	(91)	—
Capital expenditures	(118)	(149)
Distribution received from Iroquois as return of investment (Note 4)	17	148
Change in demand loan receivable (Note 12)	(127)	—
Net cash used in investing activities	(319)	(1)
Cash flows used in financing activities:		
Change in demand loan payable (Note 12)	(17)	(424)
Distributions paid to common units, including the General Partner (Note 9)	(120)	—
Distributions paid to non-controlling interests	(43)	(34)
Long-term debt issued, net of discount (Note 7)	50	—
Debt repaid (Note 7)	(34)	(2)
Net cash used in financing activities	(164)	(460)
Decrease in cash and cash equivalents	(14)	(12)
Cash and cash equivalents, beginning of period	43	55
Cash and cash equivalents, end of period	\$ 29	43
Interest payments paid	60	56
State income taxes paid	3	2
Supplemental information about non-cash investing and financing activities		
Accrued capital expenditures, net	(19)	(4)

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

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

	Limited Partners				General Partner	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Equity
	Common Units		Class B Units					
	<i>millions of units</i>	<i>millions of dollars</i>	<i>millions of units</i>	<i>millions of dollars</i>				
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
Net Income	—	367	—	—	8	—	30	405
Other comprehensive income (loss)	—	—	—	—	—	1	—	1
Distributions	—	(108)	—	—	(12)	—	(43)	(163)
Partners' Equity at December 31, 2023	82.7	1,580	1.9	95	22	2	80	1,779

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
Northern 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	296 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 296-mile pipeline includes 107 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 52.5 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) and 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.

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, 2023 and 2022 and the results of its operations, cash flows and changes in partners' equity for the years ended December 31, 2023, and 2022.

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 Statements 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 Financial Accounting Standards Board (FASB) 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 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.

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

The Partnership's contract balances consist primarily of receivables from contracts with customers amounting to \$39 million at December 31, 2023 (December 31, 2022 - \$39 million). These amounts are recorded as trade accounts receivable and reported as "Accounts receivable and other" in the Partnership's Consolidated Balance Sheets (Refer to Note 14, "Accounts Receivable and Other"). Trade accounts receivable are recorded at the invoiced amount and do not bear interest, except for those receivables subject to late charges. Additionally, our accounts receivable represents the Partnership's unconditional right to consideration for services completed which includes billed and unbilled accounts.

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, 2023 and 2022.

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 imbalance payable. 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. Inventories 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 5 to 48 years and metering and other equipment ranges from 0.8 to 75 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, 2023 and 2022, the Partnership incurred depreciation expenses of \$104 million and \$99 million, respectively.

The Partnership amortizes the cost of commercial nominations and billing software and computer software, both developed for internal use. The largest component of amortization expense is for commercial software costs, which are capitalized upon the completion of the preliminary stage of each project in accordance with ASC 350-40 - *Internal Use Software*. Once installed software is ready for its intended use, such capitalized costs are amortized on a straight-line basis, generally over a period of 5.2 years. Refer to Note 8 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 Income. Capitalized AFUDC equity is a non-cash expenditure adjustment in the operating cash flows of the Consolidated Statement of Cash Flows. Capitalized AFUDC equity amounts during the years ended December 31, 2023 and 2022 were \$10 million and \$9 million, respectively. Capitalized AFUDC Debt during the year ended December 31, 2023 was \$0.6 million (2022 - \$0.7 million). For more information, refer to Note 15.

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 Consolidated Balance Sheets. 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 ASC 410 - *Accounting for Asset Retirement Obligations*.

When plant, property and equipment are retired, the Partnership charges accumulated depreciation and amortization for the original cost of the assets in addition to the cost to remove, sell, or dispose of the assets, less their salvage value. The Partnership does not recognize a gain or loss unless an entire operating unit is sold or retired. The Partnership includes gains or losses on dispositions of operating units in income.

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 single performance obligation. For the years ended December 31, 2023 and 2022, effectively all of the Partnership's revenues were from capacity arrangements and transportation contracts with customers.

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

includes the capacity contracted and available volume of natural gas transported, corresponds directly to the value the customer received. Revenues are invoiced and paid on a monthly basis.

