Quarterly Report to Shareholders

TC Energy reports strong first quarter 2024 operating and financial results

Advancing clear set of strategic priorities to maximize shareholder returns

CALGARY, Alberta – May 3, 2024 – TC Energy Corporation (TSX, NYSE: TRP) (TC Energy or the Company) released its first quarter results today. François Poirier, TC Energy's President and Chief Executive Officer commented, "During the first three months of 2024, we delivered 11 per cent year-over-year growth in comparable EBITDA[1] and approximately four per cent growth in segmented earnings, which was underpinned by the continued reliability, availability, and exceptional performance of our assets." Poirier continued, "Our clearly defined 2024 strategic priorities focused on maximizing the value of our assets, project execution and enhancing balance sheet strength remain unchanged as we progress throughout the year."

Highlights

(All financial figures are unaudited and in Canadian dollars unless otherwise noted)

- First quarter 2024 financial results:
  - Comparable earnings[1] of $1.3 billion or $1.24 per common share compared to $1.2 billion or $1.21 per common share in 2023 and net income attributable to common shares of $1.2 billion or $1.16 per common share compared to $1.3 billion or $1.29 per common share in first quarter 2023
  - Comparable EBITDA of $3.1 billion compared to $2.8 billion in 2023 and segmented earnings of $2.3 billion compared to $2.2 billion in first quarter 2023
- Reaffirming 2024 outlook:
  - **Comparable EBITDA** is expected to be $11.2 to $11.5 billion[2]
  - **Comparable earnings per common share** is expected to be lower than 2023[2] due to the net impact of higher net income attributable to non-controlling interests, partially offset by increased comparable EBITDA and higher AFUDC related to increased capital expenditures on the Southeast Gateway pipeline project
  - **Capital expenditures** are anticipated to be approximately $8.0 to $8.5 billion on a net basis after considering non-controlling interests
- Advanced our $3 billion asset divestiture program with the agreement to sell the Portland Natural Gas Transmission System (PNGTS) for expected pre-tax proceeds of approximately $1.1 billion (US$0.8 billion), including the assumption by the purchaser of US$250 million of Senior Notes outstanding at PNGTS
- Announced the sale of Prince Rupert Gas Transmission (PRGT) entities to Nisga'a Nation and Western LNG demonstrating continued focus on our strategic priorities
- Remain committed to limiting annual net capital expenditures to $6 to $7 billion, with a bias to the lower end, in 2025 and beyond
- Published our 2024 Management Information Circular for our June 4, 2024 Annual and Special Meeting of shareholders with further details related to the spinoff of the Liquids Pipelines business (the spinoff Transaction) and related transactions
- Received favourable Canadian and U.S. tax rulings on the spinoff Transaction, and leading proxy advisor Institutional Shareholder Services (ISS) published a voting recommendation supporting the spinoff Transaction
- TC Energy's Board of Directors appointed Sean O'Donnell to succeed Joel Hunter as Executive Vice-President and Chief Financial Officer effective May 15, 2024
- Declared a quarterly dividend of $0.96 per common share for the quarter ending June 30, 2024.

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[1] Comparable EBITDA, comparable earnings and comparable earnings per common share are non-GAAP measures used throughout this news release. These measures do not have any standardized meaning under GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. The most directly comparable GAAP measures are Segmented earnings, Net income attributable to common shares and Net income per common share, respectively. For more information on non-GAAP measures, refer to the Non-GAAP Measures section of this news release.

[2] Prior to the potential impact of asset sales and the spinoff Transaction.

(millions of $, except per share amounts)	three months ended March 31 2024	2023
Income		
Net income (loss) attributable to common shares	**1,203**	1,313
per common share – basic	**$1.16**	$1.29
Segmented earnings (losses)		
Canadian Natural Gas Pipelines	**501**	411
U.S. Natural Gas Pipelines	**1,043**	1,079
Mexico Natural Gas Pipelines	**212**	254
Liquids Pipelines	**316**	176
Power and Energy Solutions	**252**	252
Corporate	**(58)**	(2)
Total segmented earnings (losses)	**2,266**	2,170
Comparable EBITDA		
Canadian Natural Gas Pipelines	**846**	740
U.S. Natural Gas Pipelines	**1,306**	1,267
Mexico Natural Gas Pipelines	**214**	172
Liquids Pipelines	**407**	317
Power and Energy Solutions	**320**	281
Corporate	**(3)**	(2)
Comparable EBITDA	**3,090**	2,775
Depreciation and amortization	**(719)**	(677)
Interest expense included in comparable earnings	**(837)**	(757)
Allowance for funds used during construction	**157**	131
Foreign exchange gains (losses), net included in comparable earnings	**43**	33
Interest income and other	**77**	42
Income tax (expense) recovery included in comparable earnings	**(333)**	(280)
Net (income) loss attributable to non-controlling interests	**(171)**	(11)
Preferred share dividends	**(23)**	(23)
Comparable earnings	**1,284**	1,233
Comparable earnings per common share	**$1.24**	$1.21
Cash flows		
Net cash provided by operations	**2,042**	2,074
Comparable funds generated from operations[i]	**2,436**	2,066
Capital spending[ii]	**1,897**	3,033
Acquisitions, net of cash acquired	**—**	(138)
Dividends declared		
per common share	**$0.96**	$0.93
Basic common shares outstanding (millions)		
– weighted average for the period	**1,037**	1,021
– issued and outstanding at end of period	**1,037**	1,023

i Comparable funds generated from operations is a non-GAAP measure used throughout this release. This measure does not have any standardized meaning under GAAP and therefore is unlikely to be comparable in similar measures presented by other companies. The most directly comparable GAAP measure is Net cash provided by operations. For more information on non-GAAP measures, refer to the Non-GAAP Measures section of this release.

ii Capital spending reflects cash flows associated with our Capital expenditures, Capital projects in development and Contributions to equity investments. Refer to Note 4, Segmented information, of our Condensed consolidated financial statements for additional information.

CEO Message

Throughout the first quarter of 2024, TC Energy continued to safely and reliably deliver energy across North America, while maximizing the value of our assets through operational excellence. This resulted in approximately 11 per cent growth in comparable EBITDA compared to first quarter 2023 and approximately four per cent growth in segmented earnings year-over-year. As we progress throughout the remainder of the year, our strategic priorities remain unchanged. We'll seek to maximize the value of our assets through safety and operational excellence, remain focused on project execution and continue our deleveraging path by advancing our asset divestiture program and streamlining our business through efficiency efforts. Our business is not exposed to material volumetric or commodity price risks and strong utilization rates demonstrate the continued demand for our services and the long-term criticality of our assets.

First quarter 2024 operational highlights include:

- Total NGTL System deliveries averaged 15.3 Bcf/d, up 0.7 Bcf/d compared to first quarter 2023
- The NGTL System achieved a new daily delivery record of 17.3 Bcf
- U.S. Natural Gas Pipelines (USNG) daily average flows in first quarter 2024 were 30 Bcf/d, up over five per cent compared to first quarter 2023
- USNG deliveries to power generators set a record for the quarter with average flows of 2.9 Bcf/d, up approximately 11 per cent year-over-year
- The overall USNG portfolio and specific assets including Columbia Gas, Columbia Gulf and Great Lakes Gas Transmission achieved all-time delivery records
- Throughput on our Mexico Natural Gas Pipelines assets increased 13 per cent year-over-year, reaching almost 3 Bcf/d largely driven by higher flows on our Sur de Texas pipeline
- Bruce Power achieved 92 per cent availability, in line with 2024 outlook that anticipates an average availability in the low-90 per cent range
- Cogeneration power plant fleet achieved 98.7 per cent availability
- Wide heavy oil differentials resulted in strong demand for uncommitted capacity on long-haul segment of the Keystone Pipeline System
- The Keystone Pipeline System achieved 96 per cent operational reliability in first quarter 2024, which, when paired with favourable market conditions, contributed to a 28 per cent increase in Liquids Pipelines comparable EBITDA relative to the first quarter 2023.

We continue to **execute projects on-time and on-budget**. On our **Southeast Gateway** pipeline project in Mexico, over 70 per cent of deepwater offshore pipe installation is now complete. We have also completed all three landfall sites and construction of onshore facilities and pipe activities continue to progress well. Following mechanical completion of the **Coastal GasLink (CGL)** pipeline project ahead of our year end 2023 target, post-construction reclamation activities are currently underway and are expected to continue through 2024. Commercial in-service of CGL will occur after completion of plant commissioning activities at the LNG Canada facility and upon receiving notice from LNG Canada. We are progressing towards approximately $7 billion of projects that are expected to be placed into service in 2024. Within the U.S., we placed the US$0.1 billion Virginia Electrification project in service on time and on budget in February 2024. In March 2024, we also placed the approximately US$0.3 billion Gillis Access project in service, a 68 km (42 mile) greenfield pipeline system that connects natural gas production sourced from the Gillis hub to downstream markets in southeast Louisiana. Including projects placed into service on our NGTL System, we've placed approximately $1 billion of projects into service year to date, largely within budget. The remaining projects expected to be placed into service this year is largely comprised of CGL.

During the quarter, we progressed toward our **$3 billion asset divestiture target** with an agreement to sell PNGTS for expected pre-tax proceeds of approximately $1.1 billion (US$0.8 billion), which includes the assumption by the purchaser of the US$250 million of Senior Notes outstanding at PNGTS. This transaction implies a valuation multiple of approximately 11 times 2023 comparable EBITDA, and is expected to close in the second half of 2024 subject to regulatory approvals and customary closing conditions. In addition, we announced the sale of PRGT entities to Nisga'a Nation and Western LNG. This transaction demonstrates TC Energy's commitment toward delivering its 2024 capital allocation priorities while supporting the continued development of critical natural gas infrastructure. This also highlights our commitment of staying within our $6 to $7 billion annual net capital expenditure limit, with a bias to the lower end, in 2025 and beyond. We are firmly on a path to enhancing balance sheet strength and achieving our 4.75 times debt-to-EBITDA[3] target by year end 2024, which represents the upper limit we will manage to going forward.

We continue to progress the spinoff of the **Liquids Pipelines** business. Ahead of our June 4, 2024 Annual and Special Meeting, we published our 2024 Management Information Circular on April 16, 2024 which includes further details around the spinoff Transaction. Under the spinoff Transaction, common shareholders of TC Energy as of the record date established for the spinoff will receive, in exchange for each TC Energy share, one new TC Energy share and 0.2 of a South Bow Corporation (South Bow) common share. Shareholder dividends, on a pro forma combined basis, are expected to remain whole between TC Energy and South Bow following the spinoff Transaction[4].

South Bow plans to develop the Blackrod Connection project in Alberta for approximately $250 million, which consists of a 25 km (16 mile) crude oil pipeline and 25 km (16 mile) natural gas lateral and associated facilities to provide crude oil transportation from International Petroleum Corporation's Blackrod project to the Grand Rapids Pipeline System. South Bow is expected to achieve average long-term growth in comparable EBITDA of approximately two to three per cent and the Blackrod Connection project is expected to contribute to this growth. This is just the first example of how the spinoff Transaction will allow the new entity to better focus and fully capture the incremental value that exists within South Bow's unique opportunity set.

TC Energy's Board of Directors and management team are confident that the proposed separation will enhance long-term value for TC Energy shareholders by creating two highly focused, premium energy infrastructure companies. Each company will be structured to reflect distinct value propositions and the ability to pursue and achieve greater success independently by executing tailored strategies targeted to distinct customer sets and market fundamentals.

[3] Debt-to-EBITDA is a non-GAAP ratio. Adjusted debt and adjusted comparable EBITDA are non-GAAP measures used to calculate debt-to-EBITDA. See the Forward-looking information, Non-GAAP measures and Reconciliation sections for more information.
[4] Dividends are at the discretion of the respective Board of Directors.

Teleconference and Webcast

We will hold a teleconference and webcast on Friday, May 3, 2024 at 6:30 a.m. (MDT) / 8:30 a.m. (EDT) to discuss our first quarter 2024 financial results and Company developments. Presenters will include François Poirier, President and Chief Executive Officer; Joel Hunter, Executive Vice-President and Chief Financial Officer; and other members of the executive leadership team.

Members of the investment community and other interested parties are invited to participate by calling **1-844-763-8274 (Canada/U.S.) or 1-647-484-8814 (International)**. No passcode is required. Please dial in 15 minutes prior to the start of the call. Alternatively, participants may pre-register for the call here. Upon registering, you will receive a calendar booking by email with dial in details and a unique PIN. This process will bypass the operator and avoid the queue. Registration will remain open until the end of the conference call.

A live webcast of the teleconference will be available on TC Energy's website at www.TCEnergy.com/events or via the following URL: https://www.gowebcasting.com/13193. The webcast will be available for replay following the meeting.

A replay of the teleconference will be available two hours after the conclusion of the call until midnight EDT on May 10, 2024. Please call 1-855-669-9658 (Canada/U.S.) or 1-604-674-8052 (International) and enter passcode 0831.

The unaudited interim Condensed consolidated financial statements and Management's Discussion and Analysis (MD&A) are available on our website at www.TCEnergy.com and will be filed today under TC Energy's profile on SEDAR+ at www.sedarplus.ca and with the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov.

About TC Energy

We're a team of 7,000+ energy problem solvers working to move, generate and store the energy North America relies on. Today, we're delivering solutions to the world's toughest energy challenges – from innovating to deliver the natural gas that feeds LNG to global markets, to working to reduce emissions from our assets, to partnering with our neighbours, customers and governments to build the energy system of the future. It's all part of how we continue to deliver sustainable returns for our investors and create value for communities.

TC Energy's common shares trade on the Toronto (TSX) and New York (NYSE) stock exchanges under the symbol TRP.
To learn more, visit us at www.TCEnergy.com.

