

Condensed consolidated statement of income

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2022	2021	2022	2021
Revenues				
Canadian Natural Gas Pipelines	1,175	1,126	2,263	2,245
U.S. Natural Gas Pipelines	1,397	1,206	2,846	2,557
Mexico Natural Gas Pipelines	156	149	308	303
Liquids Pipelines	692	516	1,360	1,089
Power and Storage	217	185	360	369
	3,637	3,182	7,137	6,563
Income from Equity Investments	236	157	441	416
Operating and Other Expenses				
Plant operating costs and other	1,173	959	2,179	1,845
Commodity purchases resold	173	—	301	—
Property taxes	213	196	420	392
Depreciation and amortization	635	633	1,261	1,278
Goodwill and asset impairment charges and other	—	9	571	2,854
	2,194	1,797	4,732	6,369
Gain on Sale of Assets	—	17	—	17
Financial Charges				
Interest expense	620	583	1,200	1,153
Allowance for funds used during construction	(63)	(64)	(138)	(114)
Interest income and other	43	(127)	(18)	(189)
	600	392	1,044	850
Income/(Loss) before Income Taxes	1,079	1,167	1,802	(223)
Income Tax Expense/(Recovery)				
Current	94	58	367	267
Deferred	54	89	102	(560)
	148	147	469	(293)
Net Income	931	1,020	1,333	70
Net income attributable to non-controlling interests	9	6	20	75
Net Income/(Loss) Attributable to Controlling Interests and to Common Shares	922	1,014	1,313	(5)

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2022	2021	2022	2021
Net Income	931	1,020	1,333	70
Other Comprehensive Income/(Loss), Net of Income Taxes				
Foreign currency translation gains and losses on net investment in foreign operations	663	(233)	362	(531)
Change in fair value of net investment hedges	(27)	13	(8)	24
Change in fair value of cash flow hedges	(6)	(11)	12	—
Reclassification to net income of gains and losses on cash flow hedges	7	10	15	18
Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans	3	4	4	7
Other comprehensive income/(loss) on equity investments	165	(57)	345	130
Other comprehensive income/(loss)	805	(274)	730	(352)
Comprehensive Income/(Loss)	1,736	746	2,063	(282)
Comprehensive income attributable to non-controlling interests	13	6	22	63
Comprehensive Income/(Loss) Attributable to Controlling Interests and to Common Shares	1,723	740	2,041	(345)

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2022	2021	2022	2021
Cash Generated from Operations				
Net income	931	1,020	1,333	70
Depreciation and amortization	635	633	1,261	1,278
Goodwill and asset impairment charges and other	—	9	571	2,854
Deferred income taxes	54	89	102	(560)
Income from equity investments	(236)	(157)	(441)	(416)
Distributions received from operating activities of equity investments	208	215	442	502
Employee post-retirement benefits funding, net of expense	(5)	1	(11)	6
Gain on sale of assets	—	(17)	—	(17)
Equity allowance for funds used during construction	(45)	(45)	(98)	(79)
Unrealized losses on financial instruments	80	78	96	42
Foreign exchange (gains)/losses on loan receivable from affiliate	—	(32)	28	3
Other	(62)	(56)	(54)	(47)
Increase in operating working capital	(601)	(1)	(628)	(215)
Net cash provided by operations	959	1,737	2,601	3,421
Investing Activities				
Capital expenditures	(1,263)	(1,214)	(2,771)	(2,859)
Contributions to equity investments	(219)	(225)	(1,634)	(465)
Keystone XL contractual recoveries	473	—	473	—
Loans to affiliate repaid/(issued), net	51	(220)	(112)	(220)
Other distributions from equity investments	32	—	1,231	—
Deferred amounts and other	(107)	(98)	(53)	(404)
Net cash used in investing activities	(1,033)	(1,757)	(2,866)	(3,948)
Financing Activities				
Notes payable (repaid)/issued, net	(116)	247	214	(2,460)
Long-term debt issued, net of issue costs	2,510	1,822	2,510	7,751
Long-term debt repaid	—	—	(26)	(980)
Junior subordinated notes issued, net of issue costs	(3)	(1)	1,008	495
Advances from parent repaid, net	(1,019)	(500)	(856)	(539)
Redeemable non-controlling interest repurchased	—	—	—	(633)
Dividends on common shares	(885)	(852)	(1,738)	(1,613)
Distributions to non-controlling interests	(13)	(8)	(23)	(59)
Distributions on Class C Interests	(2)	—	(23)	—
Other	12	(10)	17	(15)
Net cash provided by financing activities	484	698	1,083	1,947
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	22	(9)	14	(40)
Increase in Cash and Cash Equivalents	432	669	832	1,380
Cash and Cash Equivalents				
Beginning of period	1,078	2,224	678	1,513
Cash and Cash Equivalents				
End of period	1,510	2,893	1,510	2,893

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated balance sheet

(unaudited - millions of Canadian \$)	June 30, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	1,510	678
Accounts receivable	3,804	3,096
Loans receivable from affiliates	1,209	1,217
Inventories	1,045	724
Other current assets	1,681	1,717
	9,249	7,432
Plant, Property and Equipment	72,609	70,182
net of accumulated depreciation of \$33,281 and \$31,930, respectively		
Equity Investments	9,324	8,441
Long-Term Loans Receivable from Affiliate	350	238
Restricted Investments	1,987	2,182
Regulatory Assets	1,904	1,767
Goodwill	12,215	12,582
Other Long-Term Assets	1,484	1,402
	109,122	104,226
LIABILITIES		
Current Liabilities		
Notes payable	5,466	5,166
Accounts payable and other	5,900	5,169
Due to parent	2,452	3,308
Dividends payable	884	853
Accrued interest	621	577
Current portion of long-term debt	1,599	1,320
	16,922	16,393
Regulatory Liabilities	4,251	4,300
Other Long-Term Liabilities	1,057	1,059
Deferred Income Tax Liabilities	6,501	6,142
Long-Term Debt	39,990	37,341
Junior Subordinated Notes	10,074	8,939
	78,795	74,174
EQUITY		
Common shares, no par value	25,594	25,594
Issued and outstanding:	June 30, 2022 – 940 million shares	December 31, 2021 – 940 million shares
Additional paid-in capital	793	788
Retained earnings	4,523	4,979
Accumulated other comprehensive loss	(706)	(1,434)
Controlling Interests	30,204	29,927
Non-Controlling Interests	123	125
	30,327	30,052
	109,122	104,226

Contingencies and Guarantees (Note 13)

Variable Interest Entities (Note 14)

Subsequent Event (Note 15)

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of equity

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2022	2021	2022	2021
Common Shares				
Balance at beginning of period	25,594	25,606	25,594	23,531
Shares issued on acquisition of TC PipeLines, LP, net of transaction costs	—	—	—	2,075
Balance at end of period	25,594	25,606	25,594	25,606
Additional Paid-In Capital				
Balance at beginning of period	791	—	788	44
Keystone XL project-level credit facility retirement and issuance of Class C Interests	—	737	—	737
Acquisition of TC PipeLines, LP	—	—	—	(398)
Repurchase of redeemable non-controlling interest	—	394	—	394
Issuance of stock options	2	3	5	6
Reclassification of additional paid-in capital deficit to retained earnings	—	(351)	—	—
Balance at end of period	793	783	793	783
Retained Earnings				
Balance at beginning of period	4,486	4,211	4,979	6,433
Net income/(loss) attributable to controlling interests	922	1,014	1,313	(5)
Common share dividends	(885)	(852)	(1,769)	(1,704)
Reclassification of additional paid-in capital deficit to retained earnings	—	351	—	—
Balance at end of period	4,523	4,724	4,523	4,724
Accumulated Other Comprehensive Loss				
Balance at beginning of period	(1,507)	(2,152)	(1,434)	(2,439)
Other comprehensive income/(loss) attributable to controlling interests	801	(274)	728	(340)
Acquisition of TC PipeLines, LP	—	—	—	353
Balance at end of period	(706)	(2,426)	(706)	(2,426)
Equity Attributable to Controlling Interests				
	30,204	28,687	30,204	28,687
Equity Attributable to Non-Controlling Interests				
Balance at beginning of period	124	125	125	1,682
Net income attributable to non-controlling interests	9	6	20	74
Other comprehensive income/(loss) attributable to non-controlling interests	4	—	2	(12)
Distributions declared to non-controlling interests	(14)	(9)	(24)	(59)
Acquisition of TC PipeLines, LP	—	—	—	(1,563)
Balance at end of period	123	122	123	122
Total Equity	30,327	28,809	30,327	28,809

See accompanying Notes to the Condensed consolidated financial statements.