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

The Partnership's pipeline systems are subject to FERC regulations and, as a result, a portion of revenues collected may be subject to refund if invoiced during an interim period when a rate proceeding is ongoing. Allowances for these potential refunds are recognized using management's best estimate based on the facts and circumstances of the proceeding. Any allowances that are recognized during the proceeding process are refunded or retained, as applicable, at the time a regulatory decision becomes final. As of December 31, 2023 and 2022, there are no refund provisions reflected in these financial statements.

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. For more information, refer to Note 15.

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, accounts receivables and other, demand loan receivable from affiliates, demand loan payable to affiliates, 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.

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, 2023 and 2022.

Customer Deposits

At times, our customers may endure financial challenges resulting from commodity price and market volatility, economic instability and political or regulatory changes. In addition to actively monitoring these situations, there are a number of factors that reduce our counterparty credit risk exposure in the event of default, including:

- contractual rights and remedies together with the utilization of contractually-based financial assurances
- current regulatory frameworks governing certain of our operations
- the competitive position of our assets and the demand for our services
- potential recovery of unpaid amounts through bankruptcy and similar proceedings

As Counterparty Risk performs credit checks on our customers, some customers are deemed to be of higher risk than others. If required, cash security deposits are provided by the customers as a form of financial assurance related to contract(s) with counterparties. From time to time, Counterparty Risk may adjust the amount held on deposit as the contractual exposures change. These deposits are not used to pay invoices; they are used to mitigate any damages suffered by the Partnership because of the counterparty's default. If there is no default by the end of the relationship, the deposit is returned.

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, 2023, 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.

GTN Carbon Emission Credit

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

GTN records the purchased emission allowances at cost and the associated accumulated interest to **Other Regulatory Assets** on the Balance Sheet. A total of \$7.9 million was included in **Other Regulatory Assets** for December 31, 2023, and nil as of December 31, 2022.

NOTE 3 ACCOUNTING CHANGES

Reference Rate Reform

In March 2020, the 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.

<i>(millions of dollars)</i>	Ownership Interest at December 31, 2023	Equity Earnings ^(a)		Equity Investments ^(b)	
		Year ended December 31, 2023	Year ended December 31, 2022	December 31, 2023	December 31, 2022
Northern Border	50.00%	75	71	453	380
Great Lakes	46.45%	63	60	366	339
Iroquois	49.34%	72	58	171	171
		210	189	990	890

^(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, 2023 totaled \$201 million (December 31, 2022 - \$312 million).

During the year ended December 31, 2023, \$17 million of the total \$201 million distributions received from equity investments (December 31, 2022 - \$148 million) 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, 2023, the Partnership made an equity contribution of \$90.5 million to Northern Border. This amount represents the Partnership's 50 percent share of a \$181 million cash call from Northern Border to partially repay outstanding debt and fund certain capital expenditures. During the year ended December 31, 2022, the Partnership made no equity contribution to Northern Border.

During the year ended December 31, 2023, the Partnership received distributions from Northern Border amounting to \$92 million (December 31, 2022 - \$89 million).

The Partnership did not have undistributed earnings from Northern Border for the years ended December 31, 2023 and 2022. At December 31, 2023, the Partnership had a \$115 million (December 31, 2022 - \$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:

<i>(millions of dollars)</i>	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	102	22
Other current assets	41	46
Property, plant and equipment, net	915	923
Other assets	10	11
	1,068	1,002
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	50	45
Deferred credits and other	49	45
Long-term debt, net ^(a)	293	382
Partners' equity	676	530
	1,068	1,002

<i>(millions of dollars)</i>	Year ended December 31,	
	2023	2022
Transmission revenues	301	290
Operating expenses	(80)	(78)
Depreciation	(64)	(63)
Financial charges and other	(8)	(7)
Net income	149	142

^(a) Includes current maturities of nil as of December 31, 2023 for Northern Border's 2.97% Series A Senior Notes (December 31, 2022 - nil), net of unamortized debt issuance costs and debt discounts. At December 31, 2023, 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 years ended December 31, 2023, and 2022 the Partnership made no equity contributions to Great Lakes.

During the year ended December 31, 2023, the Partnership received distributions from Great Lakes amounting to \$37 million (December 31, 2022 - \$31 million).