Forward-Looking Information

This release contains certain information that is forward-looking and is subject to important risks and uncertainties and is based on certain key assumptions. Forward-looking statements are usually accompanied by words such as "anticipate", "expect", "believe", "may", "will", "should", "estimate" or other similar words. Forward-looking statements in this document may include, but are not limited to, statements on the progress of Coastal GasLink and Southeast Gateway, including mechanical completion, offshore installations and in-service dates, expected comparable EBITDA and comparable earnings per common share and targeted debt-to-EBITDA leverage metrics for 2024, and the sources thereof, expectations with respect to our asset divestiture program, our expected net capital expenditures and dividend outlook and the spinoff Transaction, including the structure, conditions, timing and tax effect thereof. Our forward-looking information is subject to important risks and uncertainties and is based on certain key assumptions. Forward-looking statements and future-oriented financial information in this document are intended to provide TC Energy security holders and potential investors with information regarding TC Energy and its subsidiaries, including management's assessment of TC Energy's and its subsidiaries' future plans and financial outlook. All forward-looking statements reflect TC Energy's beliefs and assumptions based on information available at the time the statements were made and as such are not guarantees of future performance. As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information and should not use future-oriented information or financial outlooks for anything other than their intended purpose. We do not update our forward-looking information due to new information or future events, unless we are required to by law. For additional information on the assumptions made, and the risks and uncertainties which could cause actual results to differ from the anticipated results, refer to the most recent Quarterly Report to Shareholders and the 2023 Annual

Report filed under TC Energy's profile on SEDAR+ at www.sedarplus.ca and with the U.S. Securities and Exchange Commission at www.sec.gov and the "Forward-looking information" section of our Report on Sustainability and our GHG Emissions Reduction Plan which are available on our website at www.TCEnergy.com.

Non-GAAP Measures

This release contains references to the following non-GAAP measures: comparable EBITDA, comparable earnings, comparable earnings per common share, comparable funds generated from operations and net capital expenditures. It also contains references to debt-to-EBITDA, a non-GAAP ratio, which is calculated using adjusted debt and adjusted comparable EBITDA, each of which are non-GAAP measures. These non-GAAP measures do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. These non-GAAP measures are calculated by adjusting certain GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. These comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable except as otherwise described in the Condensed consolidated financial statements and MD&A. Refer to: (i) each business segment for a reconciliation of comparable EBITDA to segmented earnings (losses); (ii) Consolidated results section for reconciliations of comparable earnings and comparable earnings per common share to Net income attributable to common shares and Net income per common share, respectively; and (iii) Financial condition section for a reconciliation of comparable funds generated from operations to Net cash provided by operations. Refer to the Non-GAAP Measures section of the MD&A in our most recent quarterly report for more information about the non-GAAP measures we use. The MD&A is included with, and forms part of, this release. The MD&A can be found on SEDAR+ at www.sedarplus.ca under TC Energy's profile.

With respect to non-GAAP measures used in the calculation of debt-to-EBITDA, adjusted debt is defined as the sum of Reported Total debt, including Notes payable, Long-term debt, Current portion of long-term debt and Junior subordinated notes, as reported on our Consolidated balance sheet as well as Operating lease liabilities recognized on our Consolidated balance sheet and 50 per cent of Preferred shares as reported on our Consolidated balance sheet due to the debt-like nature of their contractual and financial obligations, less Cash and cash equivalents as reported on our Consolidated balance sheet and 50 per cent of Junior subordinated notes as reported on our Consolidated balance sheet due to the equity-like nature of their contractual and financial obligations. Adjusted comparable EBITDA is calculated as comparable EBITDA excluding operating lease costs recorded in Plant operating costs and other in our Consolidated statement of income and adjusted for Distributions received in excess of (income) loss from equity investments as reported in our Consolidated statement of cash flows which we believe is more reflective of the cash flows available to TC Energy to service our debt and other long-term commitments. We believe that debt-to-EBITDA provides investors with useful information as it reflects our ability to service our debt and other long-term commitments. See the Reconciliation section for reconciliations of adjusted debt and adjusted comparable EBITDA for the years ended December 31, 2022 and 2023.

Reconciliation

The following is a reconciliation of adjusted debt and adjusted comparable EBITDA[i].

	year ended December 31	
(millions of Canadian $)	2023	2022
Reported total debt	63,201	58,300
Management adjustments:		
Debt treatment of preferred shares[ii]	1,250	1,250
Equity treatment of junior subordinated notes[iii]	(5,144)	(5,248)
Cash and cash equivalents	(3,678)	(620)
Operating lease liabilities	459	433
Adjusted debt	56,088	54,115
Comparable EBITDA[iv]	10,988	9,901
Operating lease cost	118	106
Distributions received in excess of (income) loss from equity investments	(123)	(29)
Adjusted Comparable EBITDA	10,983	9,978
Adjusted Debt/Adjusted Comparable EBITDA[i]	5.1	5.4

i Adjusted debt and adjusted comparable EBITDA are non-GAAP measures. The calculations are based on management methodology. Individual rating agency calculations will differ.

ii 50 per cent debt treatment on $2.5 billion of preferred shares as of December 31, 2023.

iii 50 per cent equity treatment on $10.3 billion of junior subordinated notes as of December 31, 2023. U.S. dollar-denominated notes translated at December 31, 2023, U.S./Canada foreign exchange rate of 1.32.

iv Comparable EBITDA is a non-GAAP financial measure. See the Forward-looking information and Non-GAAP measures sections for more information.

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Quarterly report to shareholders

First quarter 2024

Financial highlights

(millions of $, except per share amounts)	three months ended March 31 **2024**	**2023**
Income		
Revenues	**4,243**	3,928
Net income (loss) attributable to common shares	**1,203**	1,313
per common share – basic	**$1.16**	$1.29
Comparable EBITDA[1]	**3,090**	2,775
Comparable earnings	**1,284**	1,233
per common share	**$1.24**	$1.21
Cash flows		
Net cash provided by operations	**2,042**	2,074
Comparable funds generated from operations	**2,436**	2,066
Capital spending[2]	**1,897**	3,033
Acquisitions, net of cash acquired	**—**	(138)
Dividends declared		
per common share	**$0.96**	$0.93
Basic common shares outstanding (millions)		
– weighted average for the period	**1,037**	1,021
– issued and outstanding at end of period	**1,037**	1,023

1 Additional information on Segmented earnings (losses), the most directly comparable GAAP measure, can be found in the Consolidated results section.

2 Capital spending reflects cash flows associated with our Capital expenditures, Capital projects in development and Contributions to equity investments. Refer to Note 4, Segmented information, of our Condensed consolidated financial statements for additional information.

Management’s discussion and analysis

May 2, 2024

This management’s discussion and analysis (MD&A) contains information to help the reader make investment decisions about TC Energy Corporation (TC Energy). It discusses our business, operations, financial position, risks and other factors for the three months ended March 31, 2024 and should be read with the accompanying unaudited Condensed consolidated financial statements for the three months ended March 31, 2024, which have been prepared in accordance with U.S. GAAP.

This MD&A should also be read in conjunction with our December 31, 2023 audited Consolidated financial statements and notes and the MD&A in our 2023 Annual Report. Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in our 2023 Annual Report. Certain comparative figures have been adjusted to reflect the current period's presentation.

FORWARD-LOOKING INFORMATION

We disclose forward-looking information to help the reader understand management's assessment of our future plans and financial outlook and our future prospects overall.

Statements that are ***forward looking*** are based on certain assumptions and on what we know and expect today and generally include words like ***anticipate, expect, believe, may, will, should, estimate*** or other similar words.

Forward-looking statements in this MD&A include information about the following, among other things:
- our financial and operational performance, including the performance of our subsidiaries
- expectations about strategies and goals for growth and expansion, including acquisitions
- expected cash flows and future financing options available along with portfolio management
- expectations about the new Liquids Pipelines Company, South Bow Corporation, following the anticipated completion of the proposed spinoff transaction of our Liquids Pipelines business (the spinoff Transaction) into a separate publicly listed company, including the management and credit ratings thereof
- expectations regarding the size, structure, timing, conditions and outcome of ongoing and future transactions, including the spinoff Transaction and our asset divestiture program
- expected dividend growth
- expected access to and cost of capital
- expected energy demand levels
- expected costs and schedules for planned projects, including projects under construction and in development
- expected capital expenditures, contractual obligations, commitments and contingent liabilities, including environmental remediation costs
- expected regulatory processes and outcomes
- statements related to our GHG emissions reduction goals
- expected outcomes with respect to legal proceedings, including arbitration and insurance claims
- expected impact of future tax and accounting changes
- commitments and targets contained in our Report on Sustainability and GHG Emissions Reduction Plan
- expected industry, market and economic conditions, including their impact on our customers and suppliers.

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.

Our forward-looking information is based on the following key assumptions and subject to the following risks and uncertainties:

Assumptions

- realization of expected benefits from acquisitions, divestitures, the spinoff Transaction and energy transition
- regulatory decisions and outcomes
- planned and unplanned outages and the use of our pipelines, power and storage assets
- integrity and reliability of our assets
- anticipated construction costs, schedules and completion dates
- access to capital markets, including portfolio management
- expected industry, market and economic conditions, including the impact of these on our customers and suppliers
- inflation rates, commodity and labour prices
- interest, tax and foreign exchange rates
- nature and scope of hedging.

Risks and uncertainties

- realization of expected benefits from acquisitions, divestitures, the spinoff Transaction and energy transition
- terms, timing and completion of the spinoff Transaction, including the timely receipt of all necessary approvals
- that market or other conditions are no longer favourable to completing the spinoff Transaction
- business disruption during the period prior to or directly following the spinoff Transaction
- our ability to successfully implement our strategic priorities, including the Focus Project, and whether they will yield the expected benefits
- our ability to implement a capital allocation strategy aligned with maximizing shareholder value
- operating performance of our pipelines, power generation and storage assets
- amount of capacity sold and rates achieved in our pipeline businesses
- amount of capacity payments and revenues from power generation assets due to plant availability
- production levels within supply basins
- construction and completion of capital projects
- cost, availability of, and inflationary pressures on, labour, equipment and materials
- availability and market prices of commodities
- access to capital markets on competitive terms
- interest, tax and foreign exchange rates
- performance and credit risk of our counterparties
- regulatory decisions and outcomes of legal proceedings, including arbitration and insurance claims
- our ability to effectively anticipate and assess changes to government policies and regulations, including those related to the environment
- our ability to realize the value of tangible assets and contractual recoveries
- competition in the businesses in which we operate
- unexpected or unusual weather
- acts of civil disobedience
- cybersecurity and technological developments
- sustainability-related risks
- impact of energy transition on our business
- economic conditions in North America, as well as globally
- global health crises, such as pandemics and epidemics, and the impacts related thereto.

You can read more about these factors and others in this MD&A and in other reports we have filed with Canadian securities regulators and the SEC, including the MD&A in our 2023 Annual Report.

As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information and should not use future-oriented information or financial outlooks for anything other than their intended purpose. We do not update our forward-looking statements due to new information or future events unless we are required to by law.

FOR MORE INFORMATION

You can find more information about TC Energy in our Annual Information Form and other disclosure documents, which are available on SEDAR+ (www.sedarplus.ca).

NON-GAAP MEASURES

This MD&A references the following non-GAAP measures:

- comparable EBITDA
- comparable EBIT
- comparable earnings
- comparable earnings per common share
- funds generated from operations
- comparable funds generated from operations
- net capital expenditures.

These measures do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. Discussions throughout this MD&A on the factors impacting comparable earnings are consistent with the factors that impact net income (loss) attributable to common shares, except where noted otherwise. Discussions throughout this MD&A on the factors impacting comparable earnings before interest, taxes, depreciation and amortization (comparable EBITDA) and comparable earnings before interest and taxes (comparable EBIT) are consistent with the factors that impact segmented earnings, except where noted otherwise.

Comparable measures

We calculate comparable measures by adjusting certain GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. Except as otherwise described herein, these comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable.

Our decision to adjust for a specific item in reporting comparable measures is subjective and made after careful consideration. We adjust for the following specific items:

- gains or losses on sales of assets or assets held for sale
- valuation allowances and adjustments resulting from changes in legislation and enacted tax rates
- legal, contractual, bankruptcy and other settlements, including non-recurring third-party settlements
- impairment of goodwill, plant, property and equipment, equity investments and other assets
- acquisition, integration and restructuring costs, including costs related to our Focus Project and the spinoff Transaction
- unrealized fair value adjustments related to risk management activities of Bruce Power's funds invested for post-retirement benefits
- unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities.

We exclude from comparable measures the unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities. These derivatives generally provide effective economic hedges but do not meet the criteria for hedge accounting. The changes in fair value, including our proportionate share of changes in fair value related to Bruce Power are recorded in net income. As these amounts do not accurately reflect the gains and losses that will be realized at settlement, we do not consider them reflective of our underlying operations.

In third quarter 2023, we announced plans to separate into two independent, investment-grade, publicly listed companies through the spinoff Transaction. A separation management office was established to guide the successful coordination and governance between the two entities, including the development of a separation agreement and transition service agreement. Liquids Pipelines business separation costs related to the spinoff Transaction include internal costs related to separation activities, legal, tax, audit and other consulting fees, which are recognized in the results of our Liquids Pipelines and Corporate segments. These items have been excluded from comparable measures as we do not consider them reflective of our ongoing underlying operations.

TransCanada PipeLines Limited (TCPL) and Transportadora de Gas Natural de la Huasteca (TGNH) are party to an unsecured revolving credit facility. The loan receivable and loan payable are eliminated upon consolidation; however, due to differences in the currency that each entity reports its financial results, there is an impact to net income reflecting the translation of the loan receivable and payable to TC Energy's reporting currency. As the amounts do not accurately reflect what will be realized at settlement, beginning in second quarter 2023, we exclude from comparable measures the unrealized foreign exchange gains and losses on the loan receivable, as well as the corresponding unrealized foreign exchange gains and losses on the loan payable.