Notes to Condensed consolidated financial statements

(unaudited)

1. BASIS OF PRESENTATION

These Condensed consolidated financial statements of TransCanada PipeLines Limited (TCPL or the Company) have been prepared by management in accordance with U.S. GAAP. The accounting policies applied are consistent with those outlined in TCPL's annual audited Consolidated financial statements for the year ended December 31, 2021, except as described in Note 2, Accounting changes. Capitalized and abbreviated terms that are used but not otherwise defined herein are identified in the 2021 audited Consolidated financial statements.

These Condensed consolidated financial statements reflect adjustments, all of which are normal recurring adjustments that are, in the opinion of management, necessary to reflect fairly the financial position and results of operations for the respective periods. These Condensed consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2021 audited Consolidated financial statements. Certain comparative figures have been adjusted to reflect the current period's presentation.

Earnings for interim periods may not be indicative of results for the fiscal year in certain of the Company's segments primarily due to:

- Natural gas pipelines segments – the timing of regulatory decisions and seasonal fluctuations in short-term throughput volumes on U.S. pipelines
- Liquids Pipelines – fluctuations in throughput volumes on the Keystone Pipeline System and marketing activities
- Power and Storage – the impacts of seasonal weather conditions on customer demand, market supply and prices of natural gas and power as well as maintenance outages in certain of the Company's investments in electrical power generation plants and Canadian non-regulated gas storage facilities.

Use of Estimates and Judgments

In preparing these financial statements, TCPL is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions. In the opinion of management, these Condensed consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's significant accounting policies included in the annual audited Consolidated financial statements for the year ended December 31, 2021, except as described in Note 2, Accounting changes.

2. ACCOUNTING CHANGES

Reference Rate Reform

In March 2020, FASB issued optional guidance with respect to the expected cessation of the U.S. dollar London Interbank Offered Rate (LIBOR), for which certain rate settings ceased to be published at the end of 2021 with full cessation by mid-2023. The guidance provides optional expedients for contracts and hedging relationships that are affected by reference rate reform if certain criteria are met. The Company 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 Company's consolidated financial statements.

To date, the Company has completed its analysis of contracts impacted by reference rate reform as well as the necessary system changes to facilitate the adoption of the proposed standard market reference rates. For the six months ended June 30, 2022, the Company has not identified any applicable contract modifications as a result of reference rate reform. TCPL continues to monitor any new developments with respect to this guidance.

On May 16, 2022, Refinitiv Benchmark Services (UK) Limited, the administrator of the Canadian Dollar Offered Rate (CDOR), announced that the calculation and publication of all tenors of CDOR will permanently cease following a final publication on June 28, 2024. The Company is currently evaluating the impact of this guidance on contracts and financial instruments with variable rate components that reference CDOR and has not yet determined the effect on its consolidated financial statements.

Changes in Accounting Policies for 2022

Government Assistance

In November 2021, the FASB issued new guidance that expands annual disclosure requirements for entities that account for a transaction with a government by applying a grant or contribution accounting model by analogy to other accounting guidance. Entities are required to disclose the nature of the transactions, the related accounting policies used to account for the transactions, the effect of the transactions on an entity's financial statements and any significant terms and conditions of the transaction. This new guidance is effective for annual disclosure requirements at December 31, 2022 and can be applied either prospectively or retrospectively, with early application permitted. The Company adopted the guidance effective January 1, 2022 on a prospective basis and it did not have a material impact on the Company's consolidated financial statements.

Contract Assets and Liabilities from Contracts with Customers

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

3. SEGMENTED INFORMATION

three months ended June 30, 2022 (unaudited - millions of Canadian \$)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Corporate ¹	Total
Revenues	1,175	1,397	156	692	217	—	3,637
Intersegment revenues	—	34	—	—	12	(46) ²	—
	1,175	1,431	156	692	229	(46)	3,637
Income from equity investments	5	59	48	13	111	—	236
Plant operating costs and other	(423)	(456)	(14)	(171)	(145)	36 ²	(1,173)
Commodity purchase resold	—	—	—	(163)	(10)	—	(173)
Property taxes	(76)	(106)	—	(30)	(1)	—	(213)
Depreciation and amortization	(296)	(217)	(28)	(80)	(14)	—	(635)
Segmented Earnings/(Losses)	385	711	162	261	170	(10)	1,679
Interest expense							(620)
Allowance for funds used during construction							63
Interest income and other							(43)
Income before Income Taxes							1,079
Income tax expense							(148)
Net Income							931
Net income attributable to non-controlling interests							(9)
Net Income Attributable to Controlling Interests and to Common Shares							922

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

three months ended June 30, 2021	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Corporate¹	Total
(unaudited - millions of Canadian \$)							
Revenues	1,126	1,206	149	516	185	—	3,182
Intersegment revenues	—	36	—	—	—	(36) ²	—
	1,126	1,242	149	516	185	(36)	3,182
Income/(loss) from equity investments	2	51	28	18	90	(32) ³	157
Plant operating costs and other	(369)	(327)	(13)	(169)	(113)	32 ²	(959)
Property taxes	(75)	(91)	—	(28)	(2)	—	(196)
Depreciation and amortization	(323)	(187)	(26)	(78)	(19)	—	(633)
Asset impairment charge and other	—	—	—	(9)	—	—	(9)
Gain on sale of assets	—	—	—	—	17	—	17
Segmented Earnings/(Losses)	361	688	138	250	158	(36)	1,559
Interest expense							(583)
Allowance for funds used during construction							64
Interest income and other ³							127
Income before Income Taxes							1,167
Income tax expense							(147)
Net Income							1,020
Net income attributable to non-controlling interests							(6)
Net Income Attributable to Controlling Interests and to Common Shares							1,014

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Income/(loss) from equity investments includes the Company's proportionate share of Sur de Texas foreign exchange gains and losses on the peso-denominated loans from affiliates which are fully offset in Interest income and other by the corresponding foreign exchange losses and gains on the affiliate receivable balance. Refer to Note 7, Related party transactions, for additional information.

six months ended June 30, 2022	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Corporate¹	Total
(unaudited - millions of Canadian \$)							
Revenues	2,263	2,846	308	1,360	360	—	7,137
Intersegment revenues	—	68	—	—	12	(80) ²	—
	2,263	2,914	308	1,360	372	(80)	7,137
Income from equity investments	9	138	57	27	182	28 ³	441
Plant operating costs and other	(796)	(823)	(27)	(344)	(262)	73 ²	(2,179)
Commodity purchase resold	—	—	—	(291)	(10)	—	(301)
Property taxes	(151)	(209)	—	(58)	(2)	—	(420)
Depreciation and amortization	(582)	(428)	(56)	(161)	(34)	—	(1,261)
Goodwill impairment charge	—	(571)	—	—	—	—	(571)
Segmented Earnings	743	1,021	282	533	246	21	2,846
Interest expense							(1,200)
Allowance for funds used during construction							138
Interest income and other ³							18
Income before Income Taxes							1,802
Income tax expense							(469)
Net Income							1,333
Net income attributable to non-controlling interests							(20)
Net Income Attributable to Controlling Interests and to Common Shares							1,313

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Income from equity investments includes the Company's proportionate share of Sur de Texas foreign exchange gains and losses on the peso-denominated loans from affiliates which are fully offset in Interest income and other by the corresponding foreign exchange losses and gains on the affiliate receivable balance until March 15, 2022, when it was fully repaid upon maturity. Refer to Note 7, Related party transactions, for additional information.