The Partnership did not have undistributed earnings from Great Lakes for the years ended December 31, 2023 and 2022. At December 31, 2023, the equity method goodwill related to Great Lakes amounted to \$39 million (December 31, 2022 - \$39 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:

<i>(millions of dollars)</i>	December 31, 2023	December 31, 2022
ASSETS		
Current assets	163	118
Property, plant and equipment, net	734	733
	897	851
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	50	42
Net long-term debt, including current maturities ^(a)	125	146
Other long term liabilities	17	15
Partners' equity	705	648
	897	851

<i>(millions of dollars)</i>	Year ended December 31,	
	2023	2022
Transmission revenues	260	254
Operating expenses	(79)	(77)
Depreciation	(40)	(38)
Financial charges and other	(4)	(10)
Net income	137	129

^(a) Includes current maturities of \$21 million as of December 31, 2023 (December 31, 2022 - \$21 million). At December 31, 2023, Great Lakes was in compliance with all of its financial covenants.

Iroquois

During the years ended December 31, 2023, and 2022 the Partnership made no equity contributions to Iroquois.

During the year ended, December 31, 2023, the Partnership received total distributions from Iroquois amounting to \$72 million, which includes the Partnership's 49.34 percent share of \$34 million non-recurring distributions from Iroquois, in total amounting to \$17 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. Both 2023 and 2022 non-recurring distributions from Iroquois related to returns of equity contributions due to delays in the permitting of the EXC project, which were reported as a return of investment in the Partnership's respective Consolidated Statements of Cash Flows.

The Partnership did not have undistributed earnings from Iroquois for the years ended December 31, 2023 and 2022. At December 31, 2023 and 2022, the Partnership had a \$38 million and \$42 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:

<i>(millions of dollars)</i>	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	71	67
Other current assets	59	54
Property, plant and equipment, net	457	474
Other assets	22	16
	609	611
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	21	23
Long-term debt, net ^(a)	303	307
Other non-current liabilities	17	16
Partners' equity	268	265
	609	611

<i>(millions of dollars)</i>	Year ended December 31,	
	2023	2022
Transmission revenues	251	220
Operating expenses	(67)	(65)
Depreciation	(31)	(31)
Financial charges and other	(7)	(7)
Net income	146	117

^(a) Includes current maturities of \$4 million as of December 31, 2023 (December 31, 2022 - \$4.5 million). At December 31, 2023, 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 Consolidated Statements 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.

Northern Border

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

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 was 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. On March 24, 2023, Tuscarora filed a Stipulation and Agreement of Settlement with FERC, which was approved on September 6, 2023.

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 is required to file for new rates to become effective no later than April 1, 2024. Accordingly, GTN filed a general NGA Section 4 Rate Case with FERC on September 29, 2023, requesting an increase to GTN's maximum rates to become effective April 1, 2024, and subject to refund.

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 GOODWILL

On a quarterly basis during 2023, 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 and North Baja's expansion projects, Tuscarora XPress and North Baja XPress, have been fully placed in service as of November 2021 and June 2023, respectively; 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, 2023 the Partnership's Goodwill of \$71 million (December 31, 2022 - \$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, 2023, 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 7 DEBT

<i>(millions of dollars)</i>	December 31, 2023	Weighted Average Interest Rate for the Year Ended December 31, 2023		December 31, 2022	Weighted Average Interest Rate for the Year Ended December 31, 2022
TC PipeLines, LP					
4.375% Unsecured Senior Notes due 2025	350	4.375%	(a)	350	4.375% (a)
3.90% Unsecured Senior Notes due 2027	500	3.90%	(a)	500	3.90% (a)
GTN					
3.12% Series A Senior Notes due 2030	175	3.12%	(a)	175	3.12% (a)
4.92% Series B Senior Notes due 2030	50	4.92%	(a)	—	—% (a)
5.69% Unsecured Senior Notes due 2035	150	5.69%	(a)	150	5.69% (a)
PNGTS					
Revolving Credit Facility due 2028 ^(c)	—	—%		—	—%
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	—	6.66%	(d)	34	2.95%
Total	1,475			1,459	
Less: unamortized debt issuance costs and debt discount	3			4	
Less: current portion ^(b)	—			2	
Total long-term debt, net	1,472			1,453	

(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.

(c) See note on PNGTS below for more discussion related to the PNGTS Revolving Credit Facility.

