TC PipeLines, LP

Consolidated Financial Statements

September 30, 2023

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF INCOME

(unaudited) *(millions of dollars)*	Nine months ended September 30, **2023**	2022
Transmission revenues, net ***(Note 4)***	**334**	310
Equity earnings ***(Note 3)***	**140**	131
Impairment of equity-method investment ***(Note 3)***	**—**	(221)
Operation and maintenance expenses	**(52)**	(46)
Property taxes	**(18)**	(19)
General and administrative	**—**	(2)
Depreciation and amortization	**(77)**	(74)
Financial charges and other ***(Note 10)***	**(36)**	(37)
Net income (loss) before taxes	**291**	42
Income taxes	**(3)**	(2)
Net income (loss)	**288**	40
Net income attributable to non-controlling interest	**23**	22
Net income (loss) attributable to controlling interests	**265**	18

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

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) *(millions of dollars)*	Nine months ended September 30, **2023**	2022
Net income (loss)	**288**	40
Other comprehensive income		
Comprehensive income (loss)	**288**	40
Comprehensive income attributable to non-controlling interests	**23**	22
Comprehensive income (loss) attributable to controlling interests	**265**	18

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

TC PIPELINES, LP
CONSOLIDATED BALANCE SHEETS

(unaudited)

(millions of dollars)	**September 30, 2023**	December 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	**30**	43
Accounts receivable and other	**38**	42
Demand loan receivable from affiliates ***(Note 8)***	**166**	—
Imbalance receivable	**5**	9
Inventories	**11**	11
Other	**3**	8
Total current assets	**253**	113
Equity investments ***(Note 3)***	**874**	890
Property, plant and equipment (Net of $1,495 million accumulated depreciation; 2022 - $1,425 million)	**2,111**	2,094
Goodwill	**71**	71
Other assets	**5**	—
TOTAL ASSETS	**3,314**	3,168
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**30**	50
Accounts payable to affiliates ***(Note 8)***	**6**	9
Demand loan payable to affiliates (***Note 8)***	**—**	17
Imbalance payable	**6**	8
Customer deposits	**26**	28
Accrued interest	**16**	10
Current portion of long-term debt ***(Note 5)***	**32**	2
Total current liabilities	**116**	124
Long-term debt, net ***(Note 5)***	**1,472**	1,453
Deferred state income taxes	**12**	12
Other liabilities	**45**	43
Total liabilities	**1,645**	1,632
Partners' Equity		
Common units	**1,473**	1,321
Class B units ***(Note 6)***	**95**	95
General partner	**19**	26
Accumulated other comprehensive income (AOCI)	**1**	1
Controlling interests	**1,588**	1,443
Non-controlling interests	**81**	93
Total partners' equity	**1,669**	1,536
TOTAL LIABILITIES AND PARTNERS' EQUITY	**3,314**	3,168

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

TC PIPELINES, LP
CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(millions of dollars)*		Nine months ended September 30, 2023	2022
Cash flows from operating activities:			
Net Income (loss)	**$**	**288**	40
Adjustments to reconcile net income to partners to net cash provided by operating activities:			
Depreciation and amortization		**77**	74
Impairment of equity-method investment (***Note 3)***		**—**	221
Amortization of debt issue costs reported as interest expense		**1**	1
Equity earnings from equity investments ***(Note 3)***		**(140)**	(131)
Distributions received from operating activities of equity investments ***(Note 3)***		**139**	132
Equity allowance for funds used during construction (AFUDC Equity) ***(Note 10)***		**(9)**	(6)
Change in operating working capital ***(Note 7)***		**14**	34
Change in regulatory assets		**(5)**	—
Total adjustments		**77**	325
Net cash provided by operating activities		**365**	365
Cash flows used in investing activities:			
Capital expenditures		**(105)**	(102)
Distribution received from Iroquois as return of investment ***(Note 3)***		**17**	—
Change in demand loan receivable		**(166)**	—
Net cash used in investing activities		**(254)**	(102)
Cash flows used in financing activities:			
Change in demand loan payable		**(17)**	(242)
Distributions paid to common units, including the General Partner		**(120)**	—
Distributions paid to non-controlling interests		**(35)**	(26)
Long-term debt issued, net of discount ***(Note 5)***		**50**	—
Long-term debt repaid ***(Note 5)***		**(2)**	(2)
Net cash used in financing activities		**(124)**	(270)
Increase (decrease) in cash and cash equivalents		**(13)**	(7)
Cash and cash equivalents, beginning of period		**43**	55
Cash and cash equivalents, end of period		**30**	48