six months ended June 30, 2021	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Corporate¹	Total
(unaudited - millions of Canadian \$)							
Revenues	2,245	2,557	303	1,089	369	—	6,563
Intersegment revenues	—	74	—	—	13	(87) ²	—
	2,245	2,631	303	1,089	382	(87)	6,563
Income from equity investments	4	122	66	36	185	3 ³	416
Plant operating costs and other	(729)	(634)	(25)	(315)	(222)	80 ²	(1,845)
Property taxes	(150)	(183)	—	(56)	(3)	—	(392)
Depreciation and amortization	(653)	(375)	(54)	(158)	(38)	—	(1,278)
Asset impairment charge and other	—	—	—	(2,854)	—	—	(2,854)
Gain on sale of assets	—	—	—	—	17	—	17
Segmented Earnings/(Losses)	717	1,561	290	(2,258)	321	(4)	627
Interest expense							(1,153)
Allowance for funds used during construction							114
Interest income and other ³							189
Loss before Income Taxes							(223)
Income tax recovery							293
Net Income							70
Net income attributable to non-controlling interests							(75)
Net Loss Attributable to Controlling Interests and to Common Shares							(5)

1 Includes intersegment eliminations.

2 The Company records intersegment sales at contracted rates. For segmented reporting, these transactions are included as Intersegment revenues in the segment providing the service and Plant operating costs and other in the segment receiving the service. These transactions are eliminated on consolidation. Intersegment profit is recognized when the product or service has been provided to third parties or otherwise realized.

3 Income from equity investments includes the Company's proportionate share of Sur de Texas foreign exchange gains and losses on the peso-denominated loans from affiliates which are fully offset in Interest income and other by the corresponding foreign exchange losses and gains on the affiliate receivable balance. Refer to Note 7, Related party transactions, for additional information.

Total Assets by Segment

(unaudited - millions of Canadian \$)	June 30, 2022	December 31, 2021
Canadian Natural Gas Pipelines	26,736	25,213
U.S. Natural Gas Pipelines	46,608	45,502
Mexico Natural Gas Pipelines	7,796	7,547
Liquids Pipelines	15,620	14,951
Power and Storage	6,959	6,563
Corporate	5,403	4,450
	109,122	104,226

4. REVENUES

Disaggregation of Revenues

The following tables summarize total Revenues for the three and six months ended June 30, 2022 and 2021:

three months ended June 30, 2022 (unaudited - millions of Canadian \$)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Total
Revenues from contracts with customers						
Capacity arrangements and transportation	1,157	1,034	148	464	—	2,803
Power generation	—	—	—	—	103	103
Natural gas storage and other ¹	18	366	8	2	139	533
	1,175	1,400	156	466	242	3,439
Other revenues ^{2,3}	—	(3)	—	226	(25)	198
	1,175	1,397	156	692	217	3,637

1 Includes \$18 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project which is 35 per cent owned by TCPL.

2 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. Refer to Note 12, Risk management and financial instruments, for additional information on financial instruments.

3 Includes \$30 million of operating lease income.

three months ended June 30, 2021 (unaudited - millions of Canadian \$)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Total
Revenues from contracts with customers						
Capacity arrangements and transportation	1,103	948	141	485	—	2,677
Power generation	—	—	—	—	79	79
Natural gas storage and other ¹	23	247	8	1	82	361
	1,126	1,195	149	486	161	3,117
Other revenues ^{2,3}	—	11	—	30	24	65
	1,126	1,206	149	516	185	3,182

1 Includes \$23 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project which is 35 per cent owned by TCPL.

2 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. Refer to Note 12, Risk management and financial instruments, for additional information on financial instruments.

3 Includes \$32 million of operating lease income.

six months ended June 30, 2022	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Total
(unaudited - millions of Canadian \$)						
Revenues from contracts with customers						
Capacity arrangements and transportation	2,224	2,231	293	973	—	5,721
Power generation	—	—	—	—	190	190
Natural gas storage and other ¹	39	623	15	3	205	885
	2,263	2,854	308	976	395	6,796
Other revenues ^{2,3}	—	(8)	—	384	(35)	341
	2,263	2,846	308	1,360	360	7,137

- 1 Includes \$39 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project which is 35 per cent owned by TCPL.
- 2 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. Refer to Note 12, Risk management and financial instruments, for additional information on financial instruments.
- 3 Includes \$61 million of operating lease income.

six months ended June 30, 2021	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Total
(unaudited - millions of Canadian \$)						
Revenues from contracts with customers						
Capacity arrangements and transportation	2,195	2,067	287	971	—	5,520
Power generation	—	—	—	—	158	158
Natural gas storage and other ¹	50	457	16	2	158	683
	2,245	2,524	303	973	316	6,361
Other revenues ^{2,3}	—	33	—	116	53	202
	2,245	2,557	303	1,089	369	6,563

- 1 Includes \$50 million of fee revenues from an affiliate related to development and construction of the Coastal GasLink pipeline project which is 35 per cent owned by TCPL.
- 2 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. Refer to Note 12, Risk management and financial instruments, for additional information on income from financial instruments.
- 3 Includes \$64 million of operating lease income.

Contract Balances

(unaudited - millions of Canadian \$)	June 30, 2022	December 31, 2021	Affected line item on the Condensed consolidated balance sheet
Receivables from contracts with customers	1,627	1,627	Accounts receivable
Contract assets	243	202	Other current assets
Long-term contract assets	302	249	Other long-term assets
Contract liabilities ¹	91	90	Accounts payable and other
Long-term contract liabilities	187	184	Other long-term liabilities

- 1 During the six months ended June 30, 2022, nil (2021 – \$8 million) revenues were recognized that were included in contract liabilities at the beginning of the period.

Contract assets and long-term contract assets primarily relate to the Company's right to revenues for services completed but not invoiced at the reporting date on long-term committed capacity natural gas pipelines contracts. The change in contract assets is primarily related to the transfer to Accounts receivable when these rights become unconditional and the customer is invoiced, as well as the recognition of additional revenues that remain to be invoiced. Contract liabilities and long-term contract liabilities primarily relate to force majeure fixed capacity payments received on long-term capacity arrangements in Mexico.

Future Revenues from Remaining Performance Obligations

As at June 30, 2022, future revenues from long-term pipeline capacity arrangements and transportation as well as natural gas storage and other contracts extending through 2049 are approximately \$25.6 billion, of which approximately \$3.8 billion is expected to be recognized during the remainder of 2022.

5. GOODWILL

Goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate it might be impaired. The Company can initially make this assessment based on qualitative factors. If the Company concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying value, it will then perform a quantitative goodwill impairment test.

Great Lakes

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

Management performed a quantitative impairment test that evaluated a range of assumptions through a discounted cash flow analysis using a risk-adjusted discount rate. It was determined that the estimated fair value of the Great Lakes reporting unit no longer exceeded its carrying value, including goodwill, and that an impairment charge was necessary. As a result, the Company recorded a pre-tax goodwill impairment charge of \$571 million (\$531 million after tax) within the U.S. Natural Gas Pipelines segment that is included in Goodwill and asset impairment charges and other in the Company's Condensed consolidated statement of income. The remaining goodwill balance related to Great Lakes is US\$122 million at June 30, 2022 (December 31, 2021 – US\$573 million). There is a risk that continued reductions in future cash flow forecasts and adverse changes in other key assumptions could result in a future impairment of the goodwill balance relating to Great Lakes.

The Company has elected to allocate goodwill impairment charges first to goodwill that is non-deductible for income tax purposes, with any remaining charge allocated to tax-deductible goodwill. The majority of the Great Lakes goodwill impairment charge was allocated to non-deductible goodwill and the income tax recovery of \$40 million was attributable to the portion of the goodwill that was deductible for income tax purposes.

6. INCOME TAXES

Effective Tax Rates

The effective income tax rates were 26 per cent and 132 per cent for the six months ended June 30, 2022 and 2021, respectively. The decrease in the effective income tax rate was primarily due to the impacts of the Keystone XL asset impairment charge and other recorded in 2021, partially offset by the settlement of Mexico income tax assessments discussed below and the non-tax deductible portion of the Great Lakes goodwill impairment charge recorded in the six months ended June 30, 2022.