(d) Tuscarora's Unsecured Term Loan in the amount of \$32 million was repaid on November 8, 2023. Weighted average of interest is through November 7, 2023.

GTN

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

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

GTN's Series A Notes and Series B Notes contain a covenant that limits total funded debt to no greater than 65 percent of total 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, 2023 was 33.1 percent and GTN's total debt to total capitalization ratio at December 31, 2023 was 31.2 percent. As of December 31, 2023, 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. 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 (SOFR). As of December 31, 2023, \$125 million was available for future borrowings.

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 (PNGTS Series A Notes) with a coupon of 2.84 percent per annum 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 (PNGTS Series B Notes) with a coupon of 2.68 percent per annum. The PNGTS Series B Notes do not require any principal payments until maturity on October 29, 2031.

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 2.38 to 1.00 as of December 31, 2023. 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, 2023, PNGTS' ratio of funded debt to capitalization is 54.3 percent. As of December 31, 2023, PNGTS was in compliance with all its financial covenants.

Tuscarora

Tuscarora paid off its \$34 million outstanding balance on its unsecured variable interest term loan facility (Tuscarora Term Loan Facility), with its second annual principal payment of \$2 million on August 1, 2023 and the remaining \$32 million outstanding balance on November 8, 2023. The LIBOR-based interest rate applicable to Tuscarora's Term Loan Facility was 6.87 percent at November 7, 2023.

Partnership

At December 31, 2023, 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, 2023 are as follows:

<i>(millions of dollars)</i>	Principal Payments
2024	—
2025	350
2026	—
2027	500
2028	—
Thereafter	625
	1,475

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

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

December 31 <i>(millions of dollars)</i>	2023			2022		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Pipeline facilities	1,971	(1,093)	878	1,951	(1,047)	904
Compression equipment	1,286	(325)	961	1,170	(290)	880
Metering and other equipment	319	(101)	218	253	(88)	165
Construction in progress	45	—	45	145	—	145
	3,621	(1,519)	2,102	3,519	(1,425)	2,094

NOTE 9 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, 2023 and 2022, there were no Class B distributions as the threshold had not been exceeded, therefore no distributions were declared related to the Class B units.

Partnership

On May 30, 2023, the board of directors of our General Partner declared a cash distribution by the Partnership in the amount of \$120 million to the partners, which includes \$108 million paid to TransCan Northern LLC, a subsidiary of TC Energy, and \$12 million paid to the General Partner. The distribution was paid on June 6, 2023. For the year ended December 31, 2022, the Partnership did not declare any distributions.

NOTE 10 CHANGE IN OPERATING WORKING CAPITAL

<i>(millions of dollars)</i>	Year ended December 31,	
	2023	2022
Change in accounts receivable and other	3	(6)
Change in imbalance receivable	2	(1)
Change in inventories	(1)	—
Change in other current assets	1	(1)
Change in accounts payable and accrued liabilities ^(a)	1	2
Change in customer deposits	(3)	22
Change in imbalance payable	(1)	1
Change in accounts payable to affiliates	1	—
Change in accrued interest	—	1
Change in operating working capital	3	18

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

NOTE 11 TRANSACTIONS WITH MAJOR CUSTOMERS

For the year ended December 31, 2023 and 2022 no customer accounted for more than 10 percent of our consolidated revenue and trade accounts receivable.

NOTE 12 RELATED PARTY TRANSACTIONS

The Partnership does not have any employees. The management and operating functions are provided by its 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 years ended December 31, 2023 and 2022.

As operator of our pipelines, except Iroquois and a certain portion of the PNGTS facilities, jointly owned with Maritimes and Northeast Pipeline LLC (MNE) (the Joint Facilities), TC Energy provides capital and operating services to our pipeline systems. TC Energy 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, 2023 and 2022 by TC Energy and amounts payable to TC Energy at December 31, 2023 and 2022 are summarized in the following tables:

<i>(millions of dollars)</i>	Year ended	
	December 31,	
	2023	2022
Capital and operating costs charged by TC Energy to:		
Great Lakes ^(a)	39	38
Northern Border ^(a)	40	37
PNGTS ^(a)	6	5
GTN	46	38
Bison	1	1
North Baja	8	8
Tuscarora	4	5
Impact on the Partnership's net income ^(b) :		
Great Lakes	16	16
Northern Border	17	16
PNGTS	3	3
GTN	34	29
Bison	1	1
North Baja	4	3
Tuscarora	4	4