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	Non-Controlling Interest	Total Equity
(unaudited)	*millions of units*	*millions of dollars*	*millions of units*	*millions of dollars*	*millions of dollars*	*millions of dollars*	*millions of dollars*	*millions of dollars*
Partners' Equity at December 31, 2022	82.7	1,321	1.9	95	26	1	93	1,536
Net Income	—	260	—	—	5	—	23	288
Distributions	—	(108)	—	—	(12)	—	(35)	(155)
Partners' Equity at September 30 , 2023	**82.7**	**1,473**	**1.9**	**95**	**19**	**1**	**81**	**1,669**

[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).

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

TC PIPELINES, LP
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 ORGANIZATION

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

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

NOTE 2 SIGNIFICANT ACCOUNTING MATTERS

The accompanying consolidated financial statements and related notes have been prepared in accordance with United States generally accepted accounting principles (GAAP) and amounts are stated in United States (U.S.) dollars. The results of operations for the nine months ended September 30, 2023 and 2022 are not necessarily indicative of the results that may be expected for the full fiscal year.

The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2022 (2022 Financial Statements). That report contains a more comprehensive summary of the Partnership's significant accounting policies. Our significant accounting policies are consistent with those disclosed in Note 2 of our 2022 Financial Statements. 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.

Basis of Presentation

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

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

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

Use of Estimates

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

Regulatory Matters

Tuscarora

Tuscarora operates under rates established as part of the Federal Energy Regulatory Commission (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. On March 24, 2023, Tuscarora filed a Stipulation and Agreement of Settlement with FERC, which was approved on September 6, 2023.

GTN

GTN operates under rates established as part of the FERC-approved rate settlement effective November 18, 2021 (2021 Settlement). The 2021 Settlement satisfies the obligations from the 2015 and 2018 rate settlements that GTN file for rates to become effective no later than January 1, 2022 and extends 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 we incur 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.

Impairment of Equity-Method Investments

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

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

NOTE 3 EQUITY INVESTMENTS

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

(unaudited) *(millions of dollars)*	Ownership Interest at September 30, 2023	Equity Earnings Nine months ended September 30,		Equity Investments	
		2023	2022	**September 30, 2023**	December 31, 2022
Northern Border	50.00%	**57**	53	**366**	380
Great Lakes	46.45%	**41**	44	**354**	339
Iroquois	49.34%	**42**	34	**154**	171
		140	131	**874**	890

Distributions from Equity Investments

Distributions received from equity investments in the nine months ended September 30, 2023 totaled $156 million (September 30, 2022 - $132 million).

During the nine months ended September 30, 2023, $17 million of the total $156 million distributions received from equity investments (September 30, 2022 - nil) was considered return of capital and included in "Investing Activities" in the Partnership's consolidated statement of cash flows.

Northern Border

During the nine months ended September 30, 2023, the Partnership received distributions from Northern Border amounting to $72 million (September 30, 2022 - $68 million).

The Partnership did not have undistributed earnings from Northern Border for the nine months ended September 30, 2023 and 2022.

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

(unaudited)

(millions of dollars)	**September 30, 2023**	December 31, 2022
ASSETS		
Cash and cash equivalents	**33**	22
Other current assets	**40**	46
Property, plant and equipment, net	**914**	923
Other assets	**10**	11
	997	1,002
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**48**	45
Deferred credits and other	**48**	45
Long-term debt, net [(a)]	**399**	382
Partners' equity		
Partners' capital	**502**	530
	997	1,002

(unaudited) *(millions of dollars)*	Nine months ended September 30, **2023**	2022
Transmission revenues	**227**	216
Operating expenses	**(56)**	(58)
Depreciation	**(48)**	(47)
Financial charges and other	**(7)**	(5)
Net income	**116**	106

(a) At September 30, 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 nine months ended September 30, 2023, the Partnership received distributions from Great Lakes amounting to $26 million (September 30, 2022 - $31 million).