Mexico Tax Audit

In 2019, the Mexican tax authority, the Tax Administration Services (SAT), completed an audit of the 2013 tax return of one of the Company's subsidiaries in Mexico. The audit resulted in a tax assessment that denied the deduction for all interest expense and an assessment of additional tax, penalties and financial charges totaling less than US\$1 million. The Company disagreed with this assessment and commenced litigation to challenge it. In January 2022, TCPL received the tax court's ruling on the 2013 tax return, which upheld the SAT assessment. From September 2021 to February 2022, the SAT issued assessments for tax years 2014 through 2017 which denied the deduction of all interest expense as well as assessed incremental withholding tax on the interest. These assessments totaled approximately US\$490 million in income and withholding taxes, interest, penalties and other financial charges.

On April 27, 2022, TCPL settled with the SAT on all of the above matters for the tax years 2013 through 2021. In the six months ended June 30, 2022, the Company recorded US\$152 million of income tax expense (inclusive of withholding taxes, interest, penalties and other financial charges).

7. RELATED PARTY TRANSACTIONS

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to Parent

TC Energy Corporation

TCPL has an unsecured \$4.5 billion demand revolving credit facility with TC Energy Corporation (TC Energy) with an outstanding balance of \$2,452 million as at June 30, 2022 (December 31, 2021 – \$3,308 million) that is reflected in Due to parent on the Company's Condensed consolidated balance sheet. TC Energy and TCPL agreed to advance funds on a non-interest bearing basis.

Loans Receivable from Affiliates

Sur de Texas

TCPL holds a 60 per cent equity interest in a joint venture with IEnova to own the Sur de Texas pipeline, for which TCPL is the operator. In 2017, TCPL entered into a MXN\$21.3 billion unsecured revolving credit facility with the joint venture, which bore interest at a floating rate and was fully repaid upon maturity on March 15, 2022 in the amount of approximately \$1.2 billion.

The Company's Condensed consolidated statement of income reflected the related interest income and foreign exchange impact on this loan which were fully offset upon consolidation with corresponding amounts included in TCPL's proportionate share of Sur de Texas' equity earnings as follows:

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30		Affected line item in the Condensed consolidated statement of income
	2022	2021	2022	2021	
Interest income ¹	—	21	19	42	Interest income and other
Interest expense ²	—	(21)	(19)	(42)	Income from equity investments
Foreign exchange gains/(losses) ¹	—	32	(28)	(3)	Interest income and other
Foreign exchange (losses)/gains ¹	—	(32)	28	3	Income from equity investments

1 Included in the Corporate segment.

2 Included in the Mexico Natural Gas Pipelines segment.

On March 15, 2022, as part of refinancing activities with the Sur de Texas joint venture the peso-denominated loan discussed above was replaced with a new U.S. dollar-denominated loan of an equivalent \$1.2 billion (US\$938 million) with a floating interest rate and maturity date of March 15, 2023. At June 30, 2022, Loans receivable from affiliates under Current assets on the Company's Condensed consolidated balance sheet reflected this \$1.2 billion (US\$938 million) loan receivable from the Sur de Texas joint venture.

These loans represent TCPL's proportionate share of debt financing to the joint venture. The related repayment and issuance discussed above are included in Investing activities in the Company's Condensed consolidated statement of cash flows.

Coastal GasLink Pipeline Limited Partnership

TCPL holds a 35 per cent equity interest in Coastal GasLink Pipeline Limited Partnership (Coastal GasLink LP), and has been contracted to develop and operate the Coastal GasLink pipeline.

Subordinated Demand Revolving Credit Facility

The Company has a subordinated demand revolving credit facility with Coastal GasLink LP to provide additional short-term liquidity and funding flexibility to the project. The facility bears interest at a floating market-based rate and had a capacity of \$500 million with an outstanding balance of \$1 million as at June 30, 2022 (December 31, 2021 – \$1 million) reflected in Loans receivable from affiliates under Current assets on the Company's Condensed consolidated balance sheet.

Subordinated Loan Agreement

In 2021, TCPL entered into a subordinated loan agreement with Coastal GasLink LP to provide interim temporary financing to fund incremental project costs as a bridge to a required increase in project-level financing. Under this agreement, financing was provided through a combination of interest-bearing loans subject to floating market-based interest rates and non-interest-bearing loans. The total capacity committed under this subordinated loan agreement was \$3.8 billion with an outstanding balance of \$350 million as at June 30, 2022 (December 31, 2021 – \$238 million) that is reflected in Long-term loans receivable from affiliate on the Company's Condensed consolidated balance sheet. Refer to Note 15, Subsequent event, for additional information on the amendments to this loan agreement.

8. LONG-TERM DEBT

Long-Term Debt Issued

Long-term debt issued by the Company in the six months ended June 30, 2022 included the following:

(unaudited - millions of Canadian \$, unless otherwise noted)					
Company	Issue date	Type	Maturity date	Amount	Interest rate
TRANSCANADA PIPELINES LIMITED					
	May 2022	Medium Term Notes	May 2032	800	5.33%
	May 2022	Medium Term Notes	May 2026	400	4.35%
	May 2022	Medium Term Notes	May 2052	300	5.92%
ANR PIPELINE COMPANY					
	May 2022	Senior Unsecured Notes	May 2032	US 300	3.43%
	May 2022	Senior Unsecured Notes	May 2034	US 200	3.58%
	May 2022	Senior Unsecured Notes	May 2037	US 200	3.73%
	May 2022	Senior Unsecured Notes	May 2029	US 100	3.26%

Capitalized Interest

In the three and six months ended June 30, 2022, TCPL capitalized interest related to capital projects of \$4 million and \$6 million, respectively (2021 – \$1 million and \$18 million, respectively).

9. JUNIOR SUBORDINATED NOTES ISSUED

Junior subordinated notes issued by the Company in the six months ended June 30, 2022 included the following:

(unaudited - millions of Canadian \$, unless otherwise noted)					
Company	Issue date	Type	Maturity date	Amount	Interest rate
TransCanada PipeLines Limited	March 2022	Junior Subordinated Notes ¹	March 2082	US 800	5.85%

1 The junior subordinated notes were issued to TransCanada Trust, a financing trust subsidiary wholly owned by TCPL. While the obligations of TransCanada Trust are fully and unconditionally guaranteed by TCPL on a subordinated basis, TransCanada Trust is not consolidated in these financial statements since TCPL does not have a variable interest in TransCanada Trust and the only substantive assets of TransCanada Trust are junior subordinated notes of TCPL.

In March 2022, TransCanada Trust (the Trust) issued US\$800 million of Trust Notes – Series 2022-A to investors with a fixed interest rate of 5.60 per cent per annum for the first 10 years and resetting on the 10th anniversary and every five years thereafter. All of the proceeds of the issuance by the Trust were loaned to TCPL for US\$800 million of junior subordinated notes of TCPL at an initial fixed rate of 5.85 per cent per annum, including a 0.25 per cent administration charge. The rate on the junior subordinated notes of TCPL will reset every five years commencing March 2032 until March 2052 to the then Five-Year Treasury Rate, as defined in the document governing the subordinated notes, plus 4.236 per cent per annum; from March 2052 until March 2082, the interest rate will reset to the then Five-Year Treasury Rate plus 4.986 per cent per annum. The junior subordinated notes are callable at TCPL's option at any time from December 7, 2031 to March 7, 2032 and on each interest payment and reset date thereafter at 100 per cent of the principal amount plus accrued and unpaid interest to the date of redemption.

The junior subordinated notes are subordinated in right of payment to existing and future senior indebtedness and other obligations of TCPL.