In 2022, TGNH and the CFE executed agreements which consolidate a number of operating and in-development natural gas pipelines in central and southeast Mexico under one TSA. As this TSA contains a lease, we have recognized amounts in net investment in leases on our Condensed consolidated balance sheet. In accordance with the requirements of U.S. GAAP, we have recognized an expected credit loss provision related to net investment in leases and certain contract assets in Mexico. The amount of this provision will fluctuate from period to period based on changing economic assumptions and forward-looking information. The provision is an estimate of losses that may occur over the duration of the TSA through 2055. As this provision, as well as a provision related to certain contract assets in Mexico, do not reflect losses or cash outflows that were incurred under this lease arrangement in the current period or from our underlying operations, we have excluded any unrealized changes from comparable measures.

The following table identifies our non-GAAP measures against their most directly comparable GAAP measures:

Comparable measure	GAAP measure
comparable EBITDA	segmented earnings (losses)
comparable EBIT	segmented earnings (losses)
comparable earnings	net income (loss) attributable to common shares
comparable earnings per common share	net income (loss) per common share
funds generated from operations	net cash provided by operations
comparable funds generated from operations	net cash provided by operations
net capital expenditures	capital expenditures

Quantitative reconciliations of our comparable measures to their GAAP measures are found throughout this MD&A.

Comparable EBITDA and comparable EBIT

Comparable EBITDA represents segmented earnings (losses) adjusted for specific items described in the Comparable measures section above, excluding charges for depreciation and amortization. We use comparable EBITDA as a measure of our earnings from ongoing operations as it is a useful indicator of our performance and is also presented on a consolidated basis. Comparable EBIT represents segmented earnings (losses) adjusted for specific items and is an effective tool for evaluating trends in each segment. Refer to each business segment for a reconciliation to segmented earnings (losses).

Comparable earnings and comparable earnings per common share

Comparable earnings represents earnings attributable to common shareholders on a consolidated basis, adjusted for specific items described in the Comparable measures section above. Comparable earnings is comprised of segmented earnings (losses), Interest expense, AFUDC, Foreign exchange (gains) losses, net, Interest income and other, Income tax expense (recovery), Net income (loss) attributable to non-controlling interests and Preferred share dividends, adjusted for specific items. Refer to the Consolidated results section for reconciliations to Net income (loss) attributable to common shares and Net income (loss) per common share.

Funds generated from operations and comparable funds generated from operations

Funds generated from operations reflects net cash provided by operations before changes in operating working capital. The components of changes in working capital are disclosed in our 2023 Consolidated financial statements. We believe funds generated from operations is a useful measure of our consolidated operating cash flows because it excludes fluctuations from working capital balances, which do not necessarily reflect underlying operations in the same period, and is used to provide a consistent measure of the cash-generating ability of our businesses. Comparable funds generated from operations is adjusted for the cash impact of specific items described in the Comparable measures section above. Refer to the Financial condition section for a reconciliation to Net cash provided by operations.

Net capital expenditures

Net capital expenditures represents capital expenditures, including growth projects, maintenance capital expenditures, contributions to equity investments, and projects under development, adjusted for the portion attributed to non-controlling interests in the entities we control. We use net capital expenditures as we believe it is a useful measure of our cash flow used for capital reinvestment.

Consolidated results

(millions of $, except per share amounts)	three months ended March 31 2024	2023
Canadian Natural Gas Pipelines	**501**	411
U.S. Natural Gas Pipelines	**1,043**	1,079
Mexico Natural Gas Pipelines	**212**	254
Liquids Pipelines	**316**	176
Power and Energy Solutions	**252**	252
Corporate	**(58)**	(2)
Total segmented earnings (losses)	**2,266**	2,170
Interest expense	**(837)**	(762)
Allowance for funds used during construction	**157**	131
Foreign exchange gains (losses), net	**27**	107
Interest income and other	**77**	42
Income (loss) before income taxes	**1,690**	1,688
Income tax (expense) recovery	**(293)**	(341)
Net income (loss)	**1,397**	1,347
Net (income) loss attributable to non-controlling interests	**(171)**	(11)
Net income (loss) attributable to controlling interests	**1,226**	1,336
Preferred share dividends	**(23)**	(23)
Net income (loss) attributable to common shares	**1,203**	1,313
Net income (loss) per common share – basic	**$1.16**	$1.29

Net income (loss) attributable to common shares decreased by $110 million or $0.13 per common share for the three months ended March 31, 2024 compared to the same period in 2023. The following specific items were recognized in Net income (loss) attributable to common shares and were excluded from comparable earnings:

2024 results

- an after-tax unrealized foreign exchange gain of $55 million on the peso-denominated intercompany loan between TCPL and TGNH
- a $15 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- an after-tax expense of $26 million related to a non-recurring third-party settlement
- an after-tax charge of $13 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- an $8 million after-tax expense related to Focus Project costs.

2023 results

- a $72 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- a $48 million after-tax charge as a result of the FERC Administrative Law Judge initial decision on Keystone issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022, which consists of a one-time, pre-tax charge of $57 million and accrued pre-tax carrying charges of $5 million
- an after-tax impairment charge of $29 million related to our equity investment in Coastal GasLink Pipeline Limited Partnership (Coastal GasLink LP)
- preservation and other costs for Keystone XL pipeline project assets of $4 million after tax.

Net income in both periods included unrealized gains and losses on our proportionate share of Bruce Power's fair value adjustment on funds invested for post-retirement benefits and derivatives related to its risk management activities, as well as unrealized gains and losses from changes in our risk management activities, all of which we exclude along with the above noted items, to arrive at comparable earnings. A reconciliation of Net income (loss) attributable to common shares to comparable earnings is shown in the following table.

RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHARES TO COMPARABLE EARNINGS

	three months ended March 31	
(millions of $, except per share amounts)	**2024**	**2023**
Net income (loss) attributable to common shares	**1,203**	1,313
Specific items (net of tax):		
Foreign exchange (gains) losses, net – intercompany loan	**(55)**	—
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**(15)**	(72)
Third-party settlement	**26**	—
Liquids Pipelines business separation costs	**13**	—
Focus Project costs	**8**	—
Keystone regulatory decisions	**—**	48
Coastal GasLink impairment charge	**—**	29
Keystone XL preservation and other	**—**	4
Bruce Power unrealized fair value adjustments	**4**	(6)
Risk management activities[1]	**100**	(83)
Comparable earnings	**1,284**	1,233
Net income (loss) per common share	**$1.16**	$1.29
Specific items (net of tax):		
Foreign exchange (gains) losses, net – intercompany loan	**(0.05)**	—
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**(0.02)**	(0.07)
Third-party settlement	**0.03**	—
Liquids Pipelines business separation costs	**0.01**	—
Focus Project costs	**0.01**	—
Keystone regulatory decisions	**—**	0.05
Coastal GasLink impairment charge	**—**	0.03
Keystone XL preservation and other	**—**	—
Bruce Power unrealized fair value adjustments	**—**	(0.01)
Risk management activities	**0.10**	(0.08)
Comparable earnings per common share	**$1.24**	$1.21

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Risk management activities	three months ended March 31	
(millions of $)	**2024**	**2023**
U.S. Natural Gas Pipelines	**(23)**	49
Liquids Pipelines	**(1)**	5
Canadian Power	**57**	(8)
U.S. Power	**(4)**	1
Natural Gas Storage	**(90)**	(12)
Foreign exchange	**(71)**	74
Income tax attributable to risk management activities	**32**	(26)
Total unrealized gains (losses) from risk management activities	**(100)**	83

COMPARABLE EBITDA TO COMPARABLE EARNINGS

Comparable EBITDA represents segmented earnings (losses) adjusted for the specific items described above and excludes charges for depreciation and amortization. For further information on our reconciliation of comparable EBITDA to segmented earnings (losses) refer to the financial results section for each business segment.

	three months ended March 31	
(millions of $, except per share amounts)	**2024**	**2023**
Comparable EBITDA		
Canadian Natural Gas Pipelines	**846**	740
U.S. Natural Gas Pipelines	**1,306**	1,267
Mexico Natural Gas Pipelines	**214**	172
Liquids Pipelines	**407**	317
Power and Energy Solutions	**320**	281
Corporate	**(3)**	(2)
Comparable EBITDA	**3,090**	2,775
Depreciation and amortization	**(719)**	(677)
Interest expense included in comparable earnings	**(837)**	(757)
Allowance for funds used during construction	**157**	131
Foreign exchange gains (losses), net included in comparable earnings	**43**	33
Interest income and other	**77**	42
Income tax (expense) recovery included in comparable earnings	**(333)**	(280)
Net (income) loss attributable to non-controlling interests	**(171)**	(11)
Preferred share dividends	**(23)**	(23)
Comparable earnings	**1,284**	1,233
Comparable earnings per common share	**$1.24**	$1.21

Comparable EBITDA – 2024 versus 2023

Comparable EBITDA increased by $315 million for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to the net effect of the following:

- increased EBITDA in Canadian Natural Gas Pipelines mainly due to higher flow-through costs and increased rate-base earnings on the NGTL System and Foothills
- increased EBITDA from Liquids Pipelines primarily due to higher volumes on the Keystone Pipeline System
- increased Power and Energy Solutions EBITDA mainly attributable to higher realized Alberta natural gas storage spreads, decreased business development costs across the segment and higher contributions from Bruce Power, partially offset by lower realized power prices for Canadian Power
- increased U.S. dollar-denominated EBITDA from Mexico Natural Gas Pipelines primarily due to higher equity earnings from Sur de Texas as a result of lower income tax expense and the impact of peso-denominated financial exposure, as well as incremental earnings from the lateral section of the Villa de Reyes pipeline which was placed in service in third quarter 2023
- increased U.S. dollar-denominated EBITDA from U.S. Natural Gas Pipelines as a result of incremental earnings from projects placed in service, increased equity earnings and additional contracts sales, partially offset by lower realized margins related to our U.S. natural gas marketing business and lower commodity prices related to our mineral rights business.

Due to the flow-through treatment of certain costs including income taxes, financial charges and depreciation in our Canadian rate-regulated pipelines, changes in these costs impact our comparable EBITDA despite having no significant effect on net income.

Comparable earnings – 2024 versus 2023

Comparable earnings increased by $51 million or $0.03 per common share for the three months ended March 31, 2024 compared to the same period in 2023 and was primarily the net effect of:

- changes in comparable EBITDA described above
- higher net income attributable to non-controlling interests primarily due to the sale of a 40 per cent non-controlling equity interest in Columbia Gas Transmission, LLC (Columbia Gas) and Columbia Gulf Transmission, LLC (Columbia Gulf) in fourth quarter 2023
- higher interest expense primarily due to long-term debt issuances, net of maturities, partially offset by reduced levels of short-term borrowings and higher capitalized interest
- increased income tax expense due to higher earnings, net of income attributable to non-controlling interests and lower foreign tax rate differentials, partially offset by the impact of our Mexico foreign exchange exposure
- higher depreciation and amortization reflecting expansion facilities and new projects placed in service and the acquisitions of the Fluvanna Wind Farm and Blue Cloud Wind Farm (Texas Wind Farms) in 2023
- higher interest income and other due to higher interest earned on short-term investments
- higher AFUDC primarily due to the Southeast Gateway pipeline project, partially offset by projects placed in service
- the impact of activities to manage our net exposure to foreign exchange rate fluctuation on U.S. dollar-denominated income and the revaluation of our peso-denominated net monetary liabilities to U.S. dollars, partially offset by derivatives used to manage our foreign exchange exposure to net liabilities in Mexico.

Outlook

Comparable EBITDA and comparable earnings

Our overall comparable EBITDA and comparable earnings per common share outlooks for 2024 remain consistent with our 2023 Annual Report. Our outlook does not take into consideration the impact of the spinoff Transaction as it is subject to TC Energy shareholder approval, court approval, other regulatory approvals and satisfaction of other customary closing conditions. The sale of our ownership interest in Portland Natural Gas Transmission System (PNGTS) does not have a material impact as certain assumptions related to our asset divestiture program were included in the outlook disclosed in our 2023 Annual Report.

We continue to monitor developments in energy markets, our construction projects, regulatory proceedings and progress on the remainder of our asset divestiture program for any potential impacts on our 2024 comparable EBITDA and comparable earnings per common share.

Consolidated capital expenditures

Our expected total capital expenditures for 2024 as outlined in our 2023 Annual Report remain materially unchanged.

Capital program

We are developing quality projects under our capital program. These long-life infrastructure assets are supported by long-term commercial arrangements with creditworthy counterparties and/or regulated business models that are expected to generate significant growth in earnings and cash flows. In addition, many of these projects are expected to advance our goals to reduce our own carbon footprint, as well as that of our customers.

Our capital program consists of approximately $31 billion of secured projects that represent commercially supported, committed projects that are either under construction or are in, or preparing to, commence the permitting stage.

Three years of maintenance capital expenditures for our businesses are included in the Secured projects table. Maintenance capital expenditures on our regulated Canadian and U.S. natural gas pipelines are added to rate base on which we have the opportunity to earn a return and recover these expenditures through current or future tolls, which is similar to our capacity capital projects on these pipelines. Tolling arrangements in our Liquids Pipelines business provide for the recovery of maintenance capital expenditures.

During the three months ended March 31, 2024, we placed approximately $0.6 billion of natural gas pipeline capacity projects into service along our extensive North American asset footprint. In addition, approximately $0.2 billion of maintenance capital expenditures were incurred.

All projects are subject to cost and timing adjustments due to factors including weather, market conditions, route refinement, land acquisition, permitting conditions, scheduling and timing of regulatory permits, as well as other potential restrictions and uncertainties, including inflationary pressures on labour and materials. Amounts exclude capitalized interest and AFUDC, where applicable.