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

(unaudited)

(millions of dollars)	**September 30, 2023**	December 31, 2022
ASSETS		
Current assets	**133**	118
Property, plant and equipment, net	**730**	733
	863	851
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**41**	42
Net long-term debt, including current maturities [a]	**125**	146
Other long term liabilities	**17**	15
Partners' equity	**680**	648
	863	851

(unaudited) *(millions of dollars)*	Nine months ended September 30, **2023**	2022
Transmission revenues	**183**	185
Operating expenses	**(61)**	(56)
Depreciation	**(30)**	(28)
Financial charges and other	**(4)**	(8)
Net income	**88**	93

[a] Includes current maturities of $21 million as of September 30, 2023 (December 31, 2022 - $21 million), net of unamortized debt issuance costs and debt discounts. At September 30, 2023, Great Lakes was in compliance with all of its financial covenants.

Iroquois

During the nine months ended September 30, 2023, the Partnership received total distributions from Iroquois amounting to $58 million (September 30, 2022 - $33 million), which includes the Partnership's 49.34 percent share of $34 million non-recurring distributions from Iroquois, in total amounting to $17 million, related to a 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 nine months ended September 30, 2023 and 2022.

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

(unaudited)

(millions of dollars)	**September 30, 2023**	December 31, 2022
ASSETS		
Cash and cash equivalents	**60**	67
Other current assets	**36**	54
Property, plant and equipment, net	**460**	474
Other assets	**20**	16
	576	611
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**21**	23
Long-term debt, net [a]	**305**	307
Other non-current liabilities	**18**	16
Partners' equity	**232**	265
	576	611

(unaudited) (millions of dollars)	Nine months ended September 30, 2023	2022
Transmission revenues	**163**	147
Operating expenses	**(50)**	(48)
Depreciation	**(23)**	(23)
Financial charges and other	**(5)**	(6)
Net income	**85**	70

[(a)] Includes current maturities of $4.3 million as of September 30, 2023 (December 31, 2022 - $4.5 million). At September 30, 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.

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

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

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

NOTE 4 REVENUES

Disaggregation of Revenues

For the nine months ended September 30, 2023 and 2022, 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 September 30, 2023, the Partnership did not have any outstanding refund obligations related to any rate proceedings.

Contract Balances

All of the Partnership's contract balances pertain to receivables from contracts with customers amounting to $38 million at September 30, 2023 (December 31, 2022 - $39 million) and are recorded as trade accounts receivable and reported as "Accounts receivable and other" in the Partnership's consolidated balance sheet.

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

Right to invoice practical expedient

In the application of the right to invoice practical expedient, the Partnership's revenues from regulated capacity arrangements are recognized based on rates specified in the contract. Therefore, the amount invoiced, which includes the capacity contracted and variable volume of natural gas transported, corresponds directly to the value the customer received. These revenues are recognized on a monthly basis once the Partnership's performance obligation to provide capacity has been satisfied.

NOTE 5 DEBT

(unaudited) *(millions of dollars)*	**September 30, 2023**	Weighted Average Interest Rate for the nine months ended September 30, 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)	—	—%	
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	**32**	6.64%		34	2.95%	
Total	**1,507**			1,459		
Less: unamortized debt issuance costs and debt discount	**3**			4		
Less: current portion (b)	**32**			2		
Total long-term debt, net	**1,472**			1,453		

(a) Fixed interest rate

(b) At September 30, 2023, this amount included $32 million due in August 2024 of Tuscarora's $32 million Unsecured Term Loan. At December 31, 2022, this amount included $2 million due in August 2023 of Tuscarora's $34 million Unsecured Term

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

GTN

On June 1, 2020, GTN entered into a Note Purchase and Private Shelf Agreement (GTN Private Shelf Facility) whereby GTN issued $175 million of 10-year Series A Senior Notes (GTN Series A Notes) with a coupon of 3.12 percent per annum, maturing on June 1, 2030. The GTN Private Shelf Facility allows for the issuance of up to an additional $75 million of Senior Notes within a period extending to June 1, 2023. On June 1, 2023, GTN extended the issuance period of the GTN Private Shelf Facility until May 1, 2026 and increased the availability to $350 million.