10. OTHER COMPREHENSIVE INCOME/(LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income/(loss), including the portion attributable to non-controlling interests and related tax effects, are as follows:

three months ended June 30, 2022 (unaudited - millions of Canadian \$)	Before tax amount	Income tax (expense)/ recovery	Net of tax amount
Foreign currency translation gains and losses on net investment in foreign operations	633	30	663
Change in fair value of net investment hedges	(36)	9	(27)
Change in fair value of cash flow hedges	(7)	1	(6)
Reclassification to net income of gains and losses on cash flow hedges	9	(2)	7
Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans	3	—	3
Other comprehensive income on equity investments	219	(54)	165
Other Comprehensive Income	821	(16)	805

three months ended June 30, 2021 (unaudited - millions of Canadian \$)	Before tax amount	Income tax (expense)/ recovery	Net of tax amount
Foreign currency translation gains and losses on net investment in foreign operations	(231)	(2)	(233)
Change in fair value of net investment hedges	17	(4)	13
Change in fair value of cash flow hedges	(14)	3	(11)
Reclassification to net income of gains and losses on cash flow hedges	12	(2)	10
Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans	6	(2)	4
Other comprehensive loss on equity investments	(76)	19	(57)
Other Comprehensive Loss	(286)	12	(274)

six months ended June 30, 2022 (unaudited - millions of Canadian \$)	Before tax amount	Income tax (expense)/ recovery	Net of tax amount
Foreign currency translation gains and losses on net investment in foreign operations	340	22	362
Change in fair value of net investment hedges	(11)	3	(8)
Change in fair value of cash flow hedges	17	(5)	12
Reclassification to net income of gains and losses on cash flow hedges	24	(9)	15
Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans	5	(1)	4
Other comprehensive income on equity investments	459	(114)	345
Other Comprehensive Income	834	(104)	730

six months ended June 30, 2021		Before tax amount	Income tax (expense)/ recovery	Net of tax amount
(unaudited - millions of Canadian \$)				
Foreign currency translation gains and losses on net investment in foreign operations		(519)	(12)	(531)
Change in fair value of net investment hedges		32	(8)	24
Reclassification to net income of gains and losses on cash flow hedges		23	(5)	18
Reclassification to net income of actuarial gains and losses on pension and other post-retirement benefit plans		9	(2)	7
Other comprehensive income on equity investments		173	(43)	130
Other Comprehensive Loss		(282)	(70)	(352)

The changes in AOCI by component are as follows:

three months ended June 30, 2022					
(unaudited - millions of Canadian \$)					
	Currency translation adjustments	Cash flow hedges	Pension and other post-retirement benefit plans adjustments	Equity investments	Total¹
AOCI balance at April 1, 2022	(1,289)	(86)	(112)	(20)	(1,507)
Other comprehensive income/(loss) before reclassifications ²	632	(6)	—	166	792
Amounts reclassified from AOCI	—	7	3	(1)	9
Net current period other comprehensive income	632	1	3	165	801
AOCI balance at June 30, 2022	(657)	(85)	(109)	145	(706)

1 All amounts are net of tax. Amounts in parentheses indicate losses recorded to OCI.

2 Other comprehensive income/(loss) before reclassifications on currency translation adjustments is net of a non-controlling interest gain of \$4 million.

six months ended June 30, 2022					
(unaudited - millions of Canadian \$)					
	Currency translation adjustments	Cash flow hedges	Pension and other post-retirement benefit plans adjustments	Equity investments	Total¹
AOCI balance at January 1, 2022	(1,009)	(112)	(113)	(200)	(1,434)
Other comprehensive income before reclassifications ²	352	12	—	347	711
Amounts reclassified from AOCI ³	—	15	4	(2)	17
Net current period other comprehensive income	352	27	4	345	728
AOCI balance at June 30, 2022	(657)	(85)	(109)	145	(706)

1 All amounts are net of tax. Amounts in parentheses indicate losses recorded to OCI.

2 Other comprehensive income before reclassifications on currency translation adjustments is net of a non-controlling interest gain of \$2 million.

3 Losses related to cash flow hedges reported in AOCI and expected to be reclassified to net income in the next 12 months are estimated to be \$38 million (\$29 million, net of tax) at June 30, 2022. These estimates assume constant commodity prices, interest rates and foreign exchange rates over time, however, the amounts reclassified will vary based on the actual value of these factors at the date of settlement.

Details about reclassifications out of AOCI into the Condensed consolidated statement of income are as follows:

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30		Affected line item in the Condensed consolidated statement of income ¹
	2022	2021	2022	2021	
Cash flow hedges					
Commodities	(5)	(3)	(14)	(5)	Revenues (Power and Storage)
Interest rate	(4)	(9)	(10)	(18)	Interest expense
	(9)	(12)	(24)	(23)	Total before tax
	2	2	9	5	Income tax expense/(recovery)
	(7)	(10)	(15)	(18)	Net of tax
Pension and other post-retirement benefit plans					
Amortization of actuarial losses	(3)	(6)	(5)	(9)	Plant operating costs and other ²
	—	2	1	2	Income tax expense/(recovery)
	(3)	(4)	(4)	(7)	Net of tax
Equity investments					
Equity income	1	(10)	2	(18)	Income from equity investments
	—	3	—	5	Income tax expense/(recovery)
	1	(7)	2	(13)	Net of tax

1 All amounts in parentheses indicate expenses to the Condensed consolidated statement of income.

2 These AOCI components are included in the computation of net benefit cost. Refer to Note 11, Employee post-retirement benefits, for additional information.

11. EMPLOYEE POST-RETIREMENT BENEFITS

The net benefit cost recognized for the Company's pension benefit plans and other post-retirement benefit plans is as follows:

(unaudited - millions of Canadian \$)	three months ended June 30				six months ended June 30			
	Pension benefit plans		Other post-retirement benefit plans		Pension benefit plans		Other post-retirement benefit plans	
	2022	2021	2022	2021	2022	2021	2022	2021
Service cost ¹	36	42	1	2	72	85	2	3
Other components of net benefit cost¹								
Interest cost	31	30	3	3	62	60	6	6
Expected return on plan assets	(60)	(59)	(4)	(3)	(119)	(117)	(7)	(6)
Amortization of actuarial losses	2	5	1	—	5	11	1	1
Amortization of regulatory asset	3	8	1	1	6	14	1	1
	(24)	(16)	1	1	(46)	(32)	1	2
Net Benefit Cost	12	26	2	3	26	53	3	5

1 Service cost and other components of net benefit cost are included in Plant operating costs and other in the Condensed consolidated statement of income.

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management Overview

TCPL has exposure to market risk and counterparty credit risk, and has strategies, policies and limits in place to manage the impact of these risks on its earnings, cash flows and, ultimately, shareholder value.

Counterparty Credit Risk

TCPL's exposure to counterparty credit risk includes its cash and cash equivalents, accounts receivable and certain contractual recoveries, available-for-sale assets, the fair value of derivative assets and loans receivable.

Market events causing disruptions in global energy demand and supply may contribute to economic uncertainties impacting a number of TCPL's customers. While the majority of the Company's credit exposure is to large creditworthy entities, TCPL maintains close monitoring and communication with those counterparties experiencing greater financial pressures. Refer to TCPL's 2021 audited Consolidated financial statements for more information about the factors that mitigate the Company's counterparty credit risk exposure.

The Company reviews financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. TCPL uses historical credit loss and recovery data, adjusted for management's judgment regarding current economic and credit conditions, along with supportable forecasts to determine any impairment, which is recognized in Plant operating costs and other. At June 30, 2022, there were no significant credit losses, no significant credit risk concentration and no significant amounts past due or impaired.

The Company has significant credit and performance exposure to financial institutions because they hold cash deposits and provide committed credit lines and letters of credit that help manage our exposure to counterparties and provide liquidity in commodity, foreign exchange and interest rate derivative markets.

Net Investment in Foreign Operations

The Company hedges a portion of its net investment in foreign operations (on an after-tax basis) with U.S. dollar-denominated debt, cross-currency interest rate swaps, foreign exchange forwards and foreign exchange options as appropriate.