In addition to our secured projects, we are pursuing a portfolio of quality projects in various stages of development across each of our business units as discussed in our 2023 Annual Report. Projects under development have greater uncertainty with respect to timing and estimated project costs and are subject to corporate and regulatory approvals, unless otherwise noted. While each business segment also has additional areas of focus for further ongoing business development activities and growth opportunities, new opportunities will be assessed within our capital allocation framework in order to fit within our annual capital expenditure parameters. As these projects advance and reach necessary milestones they will be included in the Secured projects table below. Refer to the Recent developments section for updates to our secured projects.

Secured projects

Estimated and incurred project costs referred to in the following table include 100 per cent of the capital expenditures related to projects within entities that we own or partially own and fully consolidate, as well as our share of equity contributions to fund projects within our equity investments, primarily Coastal GasLink and Bruce Power.

(billions of $)	Expected in-service date	Estimated project cost	Project costs incurred at March 31, 2024
Canadian Natural Gas Pipelines			
NGTL System	2024	0.7	0.5
	2026+	0.7	0.1
Coastal GasLink[1]	2024	5.5	4.7
Regulated maintenance capital expenditures	2024-2026	2.3	0.1
U.S. Natural Gas Pipelines			
Modernization and other[2]	2024-2026	US 1.7	US 0.9
Delivery market projects	2025	US 1.5	US 0.2
Heartland project	2027	US 0.9	—
Other capital	2024-2028	US 1.1	US 0.2
Regulated maintenance capital expenditures	2024-2026	US 2.2	US 0.1
Mexico Natural Gas Pipelines			
Villa de Reyes – south section[3]	2024	US 0.4	US 0.3
Tula[4]	—	US 0.4	US 0.3
Southeast Gateway	2025	US 4.5	US 2.8
Liquids Pipelines			
Recoverable maintenance capital expenditures	2024-2026	0.3	—
Power and Energy Solutions			
Bruce Power – Unit 3 MCR	2026	1.1	0.6
Bruce Power – Unit 4 MCR	2028	0.9	0.2
Bruce Power – life extension[5]	2024-2027	1.8	0.8
Other			
Non-recoverable maintenance capital expenditures[6]	2024-2026	0.4	—
		26.4	**11.8**
Foreign exchange impact on secured projects[7]		**4.4**	**1.7**
Total secured projects (Cdn$)		**30.8**	**13.5**

1 The estimated project cost noted above represents our share of anticipated partner equity contributions to the project. Mechanical completion was achieved in November 2023. Commercial in-service of the Coastal GasLink pipeline will occur after completion of plant commissioning activities at the LNG Canada facility and upon receiving notice from LNG Canada. Refer to the Recent developments – Canadian Natural Gas Pipelines section for additional information.

2 Includes 100 per cent of the capital expenditures related to our modernization program on Columbia Gas, as well as certain large-scope maintenance projects across our U.S. natural gas pipelines footprint due to their discrete nature and timing for regulatory recovery.

3 We are working with the CFE on completing the remaining section of the Villa de Reyes pipeline, with an anticipated in-service date in the second half of 2024. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.

4 Estimated project cost as per contracts signed in 2022 as part of the TGNH strategic alliance between TC Energy and the CFE. We continue to evaluate the development and completion of the Tula pipeline, with the CFE, subject to a future FID and updated cost estimate. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.

5 Reflects amounts to be invested under the Asset Management program, other life extension projects and the incremental uprate initiative.

6 Includes non-recoverable maintenance capital expenditures from all segments and are primarily related to our Mexico, Power and Energy Solutions and other assets.

7 Reflects U.S./Canada foreign exchange rate of 1.35 at March 31, 2024.

Canadian Natural Gas Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

(millions of $)	three months ended March 31	
	2024	**2023**
NGTL System	**601**	522
Canadian Mainline	**188**	185
Other Canadian pipelines[1]	**57**	33
Comparable EBITDA	**846**	740
Depreciation and amortization	**(345)**	(316)
Comparable EBIT	**501**	424
Specific item:		
Coastal GasLink impairment charge	**—**	(13)
Segmented earnings (losses)	**501**	411

1 Includes results from Foothills, Ventures LP, Great Lakes Canada and our proportionate share of income related to investments in TQM and Coastal GasLink, as well as general and administrative and business development costs related to our Canadian Natural Gas Pipelines.

For the three months ended March 31, 2024, Canadian Natural Gas Pipelines segmented earnings increased by $90 million compared to the same period in 2023. A pre-tax impairment charge of $13 million related to our equity investment in Coastal GasLink LP was recorded in first quarter 2023 and has been excluded from our calculation of comparable EBITDA and comparable EBIT. Refer to Note 6, Coastal GasLink, of our Condensed consolidated financial statements for additional information.

Net income and comparable EBITDA for our rate-regulated Canadian natural gas pipelines are primarily affected by our approved ROE, investment base, the level of deemed common equity and incentive earnings. Changes in depreciation, financial charges and income taxes also impact comparable EBITDA, but do not have a significant impact on net income as they are almost entirely recovered in revenues on a flow-through basis.

NET INCOME AND AVERAGE INVESTMENT BASE

(millions of $)	three months ended March 31	
	2024	**2023**
Net income		
NGTL System	**195**	190
Canadian Mainline	**55**	54
Average investment base		
NGTL System	**19,444**	18,580
Canadian Mainline	**3,622**	3,664

Net income for the NGTL System increased by $5 million for the three months ended March 31, 2024 compared to the same period in 2023 mainly due to a higher average investment base resulting from continued system expansions. The NGTL System is operating under the 2020-2024 Revenue Requirement Settlement which includes an approved ROE of 10.1 per cent on 40 per cent deemed common equity. This settlement provides the NGTL System the opportunity to increase depreciation rates if tolls fall below specified levels and an incentive mechanism for certain operating costs where variances from projected amounts are shared with our customers.

Net income for the Canadian Mainline for the three months ended March 31, 2024 was consistent with the same period in 2023. The Canadian Mainline is operating under the 2021-2026 Mainline Settlement which includes an approved ROE of 10.1 per cent on 40 per cent deemed common equity and an incentive to decrease costs and increase revenues on the pipeline under a beneficial sharing mechanism with our customers.

COMPARABLE EBITDA

Comparable EBITDA for Canadian Natural Gas Pipelines increased by $106 million for the three months ended March 31, 2024 compared to the same period in 2023 due to the net effect of:

- higher flow-through depreciation, income taxes and financial charges, as well as higher rate-base earnings on the NGTL System
- higher flow-through financial charges, income taxes and depreciation, as well as higher rate-base earnings on Foothills primarily due to the NGTL System/Foothills West Path Delivery Program completed during 2023.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $29 million for the three months ended March 31, 2024 compared to the same period in 2023, primarily reflecting incremental depreciation on the NGTL System from expansion facilities that were placed in service.

U.S. Natural Gas Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

	three months ended March 31	
(millions of US$, unless otherwise noted)	**2024**	**2023**
Columbia Gas[1]	**438**	395
ANR	**189**	192
Columbia Gulf[1]	**62**	59
Great Lakes	**69**	54
GTN	**55**	53
Portland[1]	**27**	29
Other U.S. pipelines[2]	**128**	156
Comparable EBITDA	**968**	938
Depreciation and amortization	**(178)**	(175)
Comparable EBIT	**790**	763
Foreign exchange impact	**276**	267
Comparable EBIT (Cdn$)	**1,066**	1,030
Specific item:		
Risk management activities	**(23)**	49
Segmented earnings (losses) (Cdn$)	**1,043**	1,079

1 Includes non-controlling interest. Refer to the Corporate section for additional information.

2 Reflects comparable EBITDA from our ownership in our mineral rights business (CEVCO), North Baja, Tuscarora, Bison, Crossroads and our share of equity income from Northern Border, Iroquois, Millennium and Hardy Storage, our U.S. natural gas marketing business, as well as general and administrative and business development costs related to our U.S. natural gas pipelines.

U.S. Natural Gas Pipelines segmented earnings decreased by $36 million for the three months ended March 31, 2024 compared to the same period in 2023 and includes unrealized gains and losses from changes in the fair value of derivatives related to our U.S. natural gas marketing business, which have been excluded from our calculation of comparable EBITDA and comparable EBIT.

Higher U.S. dollar-denominated segmented earnings for the three months ended March 31, 2024 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. operations compared to the same period in 2023. Refer to the Foreign exchange section for additional information.

Earnings from our U.S. Natural Gas Pipelines operations are generally affected by contracted volume levels, volumes delivered and the rates charged, as well as by the cost of providing services. Columbia Gas and ANR results are also affected by the contracting and pricing of their natural gas storage capacity and incidental commodity sales. Natural gas pipeline and storage volumes and revenues are generally higher in the winter months because of the seasonal nature of the business.

Comparable EBITDA for U.S. Natural Gas Pipelines increased by US$30 million for the three months ended March 31, 2024 compared to the same period in 2023 and was primarily due to the net effect of:

- incremental earnings from growth and modernization projects placed in service, as well as increased earnings from additional contract sales on Columbia Gas and Great Lakes
- increased equity earnings from Iroquois
- lower realized earnings related to our U.S. natural gas marketing business primarily due to lower margins
- decreased earnings from our mineral rights business due to lower commodity prices.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by US$3 million for the three months ended March 31, 2024 compared to the same period in 2023 due to new projects placed in service.

Mexico Natural Gas Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

	three months ended March 31	
(millions of US$, unless otherwise noted)	**2024**	**2023**
TGNH[1]	**63**	56
Topolobampo	**39**	40
Guadalajara	**15**	17
Mazatlán	**16**	15
Sur de Texas[2]	**25**	(2)
Comparable EBITDA	**158**	126
Depreciation and amortization	**(17)**	(16)
Comparable EBIT	**141**	110
Foreign exchange impact	**50**	40
Comparable EBIT (Cdn$)	**191**	150
Specific item:		
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**21**	104
Segmented earnings (losses) (Cdn$)	**212**	254

1 TGNH includes the operating sections of the Tamazunchale, Villa de Reyes and Tula pipelines.

2 Represents equity income from our 60 per cent interest and fees earned from the construction and operation of the pipeline.

Mexico Natural Gas Pipelines segmented earnings decreased by $42 million for the three months ended March 31, 2024 compared to the same period in 2023 and included a $21 million recovery for the three months ended March 31, 2024 (2023 – $104 million recovery) on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico, which has been excluded from our calculation of comparable EBITDA and comparable EBIT. Refer to Note 14, Risk management and financial instruments, of our Condensed consolidated financial statements for additional information.

Comparable EBITDA for Mexico Natural Gas Pipelines increased by US$32 million for the three months ended March 31, 2024 compared to the same period in 2023 due to the net effect of:

- higher equity earnings primarily due to lower income tax expense and foreign exchange impacts on the revaluation of peso-denominated liabilities as a result of a stronger Mexican peso. We use foreign exchange derivatives to manage this exposure, the impact of which is recognized in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income. Refer to the Foreign exchange section for additional information
- higher earnings in TGNH primarily related to the lateral section of the Villa de Reyes pipeline which was placed in commercial service in third quarter 2023.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was consistent for the three months ended March 31, 2024 compared to the same period in 2023.

Liquids Pipelines

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

	three months ended March 31	
(millions of $)	**2024**	**2023**
Keystone Pipeline System	**391**	302
Intra-Alberta pipelines[1]	**17**	18
Other	**(1)**	(3)
Comparable EBITDA	**407**	317
Depreciation and amortization	**(85)**	(84)
Comparable EBIT	**322**	233
Specific items:		
Liquids Pipelines business separation costs	**(5)**	—
Keystone regulatory decisions	**—**	(57)
Keystone XL preservation and other	**—**	(5)
Risk management activities	**(1)**	5
Segmented earnings (losses)	**316**	176
Comparable EBITDA denominated as follows:		
Canadian dollars	**100**	91
U.S. dollars	**227**	167
Foreign exchange impact	**80**	59
Comparable EBITDA	**407**	317

1 Intra-Alberta pipelines include Grand Rapids and White Spruce.

Liquids Pipelines segmented earnings increased by $140 million for the three months ended March 31, 2024 compared to the same period in 2023 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax charge of $5 million for the three months ended March 31, 2024 (2023 – nil) incurred due to Liquids Pipelines business separation costs related to the spinoff Transaction. Refer to the Recent developments – Liquids Pipelines section for additional information
- a $57 million pre-tax charge recorded in first quarter 2023 as a result of the FERC Administrative Law Judge initial decision issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022
- pre-tax preservation and other costs of $5 million for the three months ended March 31, 2023 related to the preservation and storage of the Keystone XL pipeline project assets
- unrealized gains and losses from changes in the fair value of derivatives related to our liquids marketing business.

Higher U.S. dollar-denominated segmented earnings for the three months ended March 31, 2024 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. operations compared to the same period in 2023. Refer to the Foreign exchange section for additional information.

Comparable EBITDA for Liquids Pipelines increased by $90 million for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to the effect of:

- higher uncontracted volumes and rates on the Keystone Pipeline System
- higher contracted volumes on the U.S. Gulf Coast section of the Keystone Pipeline System.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization was consistent for the three months ended March 31, 2024 compared to the same period in 2023.

Power and Energy Solutions

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

	three months ended March 31	
(millions of $)	**2024**	**2023**
Bruce Power[1]	**181**	175
Canadian Power	**81**	102
Natural Gas Storage and other[2]	**58**	4
Comparable EBITDA	**320**	281
Depreciation and amortization	**(26)**	(18)
Comparable EBIT	**294**	263
Specific items:		
Bruce Power unrealized fair value adjustments	**(5)**	8
Risk management activities	**(37)**	(19)
Segmented earnings (losses)	**252**	252

1 Represents our share of equity income from Bruce Power.

2 Includes non-controlling interest in the Texas Wind Farms, which comprises Class A Membership Interests. Refer to the Corporate section for additional information.

Power and Energy Solutions segmented earnings for the three months ended March 31, 2024 was consistent with the same period in 2023 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- our proportionate share of Bruce Power's unrealized gains and losses on funds invested for post-retirement benefits and risk management activities
- unrealized gains and losses from changes in the fair value of derivatives used to reduce commodity exposures.