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. Following the issuance of the GTN Series B Notes, the GTN Private Shelf Facility allows for the issuance of up to an additional $125 million of Senior Notes within a period extending to May 1, 2026.

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 September 30, 2023 was 33.3 percent and GTN’s total debt to total capitalization ratio at September 30, 2023 was 30.3 percent. As of September 30, 2023, GTN was in compliance with all of its financial covenants.

PNGTS

The PNGTS Revolving Credit Facility, the PNGTS Series A Notes, and the PNGTS Series B Notes require PNGTS to maintain a leverage ratio not greater than 5.00 to 1.00. The leverage ratio was 2.42 to 1.00 as of September 30, 2023. The PNGTS Series A Notes and Series B Notes also contain a covenant that limits total funded debt to no greater than 65 percent of PNGTS's total adjusted capitalization. At September 30, 2023, PNGTS's ratio of total funded debt to adjusted capitalization is 54 percent. On January 31, 2023, the PNGTS Revolving Credit Facility was amended to extend the term for an additional five-year term with a variable interest rate based on Secured Overnight Financing Rate. As of September 30, 2023, $125 million was available on the Revolving Credit Facility for future borrowings. As of September 30, 2023, PNGTS was in compliance with all of its financial covenants.

Tuscarora

Tuscarora's Unsecured Term Loan contains a covenant that requires Tuscarora to maintain a debt service coverage ratio (cash available from operations divided by the sum of interest expense and principal payments) of greater than or equal to 3.00 to 1.00. As of September 30, 2023, the ratio was 4.00 to 1.00. As of September 30, 2023, Tuscarora was in compliance with all of its financial covenants. The LIBOR-based interest rate applicable to Tuscarora’s Unsecured Term Loan was 6.87 percent at September 30, 2023 (December 31, 2022 - 6.46 percent).

Partnership

The principal repayments required of the Partnership on its debt at September 30, 2023 are as follows:

(unaudited) *(millions of dollars)*	**Principal Payments**
2023	—
2024	32
2025	350
2026	—
2027	500
Thereafter	625
	1,507

NOTE 6 PARTNERS’ EQUITY

Class B units issued to TC Energy

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

For the nine months ended September 30, 2023 and the year ended December 31, 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.

NOTE 7 CHANGE IN OPERATING WORKING CAPITAL

(unaudited) *(millions of dollars)*	Nine months ended September 30, **2023**	 2022
Change in accounts receivable and other [(a)]	**4**	4
Change in imbalance receivable	**4**	(1)
Change in other current assets	**5**	4
Change in accounts payable and accrued liabilities [(a)]	**2**	4
Change in accounts payable to affiliates	**(3)**	(3)
Change in imbalance payable	**(2)**	(1)
Change in customer deposits	**(2)**	20
Change in accrued interest	**6**	7
Change in operating working capital	**14**	34

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

NOTE 8 RELATED PARTY TRANSACTIONS

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

Cash Management Program

The Partnership participates in a cash management program with TransCanada PipeLine USA Ltd. (TCPL USA), a TC Energy subsidiary. 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 nine months ended September 30, 2023, the net interest associated with this arrangement was $1 million. At September 30, 2023 the Partnership had a demand loan receivable from TC Energy of $166 million (December 31, 2022 - $17 million demand loan payable).

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 nine months ended September 30, 2023, Great Lakes earned 53 percent of its transportation revenues from TC Energy and its affiliates (September 30, 2022 - 62 percent).

At September 30, 2023, $9 million was included in Great Lakes' receivables with regard to the transportation contracts with TC Energy and its affiliates (December 31, 2022 - $18 million).

NOTE 9 FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

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

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

Fair Value of Financial Instruments

The carrying value of "cash and cash equivalents", "demand loan receivable 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 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 September 30, 2023 and December 31, 2022 was $1,370 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 LIBOR benchmark interest rate risk.