The fair values and notional amounts for the derivatives designated as a net investment hedge were as follows:

(unaudited - millions of Canadian \$, unless otherwise noted)	June 30, 2022		December 31, 2021	
	Fair value ^{1,2}	Notional amount	Fair value ^{1,2}	Notional amount
U.S. dollar foreign exchange options (maturing 2022 to 2023)	(11)	US 3,800	(4)	US 3,800
U.S. dollar cross-currency interest rate swaps (maturing 2023 to 2025)	13	US 300	23	US 400
	2	US 4,100	19	US 4,200

1 Fair value equals carrying value.

2 No amounts have been excluded from the assessment of hedge effectiveness.

The notional amounts and fair values of U.S. dollar-denominated debt designated as a net investment hedge were as follows:

(unaudited - millions of Canadian \$, unless otherwise noted)	June 30, 2022	December 31, 2021
Notional amount	31,400 (US 24,400)	30,700 (US 24,200)
Fair value	30,600 (US 23,800)	35,500 (US 28,100)

Non-Derivative Financial Instruments

Fair value of non-derivative financial instruments

Available-for-sale assets are recorded at fair value which is calculated using quoted market prices where available. Certain non-derivative financial instruments included in Cash and cash equivalents, Accounts receivable, Loans receivable from affiliates, Other current assets, Long-term loans receivable from affiliate, Restricted investments, Other long-term assets, Notes payable, Accounts payable and other, Due to parent, Dividends payable, Accrued interest and Other long-term liabilities have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity. Each of these instruments are classified in Level II of the fair value hierarchy, except for the Company's LMCI equity securities which are classified in Level I.

Credit risk has been taken into consideration when calculating the fair value of non-derivative financial instruments.

Balance sheet presentation of non-derivative financial instruments

The following table details the fair value of non-derivative financial instruments, excluding those where carrying amounts approximate fair value, and would be classified in Level II of the fair value hierarchy:

(unaudited - millions of Canadian \$)	June 30, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt, including current portion ^{1,2}	(41,589)	(40,516)	(38,661)	(45,615)
Junior subordinated notes	(10,074)	(9,059)	(8,939)	(9,236)
	(51,663)	(49,575)	(47,600)	(54,851)

- 1 Long-term debt is recorded at amortized cost, except for US\$600 million (December 31, 2021 – nil) that is attributed to hedged risk and recorded at fair value.
- 2 Net income for the three and six months ended June 30, 2022 included unrealized losses of \$2 million (December 31, 2021 – nil) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships on US\$600 million of long-term debt at June 30, 2022 (December 31, 2021 – nil). There were no other unrealized gains or losses from fair value adjustments to the non-derivative financial instruments.

Available-for-sale assets summary

The following tables summarize additional information about the Company's restricted investments that were classified as available-for-sale assets:

(unaudited - millions of Canadian \$)	June 30, 2022		December 31, 2021	
	LMCI restricted investments	Other restricted investments ¹	LMCI restricted investments	Other restricted investments ¹
Fair values of fixed income securities ^{2,3}				
Maturing within 1 year	1	47	—	26
Maturing within 1-5 years	33	113	8	107
Maturing within 5-10 years	1,080	—	1,150	—
Maturing after 10 years	72	—	84	—
Fair value of equity securities ^{2,4}	671	—	817	—
	1,857	160	2,059	133

- 1 Other restricted investments have been set aside to fund insurance claim losses to be paid by the Company's wholly-owned captive insurance subsidiary.
- 2 Available-for-sale assets are recorded at fair value and included in Other current assets and Restricted investments on the Company's Condensed consolidated balance sheet.
- 3 Classified in Level II of the fair value hierarchy.
- 4 Classified in Level I of the fair value hierarchy.

(unaudited - millions of Canadian \$)	June 30, 2022		June 30, 2021	
	LMCI restricted investments ¹	Other restricted investments ²	LMCI restricted investments ¹	Other restricted investments ²
Net unrealized (losses)/gains in the period				
three months ended	(151)	(2)	49	—
six months ended	(300)	(6)	9	(1)
Net realized losses in the period ³				
three months ended	(14)	—	(2)	—
six months ended	(16)	—	(3)	—

1 Gains and losses arising from changes in the fair value of LMCI restricted investments impact the subsequent amounts to be collected through tolls to cover future pipeline abandonment costs. As a result, the Company records these gains and losses as regulatory assets and liabilities, respectively.

2 Losses on other restricted investments are included in Interest income and other in the Condensed consolidated statement of income.

3 Realized losses on the sale of LMCI restricted investments are determined using the average cost basis.

Derivative Instruments

Fair value of derivative instruments

The fair value of foreign exchange and interest rate derivatives has been calculated using the income approach which uses period-end market rates and applies a discounted cash flow valuation model. The fair value of commodity derivatives has been calculated using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques have been used. The fair value of options has been calculated using the Black-Scholes pricing model. Credit risk has been taken into consideration when calculating the fair value of derivative instruments.

Unrealized gains and losses on derivative instruments are not necessarily representative of the amounts that will be realized on settlement.

In some cases, even though the derivatives are considered to be effective economic hedges, they do not meet the specific criteria for hedge accounting treatment or are not designated as a hedge and are accounted for at fair value with changes in fair value recorded in net income in the period of change. This may expose the Company to increased variability in reported earnings because the fair value of the derivative instruments can fluctuate significantly from period to period.

The recognition of gains and losses on derivatives for Canadian natural gas regulated pipeline exposures is determined through the regulatory process. Gains and losses arising from changes in the fair value of derivatives accounted for as part of rate-regulated accounting, including those that qualify for hedge accounting treatment, are expected to be recovered or refunded through the tolls charged by the Company. As a result, these gains and losses are deferred as regulatory assets and regulatory liabilities and are collected from or refunded to the rate payers in subsequent years when the derivative settles.

Balance sheet presentation of derivative instruments

The balance sheet classification of the fair value of derivative instruments was as follows:

at June 30, 2022 (unaudited - millions of Canadian \$)	Cash flow hedges	Fair value hedges	Net investment hedges	Held for trading	Total fair value of derivative instruments ¹
Other current assets					
Commodities ²	—	—	—	525	525
Foreign exchange	—	—	8	14	22
Interest rate	1	—	—	—	1
	1	—	8	539	548
Other long-term assets					
Commodities ²	—	—	—	24	24
Foreign exchange	—	—	16	9	25
Interest rate	5	4	—	—	9
	5	4	16	33	58
Total Derivative Assets	6	4	24	572	606
Accounts payable and other					
Commodities ²	(27)	—	—	(590)	(617)
Foreign exchange	—	—	(15)	(62)	(77)
	(27)	—	(15)	(652)	(694)
Other long-term liabilities					
Commodities ²	(5)	—	—	(32)	(37)
Foreign exchange	—	—	(7)	(9)	(16)
Interest rate	—	(2)	—	—	(2)
	(5)	(2)	(7)	(41)	(55)
Total Derivative Liabilities	(32)	(2)	(22)	(693)	(749)
Total Derivatives	(26)	2	2	(121)	(143)

1 Fair value equals carrying value.

2 Includes purchases and sales of power, natural gas, liquids and emission credits.

at December 31, 2021 (unaudited - millions of Canadian \$)	Cash flow hedges	Net investment hedges	Held for trading	Total fair value of derivative instruments ¹
Other current assets				
Commodities ²	—	—	122	122
Foreign exchange	—	10	37	47
	—	10	159	169
Other long-term assets				
Commodities ²	—	—	8	8
Foreign exchange	—	32	6	38
Interest rate	2	—	—	2
	2	32	14	48
Total Derivative Assets	2	42	173	217
Accounts payable and other				
Commodities ²	(23)	—	(138)	(161)
Foreign exchange	—	(4)	(46)	(50)
Interest rate	(10)	—	—	(10)
	(33)	(4)	(184)	(221)
Other long-term liabilities				
Commodities ²	(4)	—	(6)	(10)
Foreign exchange	—	(19)	(10)	(29)
Interest rate	(8)	—	—	(8)
	(12)	(19)	(16)	(47)
Total Derivative Liabilities	(45)	(23)	(200)	(268)
Total Derivatives	(43)	19	(27)	(51)

1 Fair value equals carrying value.

2 Includes purchases and sales of power, natural gas and liquids.

The majority of derivative instruments held for trading have been entered into for risk management purposes and all are subject to the Company's risk management strategies, policies and limits. These include derivatives that have not been designated as hedges or do not qualify for hedge accounting treatment but have been entered into as economic hedges to manage the Company's exposures to market risk.