Comparable EBITDA for Power and Energy Solutions increased by $39 million for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to the net effect of:

- increased Natural Gas Storage and other results due to higher realized Alberta natural gas storage spreads and decreased business development costs across the segment
- higher contributions from Bruce Power primarily due to a higher contract price and increased generation, along with realized gains on funds invested for post-retirement benefits and risk management activities, partially offset by increased outage costs and operating expenses. Refer to the Bruce Power section for additional information
- decreased Canadian Power financial results primarily from lower realized power prices, partially offset by lower natural gas fuel costs.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $8 million for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to the acquisition of the Texas Wind Farms in the first half of 2023.

BRUCE POWER

The following is our proportionate share of the components of comparable EBITDA and comparable EBIT.

	three months ended March 31	
(millions of $, unless otherwise noted)	**2024**	**2023**
Items included in comparable EBITDA and comparable EBIT are comprised of:		
Revenues[1]	**525**	506
Operating expenses	**(253)**	(236)
Depreciation and other	**(91)**	(95)
Comparable EBITDA and comparable EBIT[2]	**181**	175
Bruce Power – other information		
Plant availability[3,4]	**92%**	95%
Planned outage days[4]	**44**	—
Unplanned outage days	**6**	25
Sales volumes (GWh)[5]	**5,541**	5,400
Realized power price per MWh[6]	**$94**	$93

1 Net of amounts recorded to reflect operating cost efficiencies shared with the IESO, if applicable.

2 Represents our 48.3 per cent ownership interest and internal costs supporting our investment in Bruce Power. Excludes unrealized gains and losses on funds invested for post-retirement benefits and risk management activities.

3 The percentage of time the plant was available to generate power, regardless of whether it was running.

4 Excludes MCR outage days.

5 Sales volumes include deemed generation, if applicable.

6 Calculation based on actual and deemed generation. Realized power price per MWh includes realized gains and losses from contracting activities and cost flow-through items. Excludes unrealized gains and losses on contracting activities and non-electricity revenues.

A planned outage on Unit 1 commenced in first quarter 2024 and was completed on April 5, 2024. Planned maintenance on Units 5 to 8 began in April 2024 with an expected completion in May 2024 for Units 5, 6 and 8 and June 2024 for Unit 7.

Corporate

The following is a reconciliation of comparable EBITDA and comparable EBIT (our non-GAAP measures) to segmented earnings (losses) (the most directly comparable GAAP measure).

(millions of $)	three months ended March 31 2024	2023
Comparable EBITDA and comparable EBIT	**(3)**	(2)
Specific items:		
Third-party settlement	**(34)**	—
Liquids Pipelines business separation costs	**(11)**	—
Focus Project costs	**(10)**	—
Segmented earnings (losses)	**(58)**	(2)

Corporate segmented losses increased by $56 million for the three months ended March 31, 2024 compared to the same period in 2023. Corporate segmented earnings (losses) included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax expense of $34 million (US$25 million) in first quarter 2024 related to a non-recurring third-party settlement
- a pre-tax charge of $11 million for the three months ended March 31, 2024 due to Liquids Pipelines business separation costs related to the spinoff Transaction. Refer to the Recent developments – Liquids Pipelines section for additional information
- a pre-tax charge of $10 million for the three months ended March 31, 2024 related to Focus Project costs. Refer to the Recent developments – Corporate section for additional information.

Comparable EBITDA and comparable EBIT for Corporate was consistent for the three months ended March 31, 2024 compared to the same period in 2023.

INTEREST EXPENSE

(millions of $)	three months ended March 31 2024	2023
Interest expense on long-term debt and junior subordinated notes		
Canadian dollar-denominated	**(225)**	(210)
U.S. dollar-denominated	**(474)**	(364)
Foreign exchange impact	**(166)**	(128)
	(865)	(702)
Other interest and amortization expense	**(40)**	(85)
Capitalized interest	**68**	30
Interest expense included in comparable earnings	**(837)**	(757)
Specific item:		
Keystone regulatory decisions	**—**	(5)
Interest expense	**(837)**	(762)

Interest expense increased by $75 million for the three months ended March 31, 2024 compared to the same period in 2023 and included accrued carrying charges of $5 million for the three months ended March 31, 2023 as a result of a pre-tax charge related to the FERC Administrative Law Judge initial decision on Keystone, which has been removed from our calculation of Interest expense included in comparable earnings.

Interest expense included in comparable earnings increased by $80 million for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to the net effect of:

- long-term debt issuances, net of maturities. Refer to the Financial Condition section for additional information
- reduced levels of short-term borrowings
- higher capitalized interest, largely due to funding related to our investment in Coastal GasLink LP.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

	three months ended March 31	
(millions of $)	**2024**	**2023**
Canadian dollar-denominated	**9**	33
U.S. dollar-denominated	**110**	72
Foreign exchange impact	**38**	26
Allowance for funds used during construction	**157**	131

AFUDC increased by $26 million for the three months ended March 31, 2024 compared to the same period in 2023. The decrease in Canadian dollar-denominated AFUDC is primarily related to NGTL System expansion projects placed in service during 2023. The increase in U.S. dollar-denominated AFUDC is mainly the result of capital expenditures on the Southeast Gateway pipeline project, partially offset by the suspension of AFUDC on the assets under construction for the Tula pipeline project due to the delay of an FID.

FOREIGN EXCHANGE GAINS (LOSSES), NET

	three months ended March 31	
(millions of $)	**2024**	**2023**
Foreign exchange gains (losses), net included in comparable earnings	**43**	33
Specific items:		
Foreign exchange gains (losses), net – intercompany loan	**55**	—
Risk management activities	**(71)**	74
Foreign exchange gains (losses), net	**27**	107

Foreign exchange gains decreased by $80 million for the three months ended March 31, 2024 compared to the same period in 2023. The following specific items have been removed from our calculation of Foreign exchange gains (losses), net included in comparable earnings:

- unrealized foreign exchange gains on the peso-denominated intercompany loan between TCPL and TGNH
- unrealized gains and losses from changes in the fair value of derivatives used to manage our foreign exchange risk. Refer to the Financial risks and financial instruments section for additional information.

Foreign exchange gains included in comparable earnings increased by $10 million for the three months ended March 31, 2024 compared to the same period in 2023. The changes were primarily due to the net effect of:

- net realized gains in first quarter 2024 compared to net realized losses for the same period in 2023 on derivatives used to manage our net exposure to foreign exchange rate fluctuation on U.S. dollar-denominated income
- lower foreign exchange losses on the revaluation of our peso-denominated net monetary liabilities to U.S. dollars
- lower realized gains on derivatives used to manage our foreign exchange exposure to net liabilities in Mexico.

INTEREST INCOME AND OTHER

(millions of $)	three months ended March 31 2024	2023
Interest income and other	**77**	42

Interest income and other increased by $35 million for the three months ended March 31, 2024 compared to the same period in 2023, due to higher interest earned on short-term investments and the change in fair value of other restricted investments.

INCOME TAX (EXPENSE) RECOVERY

(millions of $)	three months ended March 31 2024	2023
Income tax (expense) recovery included in comparable earnings	**(333)**	(280)
Specific items:		
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**(6)**	(32)
Third-party settlement	**8**	—
Liquids Pipelines business separation costs	**3**	—
Focus Project costs	**2**	—
Keystone regulatory decisions	**—**	14
Coastal GasLink impairment charge	**—**	(16)
Keystone XL preservation and other	**—**	1
Bruce Power unrealized fair value adjustments	**1**	(2)
Risk management activities	**32**	(26)
Income tax (expense) recovery	**(293)**	(341)

Income tax expense decreased by $48 million for the three months ended March 31, 2024 compared to the same period in 2023. The income tax impacts on specified items referenced throughout the MD&A have been removed from our calculation of Income tax expense included in comparable earnings.

Income tax expense included in comparable earnings increased by $53 million for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to higher earnings, net of income attributable to non-controlling interests, and lower foreign tax rate differentials, partially offset by the impact of our Mexico foreign exchange exposure.

NET (INCOME) LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

(millions of $)	Non-Controlling Interests Ownership at March 31, 2024	three months ended March 31	
		2024	**2023**
Columbia Gas and Columbia Gulf	40.0%	**(161)**	—
Portland Natural Gas Transmission System	38.3%	**(12)**	(11)
Texas Wind Farms	100.0% [1]	**2**	—
Net (income) loss attributable to non-controlling interests		**(171)**	(11)

1 The Texas Wind Farms have tax equity investors that own 100 per cent of the Class A Membership Interests, to which a percentage of earnings, tax attributes and cash flows are allocated.

Net income attributable to non-controlling interests increased by $160 million for the three months ended March 31, 2024 compared to the same period in 2023 due to the sale of a 40 per cent non-controlling equity interest in Columbia Gas and Columbia Gulf to Global Infrastructure Partners on October 4, 2023.

PREFERRED SHARE DIVIDENDS

(millions of $)	three months ended March 31	
	2024	**2023**
Preferred share dividends	**(23)**	(23)

Preferred share dividends for the three months ended March 31, 2024 were consistent with the same period in 2023.

Foreign exchange

FOREIGN EXCHANGE RELATED TO U.S. DOLLAR-DENOMINATED OPERATIONS

Certain of our businesses generate all or most of their earnings in U.S. dollars and, since we report our financial results in Canadian dollars, changes in the value of the U.S. dollar against the Canadian dollar directly affect our comparable EBITDA and may also impact comparable earnings. As our U.S. dollar-denominated operations continue to grow, this exposure increases. A portion of the U.S. dollar-denominated comparable EBITDA exposure is naturally offset by U.S. dollar-denominated amounts below comparable EBITDA within Depreciation and amortization, Interest expense and other income statement line items. A portion of the remaining exposure is actively managed on a rolling forward basis up to three years using foreign exchange derivatives; however, the natural exposure beyond that period remains. The net impact of the U.S. dollar movements on comparable earnings during the three months ended March 31, 2024 after considering natural offsets and economic hedges was not significant.

The components of our financial results denominated in U.S. dollars are set out in the table below, which include our U.S. and Mexico Natural Gas Pipelines operations, along with the majority of our Liquids Pipelines business.

PRE-TAX U.S. DOLLAR-DENOMINATED INCOME AND EXPENSE ITEMS

	three months ended March 31	
(millions of US$)	**2024**	**2023**
Comparable EBITDA		
U.S. Natural Gas Pipelines	**968**	938
Mexico Natural Gas Pipelines	**158**	126
Liquids Pipelines	**227**	167
	1,353	1,231
Depreciation and amortization	**(245)**	(240)
Interest expense on long-term debt and junior subordinated notes	**(474)**	(364)
Allowance for funds used during construction	**110**	72
Non-controlling interests and other	**(126)**	(31)
	618	668
Average exchange rate - U.S. to Canadian dollars	**1.35**	1.35

FOREIGN EXCHANGE RELATED TO MEXICO NATURAL GAS PIPELINES

Changes in the value of the Mexican peso against the U.S. dollar can affect our comparable earnings as a portion of our Mexico Natural Gas Pipelines monetary assets and liabilities are peso-denominated, while our financial results are denominated in U.S. dollars for our Mexico operations. These peso-denominated balances are revalued to U.S. dollars, creating foreign exchange gains and losses that are included in Income (loss) from equity investments and Foreign exchange (gains) losses, net in the Condensed consolidated statement of income.

In addition, foreign exchange gains or losses calculated for Mexico income tax purposes on the revaluation of U.S. dollar-denominated monetary assets and liabilities result in a peso-denominated income tax exposure for these entities, leading to fluctuations in Income from equity investments and Income tax expense. This exposure increases as our U.S. dollar-denominated net monetary liabilities grow.

The above exposures are managed using foreign exchange derivatives, although some unhedged exposure remains. The impacts of the foreign exchange derivatives are recorded in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income. Refer to the Financial risks and financial instruments section for additional information.

The period end exchange rates for one U.S. dollar to Mexican pesos were as follows:

March 31, 2024	**16.63**
March 31, 2023	18.04
December 31, 2023	16.91
December 31, 2022	19.50

A summary of the impacts of transactional foreign exchange gains and losses from changes in the value of the Mexican peso against the U.S. dollar and associated derivatives is set out in the table below:

	three months ended March 31	
(millions of $)	**2024**	**2023**
Comparable EBITDA - Mexico Natural Gas Pipelines[1]	**(10)**	(45)
Foreign exchange gains (losses), net included in comparable earnings	**44**	73
Income tax (expense) recovery included in comparable earnings	**(22)**	(51)
	12	(23)

1 Includes the foreign exchange impacts from the Sur de Texas joint venture recorded in Income from equity investments in the Condensed consolidated statement of income.

Recent developments

CANADIAN NATURAL GAS PIPELINES

Coastal GasLink

Post-construction reclamation activities are underway and are expected to continue through 2024. The project remains on track with its cost estimate of approximately $14.5 billion. Commercial in-service of the Coastal GasLink pipeline will occur after completion of plant commissioning activities at the LNG Canada facility and upon receiving notice from LNG Canada.

Coastal GasLink LP continues to pursue cost recovery, including certain arbitration proceedings which involve claims by, and the defense of certain claims against, Coastal GasLink LP. These claims have not yet been conclusively determined, but our expectation is that these proceedings are likely to result in cost recoveries. Refer to Note 15, Commitments, contingencies and guarantees, of our Condensed consolidated financial statements for additional information.

NGTL System

2023 NGTL System Intra-Basin Expansion

The NGTL System Intra-Basin Expansion consists of new pipeline and compressor stations and is underpinned by new firm-service contracts with 15-year terms. In April 2024, all assets were placed in service, with a capital cost for the expansion of approximately $0.5 billion.