<i>(millions of dollars)</i>	December 31,	
	2023	2022
Amounts payable to TC Energy are as follows:		
Great Lakes ^{(a) (c)}	4	5
Northern Border ^(a)	4	3
PNGTS ^(a)	4	1
GTN	5	4
North Baja	1	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

The Partnership participates in TCPL USA's cash management program. As a result, all of the Partnership's cash including Great Lakes, with the exception of cash generated by PNGTS, Iroquois and Northern Border, is managed by TCPL USA. This program matches short-term cash surpluses and needs of participating related parties, thus minimizing total borrowings from outside sources. Monies advanced under the program are considered loans, accruing interest and repayable on demand. The Partnership receives interest on monies advanced to TCPL USA at the rate of interest earned by TCPL USA on its short-term cash investments. The Partnership pays interest on monies advanced from TCPL USA based on TCPL USA's short-term borrowing costs. For the year ended December 31, 2023, the interest associated with this arrangement resulted in a net payable of \$1.1 million (December 31, 2022 - \$1.8 million). At December 31, 2023 the Partnership had a demand loan receivable from TC Energy of \$127 million and demand loan payable to TC Energy of \$17 million at December 31, 2022.

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, 2023, Great Lakes earned 52 percent of its transportation revenues from TC Energy (December 31, 2022 - 60 percent).

At December 31, 2023, \$15 million was included in Great Lakes' receivables with regard to the transportation contracts with TC Energy (December 31, 2022 - \$18 million).

Great Lakes holds a 10-year transportation agreement with TransCanada Pipelines Limited (Canadian Mainline), a related party, effective from November 1, 2017, for transporting up to 0.711 billion cubic feet of natural gas per day. This contract includes options to reduce volumes from the third year onwards. Canadian Mainline exercised their reduction rights to decrease the transport volume to 0.346 billion cubic feet of natural gas per day, starting November 1, 2022, and further to 0.307 billion cubic feet of natural gas per day, effective November 1, 2024. Annual volume reduction is permissible November 1 of any year with 349 days' notice.

Additionally, Great Lakes holds multiple long-term service contracts with ANR Pipeline Company (ANR), also a related party, including one 15-year service contract, initially effective from April 16, 2018, for transporting up to 0.160 billion cubic feet of natural gas per day. Over time, the service contract was amended to decrease the transport volume capacity to 0.155 billion cubic feet of natural gas per day starting October 1, 2022, the anticipated in-service date of ANR's Alberta XPress Project. The Alberta XPress Project was placed in-service on January 19, 2023, resulting in an amendment which terminated the aforementioned service contract, but also the execution of a 16-year Capacity Lease Agreement for the same capacity with the firm transportation service of 0.155 billion cubic feet of natural gas per day, with fees according to Great Lakes' tariff rates for firm transportation from the Western to Central zone.

NOTE 13 FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

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

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

Fair Value of Financial Instruments

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

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

Long-term debt is recorded at amortized cost and classified as Level 2 of the fair value hierarchy for fair value disclosure purposes. Interest rate derivative assets and liabilities are classified as Level 2 for all periods presented where the fair value is determined by using valuation techniques that refer to observable market data or estimated market prices. The estimated fair value of the Partnership's debt as at December 31, 2023 and December 31, 2022 was \$1,404 million and \$1,350 million, respectively.

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

NOTE 14 ACCOUNTS RECEIVABLE AND OTHER

<i>(millions of dollars)</i>	Year ended December 31,	
	2023	2022
Trade accounts receivables	39	39
Other	—	3
	39	42

NOTE 15 FINANCIAL CHARGES AND OTHER

<i>(millions of dollars)</i>	Year ended December 31,	
	2023	2022
Interest expense ^(a)	61	60
AFUDC - Equity	(10)	(9)
Other income (including AFUDC - Debt)	(1)	(2)
	50	49

^(a) Includes amortization of debt issuance costs and discount costs, amounting to approximately \$1 million and \$1 million for the years ended December 31, 2023 and 2022, respectively.