Derivatives in fair value hedging relationships

The following table details amounts recorded on the Condensed consolidated balance sheet in relation to cumulative adjustments for fair value hedges included in the carrying amount of the hedged liabilities:

(unaudited - millions of Canadian \$)	Carrying amount		Fair value hedging adjustments ¹	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Long-term debt	(774)	—	(2)	—

1 At June 30, 2022 and December 31, 2021, adjustments for discontinued hedging relationships included in these balances were nil.

Notional and maturity summary

The maturity and notional amount or quantity outstanding related to the Company's derivative instruments excluding hedges of the net investment in foreign operations was as follows:

at June 30, 2022						
(unaudited)	Power	Natural Gas	Liquids	Emission credits	Foreign exchange	Interest rate
Net sales/(purchases) ¹	419	(35)	4	100	—	—
Millions of U.S. dollars	—	—	—	—	7,884	700
Millions of Mexican pesos	—	—	—	—	8,700	—
Maturity dates	2022-2026	2022-2027	2022-2023	2022	2022-2026	2025-2030

1 Volumes for power, natural gas, liquids and emission credit derivatives are in GWh, Bcf, MMBbls and thousand metric tonnes CO₂, respectively.

at December 31, 2021						
(unaudited)	Power	Natural Gas	Liquids	Foreign exchange	Interest rate	
Net sales/(purchases) ¹	490	(52)	4	—	—	—
Millions of U.S. dollars	—	—	—	6,636	650	—
Millions of Mexican pesos	—	—	—	5,500	—	—
Maturity dates	2022-2026	2022-2027	2022	2022-2026	2024-2026	—

1 Volumes for power, natural gas and liquids derivatives are in GWh, Bcf and MMBbls, respectively.

Unrealized and Realized Gains and Losses on Derivative Instruments

The following summary does not include hedges of the net investment in foreign operations:

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2022	2021	2022	2021
Derivative Instruments Held for Trading¹				
Amount of unrealized (losses)/gains in the period				
Commodities	(20)	(15)	(58)	16
Foreign exchange	(60)	(63)	(38)	(58)
Amount of realized gains/(losses) in the period				
Commodities	255	48	396	109
Foreign exchange	(13)	117	28	158
Derivative Instruments in Hedging Relationships				
Amount of realized (losses)/gains in the period				
Commodities	(15)	(12)	(18)	(23)
Interest rate	1	(6)	(2)	(12)

1 Realized and unrealized gains and losses on held-for-trading derivative instruments used to purchase and sell commodities are included on a net basis in Revenues. Realized and unrealized gains and losses on foreign exchange held-for-trading derivative instruments are included on a net basis in Interest income and other.

Derivatives in cash flow hedging relationships

The components of OCI (Note 10) related to the change in fair value of derivatives in cash flow hedging relationships before tax and including the portion attributable to non-controlling interests were as follows:

(unaudited - millions of Canadian \$, pre-tax)	three months ended June 30		six months ended June 30	
	2022	2021	2022	2021
Change in fair value of derivative instruments recognized in OCI ¹				
Commodities	(14)	(11)	(19)	(15)
Interest rate	7	(3)	36	15
	(7)	(14)	17	—

1 No amounts have been excluded from the assessment of hedge effectiveness. Amounts in parentheses indicate losses recorded to OCI.

Effect of fair value and cash flow hedging relationships

The following table details amounts presented in the Condensed consolidated statement of income in which the effects of fair value or cash flow hedging relationships were recorded:

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2022	2021	2022	2021
Fair Value Hedges				
Interest rate contracts ¹				
Hedged items	(2)	—	(2)	—
Derivatives designated as hedging instruments	1	—	1	—
Cash Flow Hedges				
Reclassification of losses on derivative instruments from AOCI to Net income ^{2,3}				
Commodities ⁴	(5)	(3)	(14)	(5)
Interest rate ¹	(4)	(9)	(10)	(18)

1 Presented within Interest expense in the Condensed consolidated statement of income.

2 Refer to Note 10, Other comprehensive income/(loss) and accumulated other comprehensive loss, for the components of OCI related to derivatives in cash flow hedging relationships.

3 There are no amounts recognized in earnings that were excluded from effectiveness testing.

4 Presented within Revenues (Power and Storage) in the Condensed consolidated statement of income.

Offsetting of derivative instruments

The Company enters into derivative contracts with the right to offset in the normal course of business as well as in the event of default. TCPL has no master netting agreements, however, similar contracts are entered into containing rights to offset. The Company has elected to present the fair value of derivative instruments with the right to offset on a gross basis on the Condensed consolidated balance sheet. The following table shows the impact on the presentation of the fair value of derivative instrument assets and liabilities had the Company elected to present these contracts on a net basis:

at June 30, 2022 (unaudited - millions of Canadian \$)	Gross derivative instruments	Amounts available for offset ¹	Net amounts
Derivative instrument assets			
Commodities	549	(494)	55
Foreign exchange	47	(41)	6
Interest rate	10	—	10
	606	(535)	71
Derivative instrument liabilities			
Commodities	(654)	494	(160)
Foreign exchange	(93)	41	(52)
Interest rate	(2)	—	(2)
	(749)	535	(214)

1 Amounts available for offset do not include cash collateral pledged or received.

at December 31, 2021 (unaudited - millions of Canadian \$)	Gross derivative instruments	Amounts available for offset ¹	Net amounts
Derivative instrument assets			
Commodities	130	(91)	39
Foreign exchange	85	(54)	31
Interest rate	2	(1)	1
	217	(146)	71
Derivative instrument liabilities			
Commodities	(171)	91	(80)
Foreign exchange	(79)	54	(25)
Interest rate	(18)	1	(17)
	(268)	146	(122)

1 Amounts available for offset do not include cash collateral pledged or received.

With respect to the derivative instruments presented above, the Company provided cash collateral of \$164 million and letters of credit of \$71 million at June 30, 2022 (December 31, 2021 – \$144 million and \$130 million, respectively) to its counterparties. At June 30, 2022, the Company held no cash collateral and an \$11 million balance in letters of credit (December 31, 2021 – nil and \$6 million, respectively) from counterparties on asset exposures.

Credit-risk-related contingent features of derivative instruments

Derivative contracts entered into to manage market risk often contain financial assurance provisions that allow parties to the contracts to manage credit risk. These provisions may require collateral to be provided if a credit-risk-related contingent event occurs, such as a downgrade in the Company's credit rating to non-investment grade. The Company may also need to provide collateral if the fair value of its derivative financial instruments exceeds pre-defined exposure limits.

Based on contracts in place and market prices at June 30, 2022, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$15 million (December 31, 2021 – \$5 million), for which the Company has provided no collateral in the normal course of business. If the credit-risk-related contingent features in these agreements were triggered on June 30, 2022, the Company would have been required to provide collateral equal to the fair value of the related derivative instruments discussed above. Collateral may also need to be provided should the fair value of derivative instruments exceed pre-defined contractual exposure limit thresholds.

The Company has sufficient liquidity in the form of cash and undrawn committed revolving credit facilities to meet these contingent obligations should they arise.

Fair Value Hierarchy

The Company's financial assets and liabilities recorded at fair value have been categorized into three categories based on a fair value hierarchy.

Levels	How fair value has been determined
Level I	Quoted prices in active markets for identical assets and liabilities that the Company 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	This category includes interest rate and foreign exchange 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. Inputs include published exchange rates, interest rates, interest rate swap curves, yield curves and broker quotes from external data service providers.
Level III	This category includes long-dated commodity transactions in certain markets where liquidity is low and the Company uses the most observable inputs available or, if not available, long-term broker quotes to estimate the fair value for these transactions. There is uncertainty caused by using unobservable market data which may not accurately reflect possible future changes in fair value.