U.S. NATURAL GAS PIPELINES

Portland Natural Gas Transmission System

On March 4, 2024, we announced that TC Energy and its partner Northern New England Investment Company, Inc., a subsidiary of Énergir L.P. (Énergir), entered into a purchase and sale agreement to sell PNGTS to BlackRock, through a fund managed by its Diversified Infrastructure business, and investment funds managed by Morgan Stanley Infrastructure Partners (the Purchaser), for expected proceeds of approximately $1.5 billion (US$1.1 billion). In addition, the Purchaser will assume US$250 million of Senior Notes outstanding at PNGTS. The transaction is expected to close in the second half of 2024 subject to regulatory approvals and customary closing conditions. Refer to Note 8, Assets held for sale, of our Condensed consolidated financial statements for additional information.

Gillis Access Project

In March 2024, the Gillis Access project, a 68 km (42 mile) greenfield pipeline system that connects gas production sourced from the Gillis hub to downstream markets in southeast Louisiana, was placed in service. The capital cost of this project was approximately US$0.3 billion.

MEXICO NATURAL GAS PIPELINES

TGNH Strategic Alliance with the CFE

In 2022, we announced a strategic alliance with Mexico's state-owned electric utility, the CFE, and we reached an FID to develop and construct the Southeast Gateway pipeline, a 1.3 Bcf/d, 715 km (444 mile) offshore natural gas pipeline to serve the southeast region of Mexico with an expected in-service by mid-2025 and an estimated project cost of US$4.5 billion.

The south section of the Villa de Reyes pipeline is targeted for an in-service date in the second half of 2024, subject to successful resolution of stakeholder issues. Additionally, we continue to evaluate the development and completion of the Tula pipeline with the CFE, which is subject to a future FID. Due to the delay of an FID, recording AFUDC on the assets under construction for the Tula pipeline project has been suspended.

The strategic alliance provides the CFE with the ability to hold an equity interest in TGNH, which is conditional upon the CFE contributing capital, acquiring land and supporting permitting on the TGNH projects, subject to regulatory approvals from Mexico's Federal Economic Competition Commission (COFECE) and the CRE. Regulatory approvals from COFECE and the CRE were received in December 2023 and March 2024, respectively. TGNH and the CFE anticipate that the CFE will invest in TGNH in second quarter 2024.

LIQUIDS PIPELINES

Spinoff of Liquids Pipelines Business

In 2023, we announced plans to separate into two independent, investment-grade, publicly listed companies through the proposed spinoff of our Liquids Pipelines business into its own entity named South Bow Corporation (South Bow). The Canadian and U.S. tax rulings have been received and subject to receipt of the remaining approvals and conditions of the spinoff Transaction, we expect that the effective date will occur between late third quarter and mid fourth quarter 2024.

Under the spinoff Transaction, common shareholders of TC Energy as of the record date established for the spinoff Transaction will receive, in exchange for each TC Energy share, one new TC Energy share and 0.2 of a South Bow common share.

For the three months ended March 31, 2024, we have incurred pre-tax Liquids Pipelines business separation costs related to the spinoff Transaction of $16 million ($13 million after tax), of which $5 million and $11 million were included in the results of our Liquids Pipelines business and Corporate segments, respectively, and have been excluded from comparable measures.

CORPORATE

Appointment of Executive Vice-President and CFO

On April 3, 2024, we announced that the Board of Directors has appointed Sean O'Donnell, currently Senior Vice-President, Capital Markets and Corporate Planning, to succeed Joel Hunter as Executive Vice-President and Chief Financial Officer effective May 15, 2024. Mr. Hunter will remain with TC Energy until July 1, 2024, to support our 2024 strategic priorities, including the intended spinoff of South Bow, while working closely with Mr. O'Donnell to ensure a smooth transition.

2016 Columbia Pipeline Acquisition Lawsuit

In June 2023, the Delaware Chancery Court (the Court) issued its decision in the class action lawsuit commenced by former shareholders of Columbia Pipeline Group Inc. (CPG) related to the acquisition of CPG by TC Energy in 2016. The Court found that the former CPG executives breached their fiduciary duties, that the former CPG Board breached its duty of care in overseeing the sale process and that TC Energy aided and abetted those breaches. The Court awarded US$1 per share in damages to the plaintiffs, and total damages are presently estimated at US$400 million plus statutory interest. Post-trial briefing and argument has concluded and a decision from the Court allocating liability as between TC Energy and the former CPG executives is expected sometime in the first half of 2024. Management expects to proceed with an appeal following the Court's determination of total damages and TC Energy's allocated share.

Focus Project

In late 2022, we launched the Focus Project to identify opportunities to improve safety, productivity and cost-effectiveness. To date, we have identified a broad set of opportunities expected to further enhance safety, as well as improve operational and financial performance over the long term.

Certain initiatives have been implemented and we expect to continue designing and implementing additional initiatives beyond 2024, with benefits in the form of enhanced productivity and cost-effectiveness expected to be realized in the future.

For the three months ended March 31, 2024 we have incurred pre-tax costs of $22 million for the Focus Project primarily related to severance costs, of which $10 million was recorded in Plant operating costs and other in the Condensed consolidated statement of income and was removed from comparable amounts. An additional $10 million was recorded in Plant operating costs and other for the three months ended March 31, 2024 with offsetting revenues related to costs recoverable through regulatory and commercial tolling structures, the net effect of which had no impact on net income and $2 million was allocated to capital projects.

Asset Divestiture Program

On March 4, 2024, we announced the sale of our ownership interest in PNGTS, contributing to our deleveraging goal. The sale is expected to close in the second half of 2024. We continue to evaluate incremental capital rotation opportunities to further strengthen our financial position.

Financial condition

We strive to maintain financial strength and flexibility in all parts of the economic cycle. We rely on our operating cash flows to sustain our business, pay dividends and fund a portion of our growth. In addition, we access capital markets and engage in portfolio management activities to meet our financing needs and to manage our capital structure and credit ratings.

We believe that we have the financial capacity to fund our existing capital program through predictable cash flows from operations, access to capital markets, portfolio management activities, joint ventures, asset-level financing, cash on hand and substantial committed credit facilities. Annually, in the fourth quarter, we renew and extend our credit facilities as required.

At March 31, 2024, our current assets totaled $11.9 billion and current liabilities amounted to $12.7 billion, leaving us with a working capital deficit of $0.8 billion compared to $0.4 billion at December 31, 2023. Our working capital deficiency is considered to be in the normal course of business and is managed through:

- our ability to generate predictable cash flows from operations
- a total of $9.8 billion of TCPL committed revolving credit facilities, of which $9.4 billion of short-term borrowing capacity remains available, net of $0.4 billion backstopping outstanding commercial paper balances, and arrangements for a further $2.0 billion of demand credit facilities, of which $1.0 billion remains available as of March 31, 2024
- additional $1.5 billion of committed revolving credit facilities at certain of our subsidiaries and affiliates, which is undrawn as of March 31, 2024
- access to capital markets, including through securities issuances, incremental credit facilities, portfolio management activities and DRP, if deemed appropriate.

CASH PROVIDED BY OPERATING ACTIVITIES

	three months ended March 31	
(millions of $)	**2024**	**2023**
Net cash provided by operations	**2,042**	2,074
Increase (decrease) in operating working capital	**344**	(60)
Funds generated from operations	**2,386**	2,014
Specific items:		
Third-party settlement, net of current income tax	**26**	—
Liquids Pipelines business separation costs, net of current income tax	**15**	—
Focus Project costs, net of current income tax	**9**	—
Keystone regulatory decisions, net of current income tax	**—**	48
Keystone XL preservation and other, net of current income tax	**—**	4
Comparable funds generated from operations	**2,436**	2,066

Net cash provided by operations

Net cash provided by operations decreased by $32 million for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to the timing of working capital changes, partially offset by higher funds generated from operations.

Comparable funds generated from operations

Comparable funds generated from operations, a non-GAAP measure, helps us assess the cash generating ability of our businesses by excluding the timing effects of working capital changes, as well as the cash impact of our specific items.

Comparable funds generated from operations increased by $370 million for the three months ended March 31, 2024 compared to the same period in 2023 primarily due to increased comparable EBITDA and receipt of a $200 million distribution from Coastal GasLink LP related to an incentive payment that TC Energy accrued in December 2023, partially offset by higher interest expense.

CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES

(millions of $)	three months ended March 31 2024	2023
Capital spending		
Capital expenditures	**(1,579)**	(1,885)
Capital projects in development	**(20)**	(78)
Contributions to equity investments	**(298)**	(1,070)
	(1,897)	(3,033)
Loans to affiliate (issued) repaid, net	**—**	250
Acquisitions, net of cash acquired	**—**	(138)
Other distributions from equity investments	**30**	16
Keystone XL contractual recoveries	**2**	—
Deferred amounts and other	**10**	129
Net cash (used in) provided by investing activities	**(1,855)**	(2,776)

Capital expenditures in 2024 were incurred primarily for the development of the Southeast Gateway pipeline and the NGTL System expansion programs, Columbia Gas and ANR projects, as well as maintenance capital expenditures. Lower capital expenditures in 2024 compared to 2023 reflect reduced spending on expansion of the NGTL System, Gillis Access and Columbia Gas projects, partially offset by increased spending on development of the Southeast Gateway pipeline.

Contributions to equity investments decreased in 2024 compared to 2023 mainly due to lower contributions to Coastal GasLink LP, as well as reduced draws on the subordinated loan by Coastal GasLink LP which are accounted for as in-substance equity contributions.

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

(millions of $)	three months ended March 31 2024	2023
Notes payable issued (repaid), net	**377**	(2,225)
Long-term debt issued, net of issue costs	**662**	7,011
Long-term debt repaid	**(404)**	(110)
Disposition of equity interest, net of transaction costs	**(38)**	—
Dividends and distributions paid	**(1,271)**	(735)
Common shares issued, net of issue costs	**—**	3
Net cash (used in) provided by financing activities	**(674)**	3,944

Long-term debt issued

The following table outlines significant long-term debt issuances in the three months ended March 31, 2024:

(millions of Canadian $, unless otherwise noted)					
Company	**Issue date**	**Type**	**Maturity date**	**Amount**	**Interest rate**
Columbia Pipelines Holding Company LLC					
	January 2024	Senior Unsecured Notes	January 2034	US 500	5.68%

Long-term debt repaid/retired

The following table outlines significant long-term debt repaid in the three months ended March 31, 2024:

(millions of Canadian $, unless otherwise noted)				
Company	**Repayment date**	**Type**	**Amount**	**Interest rate**
ANR Pipeline Company				
	February 2024	Senior Unsecured Notes	US 125	7.38%
Nova Gas Transmission Ltd.				
	March 2024	Debentures	100	9.90%
TC Energía Mexicana, S. de R.L. de C.V.				
	Various	Senior Unsecured Revolving Credit Facility	US 80	Floating

DIVIDENDS

On May 2, 2024, we declared quarterly dividends on our common shares of $0.96 per share payable on July 31, 2024 to shareholders of record at the close of business on June 28, 2024.

SHARE INFORMATION

At April 29, 2024, we had approximately 1.0 billion issued and outstanding common shares and approximately 7 million outstanding options to buy common shares, of which 5 million were exercisable.

Shareholders of the Series 7 preferred shares had the option to convert to Series 8 preferred shares by providing notice on or before April 15, 2024. As the total number of Series 7 preferred shares tendered for conversion did not meet the established threshold, no Series 7 preferred shares were subsequently converted into Series 8 preferred shares.

CREDIT FACILITIES

At April 29, 2024, we had a total of $9.8 billion of TCPL committed revolving credit facilities, of which $8.6 billion of short-term borrowing capacity remains available, net of $1.2 billion backstopping outstanding commercial paper balances. We also have arrangements in place for a further $2.0 billion of demand credit facilities, of which $1.0 billion remains available.

CONTRACTUAL OBLIGATIONS

Capital expenditure commitments at March 31, 2024 have decreased by approximately $0.3 billion from those reported at December 31, 2023, reflecting normal course fulfillment of construction contracts.

There were no material changes to our contractual obligations in first quarter 2024 or to payments due in the next five years or thereafter. Refer to our 2023 Annual Report for additional information about our contractual obligations.

Financial risks and financial instruments

We are exposed to various financial risks and have strategies, policies and limits in place to manage the impact of these risks on our earnings, cash flows and, ultimately, shareholder value.

Risk management strategies, policies and limits are designed to ensure our risks and related exposures are in line with our business objectives and risk tolerance.

Refer to our 2023 Annual Report for additional information about the risks we face in our business which have not changed materially since December 31, 2023, other than as noted within this MD&A.

INTEREST RATE RISK

We utilize both short- and long-term debt to finance our operations which exposes us to interest rate risk. We typically pay fixed rates of interest on our long-term debt and floating rates on short-term debt including our commercial paper programs and amounts drawn on our credit facilities. A small portion of our long-term debt bears interest at floating rates. In addition, we are exposed to interest rate risk on financial instruments and contractual obligations containing variable interest rate components. We actively manage our interest rate risk using interest rate derivatives.

FOREIGN EXCHANGE RISK

Certain of our businesses generate all or most of their earnings in U.S. dollars and, since we report our financial results in Canadian dollars, changes in the value of the U.S. dollar against the Canadian dollar directly affect our comparable EBITDA and may also impact comparable earnings.

A portion of our Mexico Natural Gas Pipelines monetary assets and liabilities are peso-denominated, while our Mexico operations' financial results are denominated in U.S. dollars. Therefore, changes in the value of the Mexican peso against the U.S. dollar can affect our comparable earnings. In addition, foreign exchange gains or losses calculated for Mexico income tax purposes on the revaluation of U.S. dollar-denominated monetary assets and liabilities result in a peso-denominated income tax exposure for these entities, leading to fluctuations in Income (loss) from equity investments and Income tax expense (recovery) in the Condensed consolidated statement of income.

We actively manage a portion of our foreign exchange risk using foreign exchange derivatives. We hedge a portion of our net investment in foreign operations (on an after-tax basis) with U.S. dollar-denominated debt, cross-currency interest rate swaps and foreign exchange options, as appropriate.