NOTE 16 OTHER LIABILITIES

<i>(millions of dollars)</i>	Year ended December 31,	
	2023	2022
Regulatory liabilities	46	43
	46	43

NOTE 17 SUBSEQUENT EVENTS

Management of the Partnership has reviewed subsequent events through March 8, 2024, the date the consolidated financial statements were issued, and concluded there were no events or transactions during this period that would require recognition or disclosure in the consolidated financial statements other than what is disclosed here and/or those already disclosed in the preceding notes.

Distributions

Northern Border declared its December 2023 distribution of \$12.8 million on January 22, 2024, which the Partnership received its 50 percent share of \$6.4 million on January 31, 2024.

Northern Border declared its January 2024 distribution of \$23.2 million on February 22, 2024, which the Partnership received its 50 percent share of \$11.6 million on February 29, 2024.

PNGTS declared its fourth quarter 2023 distribution of \$22.8 million on January 12, 2024, which \$8.7 million was paid to its non-controlling interest owner on January 31, 2024.

Iroquois declared an additional surplus cash distribution of \$44.2 million on January 17, 2024, which the Partnership received its 49.34 percent share of \$21.8 million on January 26, 2024.

Iroquois declared its first quarter 2024 distribution of \$35.1 million on February 23, 2024, and the Partnership expects to receive its 49.34 percent share or \$17.3 million on March 27, 2024.

Great Lakes declared its fourth quarter 2023 distribution of \$41.2 million on January 11, 2024, which the Partnership received its 46.45 percent share of \$19.1 million on January 31, 2024.

North Baja declared its fourth quarter 2023 distribution of \$8.2 million on January 12, 2024, which the Partnership received on January 30, 2024.

Tuscarora declared its fourth quarter 2023 distribution of \$2.3 million on January 12, 2024, which the Partnership received on January 31, 2024.

On March 2, 2024, TC Energy, the parent of TCP, the 61.71 percent owner of PNGTS, entered into an agreement to sell its entire interest in PNGTS, as well as the entire interest of its joint venture partner, Énergir. Total gross purchase price from the transaction are \$1.14 billion, which includes the assumption of the Partnership's \$250 million outstanding Senior Notes, to be paid in cash at closing, subject to certain customary adjustments. The transaction is expected to close in mid-2024, subject to customary closing conditions.

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.

<i>(millions of dollars)</i>	Year ended December 31,		\$ Change ^(a)	% Change ^(a)
	2023	2022		
Transmission revenues	448	419	29	7
Equity earnings	210	189	21	11
Impairment of equity-method investment	—	(221)	221	100
Operating, maintenance and administrative costs	(96)	(92)	(4)	(4)
Depreciation and amortization	(104)	(99)	(5)	(5)
Financial charges and other	(50)	(49)	(1)	(2)
Net income before taxes	408	147	261	178
Income taxes	(3)	(5)	2	40
Net income	405	142	263	185
Less: Net income attributable to non-controlling interests	30	28	2	7
Net income attributable to controlling interests	375	114	261	229

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

Twelve Months Ended December 31, 2023 Compared to the Same Period in 2022

The Partnership's net income attributable to controlling interests in the twelve months ended December 31, 2023 increase compared to the same period in 2022, mainly due to the following:

Transmission revenues - Revenue increased \$29 million largely due to:

- higher revenue from North Baja as a result of new revenues from its North Baja XPress, which went into service in June 2023; and
- higher revenue from GTN as a result of higher seasonal rate, higher demand revenues, and higher commodity revenues due to colder weather conditions during winter months

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

- higher equity earnings from our investment in Iroquois due to its higher negotiated rates pertaining to discretionary revenues compared to the same period in 2022; and
- higher equity earnings from our investment in Northern Border due to its higher demand revenues compared to the same period in 2022

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

- decrease of equity-method investment in Great Lakes 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 increased \$4 million primarily due to:

- increase GTN's personnel and general expenses; partially offset by
- decrease in the Partnership's directors' fees and expenses

Depreciation and amortization - Depreciation and amortization costs increased \$5 million primarily due to:

- increase in property, plant and equipment related to GTN XPress and North Baja XPress

Financial charges and other - Financial charges and other increased \$1 million primarily due to:

- higher 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 8th day of March 2024.

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

By: /s/ Tina Faraca
Tina Faraca
Member of Board of Managers
TC PipeLines GP, LLC.

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