The fair value of the Company's derivative assets and liabilities measured on a recurring basis, including both current and non-current portions, were categorized as follows:

at June 30, 2022				
(unaudited - millions of Canadian \$)	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II) ¹	Significant unobservable inputs (Level III) ¹	Total
Derivative instrument assets				
Commodities	435	114	—	549
Foreign exchange	—	47	—	47
Interest rate	—	10	—	10
Derivative instrument liabilities				
Commodities	(488)	(151)	(15)	(654)
Foreign exchange	—	(93)	—	(93)
Interest rate	—	(2)	—	(2)
	(53)	(75)	(15)	(143)

1 There were no transfers from Level II to Level III for the six months ended June 30, 2022.

at December 31, 2021				
(unaudited - millions of Canadian \$)	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II) ¹	Significant unobservable inputs (Level III) ¹	Total
Derivative instrument assets				
Commodities	39	91	—	130
Foreign exchange	—	85	—	85
Interest rate	—	2	—	2
Derivative instrument liabilities				
Commodities	(49)	(116)	(6)	(171)
Foreign exchange	—	(79)	—	(79)
Interest rate	—	(18)	—	(18)
	(10)	(35)	(6)	(51)

1 There were no transfers from Level II to Level III for the year ended December 31, 2021.

The following table presents the net change in fair value of derivative assets and liabilities classified as Level III of the fair value hierarchy:

(unaudited - millions of Canadian \$)	three months ended June 30		six months ended June 30	
	2022	2021	2022	2021
Balance at beginning of period	(12)	(4)	(6)	(4)
Net losses included in Net income	(2)	(1)	(8)	(1)
Net losses included in OCI	(1)	—	(1)	—
Balance at End of Period¹	(15)	(5)	(15)	(5)

1 For the three and six months ended June 30, 2022, there were unrealized losses of \$2 million and \$8 million, recognized in Revenues attributed to derivatives in the Level III category that were held at June 30, 2022 (2021 – unrealized losses of \$1 million and \$1 million, respectively).

13. CONTINGENCIES AND GUARANTEES

Contingencies

TCPL and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of management that the resolution of such normal course proceedings and actions will not have a material impact on the Company's consolidated financial position or results of operations.

Guarantees

TCPL and its partner on the Sur de Texas pipeline, IEnova, have jointly guaranteed the financial performance of the entity which owns the pipeline. Such agreements include a guarantee and a letter of credit which are primarily related to the delivery of natural gas.

TCPL and its joint venture partner on Bruce Power, BPC Generation Infrastructure Trust, have each severally guaranteed certain contingent financial obligations of Bruce Power related to a lease agreement and contractor and supplier services.

The Company and its partners in certain other jointly-owned entities have either (i) jointly and severally, (ii) jointly or (iii) severally guaranteed the financial performance of these entities. Such agreements include guarantees and letters of credit which are primarily related to construction services and the payment of liabilities. For certain of these entities, any payments made by TCPL under these guarantees in excess of its ownership interest are to be reimbursed by its partners.

The carrying value of these guarantees has been included in Other long-term liabilities on the Condensed consolidated balance sheet. Information regarding the Company's guarantees is as follows:

(unaudited - millions of Canadian \$)	Term	June 30, 2022		December 31, 2021	
		Potential exposure ¹	Carrying value	Potential exposure ¹	Carrying value
Sur de Texas	to 2043	95	—	93	—
Bruce Power	to 2023	88	—	88	—
Other jointly-owned entities	to 2043	80	3	80	4
		263	3	261	4

1 TCPL's share of the potential estimated current or contingent exposure.

14. VARIABLE INTEREST ENTITIES

Consolidated VIEs

The Company's consolidated VIEs consist of legal entities where the Company is the primary beneficiary. As the primary beneficiary, the Company has the power, through voting or similar rights, to direct the activities of the VIE that most significantly impact economic performance including purchasing or selling significant assets; maintenance and operations of assets; incurring additional indebtedness; or determining the strategic operating direction of the entity. In addition, the Company has the obligation to absorb losses or the right to receive benefits from the consolidated VIE that could potentially be significant to the VIE.

A significant portion of the Company's assets are held through VIEs in which the Company holds a 100 per cent voting interest, the VIE meets the definition of a business and the VIE's assets can be used for general corporate purposes. The consolidated VIEs whose assets cannot be used for purposes other than the settlement of the VIE's obligations, or are not considered a business, are as follows:

(unaudited - millions of Canadian \$)	June 30, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	65	72
Accounts receivable	71	70
Inventories	28	28
Other current assets	9	13
	173	183
Plant, Property and Equipment	3,758	3,672
Equity Investments	900	890
Goodwill	427	421
	5,258	5,166
LIABILITIES		
Current Liabilities		
Accounts payable and other	241	232
Accrued interest	17	17
Current portion of long-term debt	30	29
	288	278
Regulatory Liabilities	71	66
Other Long-Term Liabilities	—	1
Deferred Income Tax Liabilities	13	13
Long-Term Debt	2,033	2,025
	2,405	2,383

Non-Consolidated VIEs

The Company's non-consolidated VIEs consist of legal entities where the Company is not the primary beneficiary as it does not have the power to direct the activities that most significantly impact the economic performance of these VIEs or where this power is shared with third parties. The Company contributes capital to these VIEs and receives ownership interests that provide it with residual claims on assets after liabilities are paid.

The carrying value of these VIEs and the maximum exposure to loss as a result of the Company's involvement with these VIEs are as follows:

(unaudited - millions of Canadian \$)	June 30, 2022	December 31, 2021
Balance Sheet Exposure		
Loan receivable from affiliate ¹	1	1
Equity investments		
Bruce Power	4,757	4,493
Pipeline equity investments	2,135	1,605
Long-term loans receivable from affiliate ¹	350	238
Off-Balance Sheet Exposure²		
Coastal GasLink ³	3,425	3,037
Bruce Power ⁴	2,249	974
Pipeline equity investments	98	171
Maximum Exposure to Loss	13,015	10,519

1 Refer to Note 7, Related party transactions, for additional information.

2 Includes maximum potential exposure to guarantees and future funding commitments.

3 Represents the total capacity of \$3,775 million committed under a subordinated loan agreement with Coastal GasLink LP less the \$350 million balance outstanding under this loan agreement as at June 30, 2022 (December 31, 2021 – \$3,275 million and \$238 million, respectively). Refer to Note 7, Related party transactions, and Note 15, Subsequent event, for additional information.

4 On March 7, 2022, the IESO verified Bruce Power's Unit 3 MCR program final cost and schedule duration estimate submitted in December 2021. As at June 30, 2022, the maximum exposure includes TCPL's portion of capital to be invested under the Unit 3 MCR program as well as the expected increase in the capital to be invested under the Asset Management program through 2027.

15. SUBSEQUENT EVENT

Coastal GasLink LP

Settlement Agreement with LNG Canada

Coastal GasLink LP and LNG Canada have reached a settlement that addresses and resolves disputes over certain incurred and anticipated costs of the Coastal GasLink pipeline project. Capital costs have increased from the original project cost estimate due to scope increases and the impacts of COVID-19, weather and other events outside of Coastal GasLink LP's control. The revised project agreements incorporate a new cost estimate. Following execution of these revised project agreements with LNG Canada, the Coastal GasLink LP project-level credit facilities will be increased.

TCPL Equity Contributions and Subordinated Loan Agreement

In accordance with a binding commitment subject to the execution of definitive agreements with the Coastal GasLink LP partners, TCPL will make an equity contribution to Coastal GasLink LP of \$1.9 billion, which will be paid in installments commencing in August 2022, with no resulting change to its 35 per cent ownership.

In 2021, TCPL entered into a subordinated loan agreement with Coastal GasLink LP to provide interim temporary financing to fund incremental project costs. Total capacity of this loan was \$3.8 billion with an outstanding balance of \$350 million as at June 30, 2022. The balance outstanding on this loan as at June 30, 2022 is expected to be repaid prior to the in-service date of the pipeline. In accordance with a binding commitment subject to the execution of definitive agreements with the Coastal GasLink LP partners, following amendments to this loan agreement, financing available to Coastal GasLink LP going forward will be provided through an interest-bearing loan, subject to a floating market-based interest rate, which will be repaid subsequent to the in-service date of the Coastal GasLink pipeline when final costs are determined.