COUNTERPARTY CREDIT RISK

We have exposure to counterparty credit risk in a number of areas including:

- cash and cash equivalents
- accounts receivable and certain contractual recoveries
- available-for-sale assets
- fair value of derivative assets
- net investment in leases and certain contract assets in Mexico.

Market events causing disruptions in global energy demand and supply may contribute to economic uncertainties impacting a number of our customers. While the majority of our credit exposure is to large creditworthy entities, we maintain close monitoring and communication with those counterparties experiencing greater financial pressures. Refer to our 2023 Annual Report for more information about the factors that mitigate our counterparty credit risk exposure.

We review 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. We use historical credit loss and recovery data, adjusted for our judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in Plant operating costs and other. At March 31, 2024, we had no significant credit risk concentrations and no significant amounts past due or impaired. We recorded a $21 million pre-tax recovery on the expected credit loss provision on the TGNH net investment in leases and certain contract assets in Mexico for the three months ended March 31, 2024 (2023 – $104 million pre-tax recovery). Refer to Note 14, Risk management and financial instruments, of our Condensed consolidated financial statements for additional information.

We have significant credit and performance exposure to financial institutions that 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. Our portfolio of financial sector exposure consists primarily of highly-rated investment grade, systemically important financial institutions.

LIQUIDITY RISK

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. We manage our liquidity risk by continuously forecasting our cash flows and ensuring we have adequate cash balances, cash flows from operations, committed and demand credit facilities and access to capital markets to meet our operating, financing and capital expenditure obligations under both normal and stressed economic conditions.

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.

Coastal GasLink LP

We hold a 35 per cent equity interest in Coastal GasLink LP and have been contracted to develop, construct and operate the Coastal GasLink pipeline.

TC Energy Subordinated Loan Agreement

TC Energy has a subordinated loan agreement with Coastal GasLink LP under which draws by Coastal GasLink LP will fund the remaining $0.8 billion (December 31, 2023 – $0.9 billion) equity requirement related to the estimated capital cost to complete the Coastal GasLink pipeline. At March 31, 2024, the total capacity committed by TC Energy and Coastal GasLink LP under this subordinated loan agreement was $3.4 billion.

Any amounts outstanding on this loan will be repaid by Coastal GasLink LP to TC Energy, once final project costs are known, which will be determined after the pipeline is placed in service. Coastal GasLink LP partners, including TC Energy, will contribute equity to Coastal GasLink LP to ultimately fund Coastal GasLink LP's repayment of this subordinated loan to TC Energy. We expect that, in accordance with contractual terms, these additional equity contributions will be predominantly funded by TC Energy but will not result in a change to our 35 per cent ownership. The total amount drawn on this loan at March 31, 2024 was $2,570 million (December 31, 2023 – $2,520 million). The carrying value of this loan was $550 million at March 31, 2024 (December 31, 2023 – $500 million) due to the impairment charges recognized to date.

Subordinated Demand Revolving Credit Facility

We have 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 has a capacity of $100 million with an outstanding balance of nil at March 31, 2024 (December 31, 2023 – nil).

FINANCIAL INSTRUMENTS

With the exception of Long-term debt and Junior subordinated notes, our derivative and non-derivative financial instruments are recorded on the balance sheet at fair value unless they were entered into and continue to be held for the purpose of receipt or delivery in accordance with our normal purchase and sales exemptions and are documented as such. In addition, fair value accounting is not required for other financial instruments that qualify for certain accounting exemptions.

Derivative instruments

We use derivative instruments to reduce volatility associated with fluctuations in commodity prices, interest rates and foreign exchange rates. Derivative instruments, including those that qualify and are designated for hedge accounting treatment, are recorded at fair value.

The majority of derivative instruments that are not designated or do not qualify for hedge accounting treatment have been entered into as economic hedges to manage our exposure to market risk and are classified as held-for-trading. Changes in the fair value of held-for-trading derivative instruments are recorded in net income in the period of change. This may expose us to increased variability in reported operating results since the fair value of the held-for-trading 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 RRA, including those that qualify for hedge accounting treatment, are expected to be refunded or recovered through the tolls charged by us. As a result, these gains and losses are deferred as regulatory liabilities or regulatory assets and are refunded to or collected from the ratepayers in subsequent years when the derivative settles.

Balance sheet presentation of derivative instruments

The balance sheet presentation of the fair value of derivative instruments were as follows:

(millions of $)	**March 31, 2024**	**December 31, 2023**
Other current assets	**1,342**	1,285
Other long-term assets	**128**	155
Accounts payable and other	**(1,336)**	(1,143)
Other long-term liabilities	**(126)**	(106)
	8	191

Unrealized and realized gains (losses) on derivative instruments

The following summary does not include hedges of our net investment in foreign operations.

(millions of $)	three months ended March 31 2024	2023
Derivative Instruments Held for Trading[1]		
Unrealized gains (losses) in the period		
Commodities	**(29)**	58
Foreign exchange	**(71)**	74
Realized gains (losses) in the period		
Commodities	**202**	188
Foreign exchange	**51**	57
Derivative Instruments in Hedging Relationships		
Realized gains (losses) in the period		
Commodities	**3**	11
Interest rate	**(13)**	(6)

1 Realized and unrealized gains (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 (losses) on foreign exchange held-for-trading derivative instruments are included on a net basis in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income.

For further details on our non-derivative and derivative financial instruments, including classification assumptions made in the calculation of fair value and additional discussion of exposure to risks and mitigation activities, refer to Note 14, Risk management and financial instruments, of our Condensed consolidated financial statements.

Other information

CONTROLS AND PROCEDURES

Management, including our President and CEO and our CFO, evaluated the effectiveness of our disclosure controls and procedures as at March 31, 2024, as required by the Canadian securities regulatory authorities and by the SEC and concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

There were no changes in first quarter 2024 that had or are likely to have a material impact on our internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY CHANGES

When we prepare financial statements that conform with U.S. GAAP, we are required to make estimates and assumptions that affect the timing and amounts we record for our assets, liabilities, revenues and expenses because these items may be affected by future events. We base the estimates and assumptions on the most current information available, using our best judgment. We also regularly assess the assets and liabilities themselves. In addition to the items discussed below, refer to our 2023 Annual Report for a listing of critical accounting estimates.

Impairment of goodwill

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

In the determination of the fair value utilized in the quantitative goodwill impairment test performed in 2023 for the Columbia reporting unit, we performed a discounted cash flow analysis using projections of future cash flows and applied a risk-adjusted discount rate and terminal value multiple which involved significant estimates and judgments. It was determined that the fair value of the Columbia reporting unit exceeded its carrying value, including goodwill. Although goodwill was not impaired, the estimated fair value in excess of the carrying value was less than 10 per cent. There is a risk that reductions in future cash flow forecasts and adverse changes in other key assumptions could result in a future impairment of a portion of the goodwill balance relating to Columbia.

Accounting changes

Our significant accounting policies have remained unchanged since December 31, 2023 other than as described in Note 2, Accounting changes, of our Condensed consolidated financial statements. A summary of our significant accounting policies is included in our 2023 Annual Report.

Quarterly results

SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

	2024	2023				2022		
(millions of $, except per share amounts)	First	Fourth	Third	Second	First	Fourth	Third	Second
Revenues	**4,243**	4,236	3,940	3,830	3,928	4,041	3,799	3,637
Net income (loss) attributable to common shares	**1,203**	1,463	(197)	250	1,313	(1,447)	841	889
Comparable earnings	**1,284**	1,403	1,035	981	1,233	1,129	1,068	979
Per share statistics:								
Net income (loss) per common share – basic	**$1.16**	$1.41	($0.19)	$0.24	$1.29	($1.42)	$0.84	$0.90
Comparable earnings per common share	**$1.24**	$1.35	$1.00	$0.96	$1.21	$1.11	$1.07	$1.00
Dividends declared per common share	**$0.96**	$0.93	$0.93	$0.93	$0.93	$0.90	$0.90	$0.90

FACTORS AFFECTING QUARTERLY FINANCIAL INFORMATION BY BUSINESS SEGMENT

Quarter-over-quarter revenues and net income fluctuate for reasons that vary across our business segments. In addition to the factors below, our revenues and segmented earnings (losses) are impacted by fluctuations in foreign exchange rates, mainly related to our U.S. dollar-denominated operations and our peso-denominated exposure. Refer to the Foreign exchange section for additional information.

In our Canadian Natural Gas Pipelines, U.S. Natural Gas Pipelines and Mexico Natural Gas Pipelines segments, except for seasonal fluctuations in short-term throughput volumes on U.S. pipelines, quarter-over-quarter revenues and segmented earnings (losses) generally remain relatively stable during any fiscal year. Over the long term, however, they fluctuate because of:

- regulatory decisions
- negotiated settlements with customers
- newly constructed assets being placed in service
- acquisitions and divestitures
- natural gas marketing activities and commodity prices
- developments outside of the normal course of operations
- certain fair value adjustments
- provisions for expected credit losses on net investment in leases and certain contract assets in Mexico.

In Liquids Pipelines, quarter-over-quarter revenues and segmented earnings (losses) are affected by:

- regulatory decisions
- newly constructed assets being placed in service
- acquisitions and divestitures
- demand for uncontracted transportation services
- liquids marketing activities and commodity prices
- developments outside of the normal course of operations
- certain fair value adjustments.

In Power and Energy Solutions, quarter-over-quarter revenues and segmented earnings (losses) are affected by:

- weather
- customer demand
- newly constructed assets being placed in service
- acquisitions and divestitures
- market prices for natural gas and power
- capacity prices and payments
- power marketing and trading activities
- planned and unplanned plant outages
- developments outside of the normal course of operations
- certain fair value adjustments.

FACTORS AFFECTING FINANCIAL INFORMATION BY QUARTER

We calculate comparable measures by adjusting certain GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. Except as otherwise described herein, these comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable.

We exclude from comparable measures the unrealized gains and losses from changes in the fair value of derivatives related to financial and commodity price risk management activities. These derivatives generally provide effective economic hedges but do not meet the criteria for hedge accounting. We also exclude from comparable measures our proportionate share of the unrealized gains and losses from changes in the fair value of Bruce Power's funds invested for post-retirement benefits and derivatives related to its risk management activities. These changes in fair value are recorded in net income. As these amounts do not accurately reflect the gains and losses that will be realized at settlement, we do not consider them reflective of our underlying operations.

In first quarter 2024, comparable earnings also excluded:

- an after-tax unrealized foreign exchange gain of $55 million on the peso-denominated intercompany loan between TCPL and TGNH
- a $15 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- an after-tax expense of $26 million related to a non-recurring third-party settlement
- an after-tax charge of $13 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- an $8 million after-tax expense related to Focus Project costs.

In fourth quarter 2023, comparable earnings also excluded:

- a $74 million income tax recovery related to a revised assessment of the valuation allowance and non-taxable capital losses on our equity investment in Coastal GasLink LP
- an $18 million after-tax recovery related to the net impact of a U.S. minimum tax recovery on the 2021 Keystone XL asset impairment charge and other and a gain on the sale of Keystone XL project assets, partially offset by adjustments to the estimate for contractual and legal obligations related to termination activities
- an after-tax unrealized foreign exchange loss of $55 million on the peso-denominated intercompany loan between TCPL and TGNH
- a $25 million after-tax loss on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- an after-tax charge of $23 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- a $9 million after-tax expense related to Focus Project costs

- carrying charges of $4 million after tax as a result of a charge related to the FERC Administrative Law Judge initial decision on Keystone issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022
- preservation and other costs for Keystone XL pipeline project assets of $4 million after tax.

In third quarter 2023, comparable earnings also excluded:
- an after-tax impairment charge of $1,179 million related to our equity investment in Coastal GasLink LP
- a $14 million after-tax expense related to Focus Project costs
- an after-tax charge of $11 million due to Liquids Pipelines business separation costs related to the spinoff Transaction
- preservation and other costs for Keystone XL pipeline project assets of $2 million after tax
- an after-tax net unrealized foreign exchange gain of $20 million on the peso-denominated intercompany loan between TCPL and TGNH.

In second quarter 2023, comparable earnings also excluded:
- an after-tax impairment charge of $809 million related to our equity investment in Coastal GasLink LP
- a $36 million after-tax accrued insurance expense related to the Milepost 14 incident
- a $25 million after-tax expense related to Focus Project costs
- an after-tax net unrealized foreign exchange loss of $9 million on the peso-denominated intercompany loan between TCPL and TGNH
- preservation and other costs for Keystone XL pipeline project assets of $4 million after tax
- an $8 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico.

In first quarter 2023, comparable earnings also excluded:
- a $72 million after-tax recovery on the expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- $48 million after-tax charge as a result of the FERC Administrative Law Judge initial decision on Keystone issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022 which consists of a one-time pre-tax charge of $57 million and accrued pre-tax carrying charges of $5 million
- an after-tax impairment charge of $29 million related to our equity investment in Coastal GasLink LP
- preservation and other costs for Keystone XL pipeline project assets of $4 million after tax.

In fourth quarter 2022, comparable earnings also excluded:
- an after-tax impairment charge of $2.6 billion related to our equity investment in Coastal GasLink LP
- a $64 million after-tax expected credit loss provision related to the TGNH net investment in leases and certain contract assets in Mexico
- a $20 million after-tax charge due to the CER decision on Keystone issued in December 2022 in respect of a tolling-related complaint pertaining to amounts reflected in 2021 and 2020
- preservation and other costs for Keystone XL pipeline project assets of $8 million after tax
- a $5 million after-tax net expense related to the 2021 Keystone XL asset impairment charge and other due to a U.S. minimum tax, partially offset by the gain on the sale of Keystone XL project assets and reduction to the estimate for contractual and legal obligations related to termination activities
- a $1 million income tax expense for the settlement related to prior years' income tax assessments in Mexico.

In third quarter 2022, comparable earnings also excluded:
- preservation and other costs for Keystone XL pipeline project assets of $3 million after tax.