NOTE 10 FINANCIAL CHARGES AND OTHER

(unaudited) *(millions of dollars)*	Nine months ended September 30, 2023	2022
Interest expense [(a)]	**46**	44
AFUDC - Equity	**(9)**	(6)
Other income	**(1)**	(1)
	36	37

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

NOTE 11 SUBSEQUENT EVENTS

Management of the Partnership has reviewed subsequent events through November 20, 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

North Baja declared its third quarter 2023 distribution of $9.3 million on October 19, 2023, which the Partnership received on October 27, 2023.

PNGTS declared its third quarter 2023 distribution of $21 million on October 18, 2023, of which $8 million was paid to its non-controlling interest owner on October 31, 2023.

Great Lakes declared its third quarter 2023 distribution of $24.3 million on October 18, 2023, of which the Partnership received its 46.45 percent share or $11.3 million on October 31, 2023.

Northern Border declared its September 2023 distribution of $12.6 million on October 25, 2023, of which the Partnership received its 50 percent share or $6.3 million on October 31, 2023.

Tuscarora declared its third quarter 2023 distribution of $0.8 million on October 25, 2023, which the Partnership received on October 31, 2023.

Northern Border declared its October 2023 distribution of $12.3 million on November 14, 2023, of which the Partnership expects to receive its 50 percent share or $6.2 million on November 30, 2023.

GTN declared a cash distribution of $66 million on November 14, 2023, which the Partnership expects to receive on or before December 31, 2023.

Iroquois declared its third quarter 2023 distribution of $27.8 million on November 14, 2023, and the Partnership expects to receive its 49.34 percent share or $13.7 million on December 26, 2023.

Capital Contribution

The Partnership made a capital contribution on November 15, 2023, to Northern Border of $90.5 million. This amount represented the Partnership's 50 percent share of a $181 million cash call from Northern Border to partially repay the outstanding balance of Northern Border's revolving credit facility and pre-fund certain capacity project related spending.

Debt

Tuscarora repaid the outstanding $32 million Unsecured Term Loan on November 8, 2023, and the Unsecured Term Loan was retired.

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

This management's discussion and analysis (MD&A) should be read in conjunction with the unaudited consolidated financial statements and notes included in Item 1. “Financial Statements” of this Quarterly Report, as well as our 2022 Financial Statements. Additionally, readers are cautioned that this section contains certain forward-looking statements. Forward-looking statements are identified by words and phrases such as: “anticipate", “estimate", “expect", “believe", "should", “will", “may", and other terms and expressions of similar meaning. The absence of these words, however, does not mean that the statements are not forward-looking. Forward-looking statements do not guarantee future performance. Actual events and results could be significantly different because of assumptions, risks or uncertainties related to our business or events that happen after the date of this MD&A.

Operating Considerations

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

RESULTS OF OPERATIONS

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

(unaudited) *(millions of dollars)*	Nine months ended September 30, 2023	2022	$ Change [a]	% Change [a]
Transmission revenues	**334**	310	24	8
Equity earnings	**140**	131	9	7
Impairment of equity-method investment	**—**	(221)	221	100
Operating, maintenance and administrative costs	**(70)**	(67)	(3)	(4)
Depreciation and amortization	**(77)**	(74)	(3)	(4)
Financial charges and other	**(36)**	(37)	1	3
Net income (loss) before taxes	**291**	42	249	(593)
Income taxes	**(3)**	(2)	(1)	(50)
Net income (loss)	**288**	40	248	(620)
Net income attributable to non-controlling interests	**23**	22	1	5
Net income (loss) attributable to controlling interests	**265**	18	247	1,372

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

Nine months ended September 30, 2023 compared to the same period in 2022

The Partnership's net income attributable to controlling interests in the nine months ended September 30, 2023 increased compared to the same period in 2022, mainly due to the following:

Transmission revenues - Revenue increased $24 million largely due to:

- higher revenue from GTN as a result of higher seasonal rates, higher demand revenues, and higher commodity revenues due to colder weather conditions during winter months

Equity Earnings - Equity earnings increased $9 million primarily due to:

- higher equity earnings from our investment in Iroquois due to its higher 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 in equity-method investment in Great Lakes' carrying value due to being in excess of its fair value and the decline is not temporary

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

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

Depreciation and amortization - Depreciation and amortization increased $3 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 decreased $1 million primarily due to:

- higher AFUDC primarily due to increased spending on our expansion projects; partially offset by
- 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 20th day of November 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