In second quarter 2022, comparable earnings also excluded:
- preservation and other costs for Keystone XL pipeline project assets of $3 million after tax
- a $2 million income tax expense for the settlement related to prior years' income tax assessments in Mexico.

Condensed consolidated statement of income

	three months ended March 31	
(unaudited - millions of Canadian $, except per share amounts)	**2024**	**2023**
Revenues		
Canadian Natural Gas Pipelines	**1,384**	1,229
U.S. Natural Gas Pipelines	**1,672**	1,709
Mexico Natural Gas Pipelines	**214**	205
Liquids Pipelines	**734**	538
Power and Energy Solutions	**239**	247
	4,243	3,928
Income (Loss) from Equity Investments	**356**	303
Impairment of Equity Investment	**—**	(13)
Operating and Other Expenses		
Plant operating costs and other	**1,233**	1,057
Commodity purchases resold	**155**	87
Property taxes	**226**	227
Depreciation and amortization	**719**	677
	2,333	2,048
Financial Charges		
Interest expense	**837**	762
Allowance for funds used during construction	**(157)**	(131)
Foreign exchange (gains) losses, net	**(27)**	(107)
Interest income and other	**(77)**	(42)
	576	482
Income (Loss) before Income Taxes	**1,690**	1,688
Income Tax Expense (Recovery)		
Current	**150**	112
Deferred	**143**	229
	293	341
Net Income (Loss)	**1,397**	1,347
Net income (loss) attributable to non-controlling interests	**171**	11
Net Income (Loss) Attributable to Controlling Interests	**1,226**	1,336
Preferred share dividends	**23**	23
Net Income (Loss) Attributable to Common Shares	**1,203**	1,313
Net Income (Loss) per Common Share		
Basic and diluted	**$1.16**	$1.29
Weighted Average Number of Common Shares (millions)		
Basic	**1,037**	1,021
Diluted	**1,037**	1,021

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

(unaudited - millions of Canadian $)	three months ended March 31 2024	2023
Net Income (Loss)	**1,397**	1,347
Other Comprehensive Income (Loss), Net of Income Taxes		
Foreign currency translation gains and losses on net investment in foreign operations	**473**	(24)
Change in fair value of net investment hedges	**(9)**	10
Change in fair value of cash flow hedges	**8**	(1)
Reclassification to net income of (gains) losses on cash flow hedges	**—**	34
Other comprehensive income (loss) on equity investments	**91**	(71)
	563	(52)
Comprehensive Income (Loss)	**1,960**	1,295
Comprehensive income (loss) attributable to non-controlling interests	**406**	11
Comprehensive Income (Loss) Attributable to Controlling Interests	**1,554**	1,284
Preferred share dividends	**23**	23
Comprehensive Income (Loss) Attributable to Common Shares	**1,531**	1,261

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

(unaudited - millions of Canadian $)	three months ended March 31 2024	2023
Cash Generated from Operations		
Net income (loss)	**1,397**	1,347
Depreciation and amortization	**719**	677
Deferred income taxes	**143**	229
(Income) loss from equity investments	**(356)**	(303)
Impairment of equity investment	**—**	13
Distributions received from operating activities of equity investments	**545**	305
Employee post-retirement benefits funding, net of expense	**4**	(13)
Equity allowance for funds used during construction	**(100)**	(84)
Unrealized (gains) losses on financial instruments	**100**	(132)
Expected credit loss provision	**(20)**	(106)
Other	**(46)**	81
(Increase) decrease in operating working capital	**(344)**	60
Net cash provided by operations	**2,042**	2,074
Investing Activities		
Capital expenditures	**(1,579)**	(1,885)
Capital projects in development	**(20)**	(78)
Contributions to equity investments	**(298)**	(1,070)
Loans to affiliate (issued) repaid, net	**—**	250
Acquisitions, net of cash acquired	**—**	(138)
Other distributions from equity investments	**30**	16
Keystone XL contractual recoveries	**2**	—
Deferred amounts and other	**10**	129
Net cash (used in) provided by investing activities	**(1,855)**	(2,776)
Financing Activities		
Notes payable issued (repaid), net	**377**	(2,225)
Long-term debt issued, net of issue costs	**662**	7,011
Long-term debt repaid	**(404)**	(110)
Disposition of equity interest, net of transaction costs	**(38)**	—
Dividends on common shares	**(965)**	(651)
Dividends on preferred shares	**(23)**	(22)
Distributions to non-controlling interests	**(282)**	(21)
Distributions on Class C Interests	**(1)**	(41)
Common shares issued, net of issue costs	**—**	3
Net cash (used in) provided by financing activities	**(674)**	3,944
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	**49**	(11)
Increase (Decrease) in Cash and Cash Equivalents, Including Cash Balances Classified as Assets Held for Sale	**(438)**	3,231
Cash balances classified as assets held for sale	**(47)**	—
Increase (Decrease) in Cash and Cash Equivalents	**(485)**	3,231
Cash and Cash Equivalents - Beginning of period	**3,678**	620
Cash and Cash Equivalents - End of period	**3,193**	3,851

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated balance sheet

(unaudited - millions of Canadian $)		March 31, 2024	December 31, 2023
ASSETS			
Current Assets			
Cash and cash equivalents		**3,193**	3,678
Accounts receivable		**4,218**	4,209
Inventories		**1,100**	982
Assets held for sale		**685**	—
Other current assets		**2,689**	2,503
		11,885	11,372
Plant, Property and Equipment	net of accumulated depreciation of $37,049 and $36,602, respectively	**81,966**	80,569
Net Investment in Leases		**2,330**	2,263
Equity Investments		**10,777**	10,314
Restricted Investments		**2,745**	2,636
Regulatory Assets		**2,445**	2,330
Goodwill		**12,844**	12,532
Other Long-Term Assets		**3,034**	3,018
		128,026	125,034
LIABILITIES			
Current Liabilities			
Notes payable		**381**	—
Accounts payable and other		**6,944**	6,987
Dividends payable		**1,008**	979
Accrued interest		**905**	913
Current portion of long-term debt		**3,086**	2,938
Liabilities related to assets held for sale		**384**	—
		12,708	11,817
Regulatory Liabilities		**4,995**	4,806
Other Long-Term Liabilities		**1,076**	1,015
Deferred Income Tax Liabilities		**8,470**	8,125
Long-Term Debt		**50,607**	49,976
Junior Subordinated Notes		**10,496**	10,287
		88,352	86,026
EQUITY			
Common shares, no par value		**30,002**	30,002
Issued and outstanding:	March 31, 2024 – 1,037 million shares December 31, 2023 – 1,037 million shares		
Preferred shares		**2,499**	2,499
Retained earnings (Accumulated deficit)		**(2,777)**	(2,997)
Accumulated other comprehensive income (loss)		**377**	49
Controlling Interests		**30,101**	29,553
Non-Controlling Interests		**9,573**	9,455
		39,674	39,008
		128,026	125,034

Commitments, Contingencies and Guarantees (Note 15)

Variable Interest Entities (Note 16)

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of equity

(unaudited - millions of Canadian $)	three months ended March 31 2024	2023
Common Shares		
Balance at beginning of period	**30,002**	28,995
Shares issued:		
Dividend reinvestment and share purchase plan	**—**	266
Exercise of stock options	**—**	3
Balance at end of period	**30,002**	29,264
Preferred Shares		
Balance at beginning and end of period	**2,499**	2,499
Additional Paid-In Capital		
Balance at beginning of period	**—**	722
Disposition of equity interest, net of transaction costs	**11**	—
Reclassification of additional paid-in capital deficit to retained earnings (accumulated deficit)	**(11)**	—
Issuance of stock options, net of exercises	**—**	3
Balance at end of period	**—**	725
Retained Earnings (Accumulated Deficit)		
Balance at beginning of period	**(2,997)**	819
Net income (loss) attributable to controlling interests	**1,226**	1,336
Common share dividends	**(996)**	(952)
Preferred share dividends	**(21)**	(21)
Reclassification of additional paid-in capital deficit to retained earnings (accumulated deficit)	**11**	—
Balance at end of period	**(2,777)**	1,182
Accumulated Other Comprehensive Income (Loss)		
Balance at beginning of period	**49**	955
Other comprehensive income (loss) attributable to controlling interests	**328**	(52)
Balance at end of period	**377**	903
Equity Attributable to Controlling Interests	**30,101**	34,573
Equity Attributable to Non-Controlling Interests		
Balance at beginning of period	**9,455**	126
Other comprehensive income (loss) attributable to non-controlling interests	**235**	—
Net income (loss) attributable to non-controlling interests	**171**	11
Non-controlling interests on acquisition of Texas Wind Farms	**—**	106
Disposition of equity interest	**(6)**	—
Distributions declared to non-controlling interests	**(282)**	(21)
Balance at end of period	**9,573**	222
Total Equity	**39,674**	34,795

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 TC Energy Corporation (TC Energy or the Company) have been prepared by management in accordance with U.S. GAAP. The accounting policies applied are consistent with those outlined in TC Energy's annual audited Consolidated financial statements for the year ended December 31, 2023, except as described in Note 2, Accounting changes. Capitalized and abbreviated terms that are used but not otherwise defined herein are identified in TC Energy's 2023 Annual Report.

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 2023 audited Consolidated financial statements included in TC Energy's 2023 Annual Report. 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 negotiated rate case settlements as well as seasonal fluctuations in short-term throughput volumes on U.S. pipelines and marketing activities
- Liquids Pipelines – fluctuations in throughput volumes on the Keystone Pipeline System and marketing activities
- Power and Energy Solutions – 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 natural gas storage facilities and marketing activities.

In addition to the factors mentioned above, revenues and segmented earnings are impacted by fluctuations in foreign exchange rates, mainly related to the Company's U.S. dollar-denominated operations and Mexican peso-denominated exposure.

Use of Estimates and Judgments

In preparing these Condensed consolidated financial statements, TC Energy 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, 2023, except as described in Note 2, Accounting changes.

2. ACCOUNTING CHANGES

Changes in Accounting Policies for 2024

Leases

In March 2023, the FASB issued new guidance that clarified the accounting for leasehold improvements associated with common control leases. This new guidance was effective January 1, 2024 and did not have a material impact on the Company's consolidated financial statements.

Future Accounting Changes

Income Taxes

In December 2023, the FASB issued new guidance to enhance the transparency and decision usefulness of income tax disclosures through improvements to the rate reconciliation and income taxes paid information. The guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. This new guidance is effective for the annual period beginning January 1, 2025. The guidance is applied prospectively with retrospective application permitted. Early adoption is permitted for annual financial statements not yet issued. The Company does not expect this guidance to have a material impact on the Company's condensed consolidated financial statements.

Segment Reporting

In November 2023, the FASB issued new guidance to improve disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. The guidance is effective for annual periods beginning January 1, 2024 and interim periods beginning January 1, 2025. Early adoption is permitted and the guidance is applied retrospectively. The Company is currently assessing the impact of the standard on the Company's condensed consolidated financial statements.

3. SPINOFF OF LIQUIDS PIPELINES BUSINESS

In 2023, TC Energy announced plans to separate into two independent, investment-grade, publicly listed companies through the proposed spinoff of its Liquids Pipelines business (the spinoff Transaction). The name of the new Liquids Pipelines business will be South Bow Corporation (South Bow). Under the spinoff Transaction, common shareholders of TC Energy as of the record date established for the spinoff Transaction will receive, in exchange for each TC Energy share, one new TC Energy share and 0.2 of a South Bow common share.

The Canadian and U.S. tax rulings have been received and subject to receipt of the remaining approvals and conditions of the spinoff Transaction, TC Energy expects that the effective date will occur between late third quarter and mid fourth quarter 2024.

4. SEGMENTED INFORMATION

three months ended March 31, 2024 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Energy Solutions	Corporate[1]	Total
Revenues	1,384	1,672	214	734	239	—	4,243
Intersegment revenues	—	26	—	—	—	(26) [2]	—
	1,384	1,698	214	734	239	(26)	4,243
Income (loss) from equity investments[3]	6	126	30	17	177	—	356
Plant operating costs and other[3]	(466)	(390)	(9)	(212)	(124)	(32) [2]	(1,233)
Commodity purchase resold	—	(35)	—	(108)	(12)	—	(155)
Property taxes	(78)	(116)	—	(30)	(2)	—	(226)
Depreciation and amortization	(345)	(240)	(23)	(85)	(26)	—	(719)
Segmented Earnings (Losses)	501	1,043	212	316	252	(58)	2,266
Interest expense							(837)
Allowance for funds used during construction							157
Foreign exchange gains (losses), net							27
Interest income and other							77
Income (Loss) before Income Taxes							1,690
Income tax (expense) recovery							(293)
Net Income (Loss)							1,397
Net (income) loss attributable to non-controlling interests							(171)
Net Income (Loss) Attributable to Controlling Interests							1,226
Preferred share dividends							(23)
Net Income (Loss) Attributable to Common Shares							1,203
Capital Spending[4]							
Capital expenditures	341	584	615	17	17	5	1,579
Capital projects in development	—	—	—	—	20	—	20
Contributions to equity investments	112	—	—	—	186	—	298
	453	584	615	17	223	5	1,897

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 The Mexico Natural Gas Pipelines segment includes a recovery of $18 million on the ECL provision with respect to the net investment in leases associated with the in-service TGNH pipelines and a recovery of $2 million on the ECL provision for contract assets related to certain other Mexico natural gas pipelines. Income (loss) from equity investments includes a recovery of $1 million on the ECL provision for contract assets related to Sur de Texas.

4 Included in investing activities in the Condensed consolidated statement of cash flows.

three months ended March 31, 2023 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Energy Solutions	Corporate[1]	Total
Revenues	1,229	1,709	205	538	247	—	3,928
Intersegment revenues	—	26	—	—	—	(26) [2]	—
	1,229	1,735	205	538	247	(26)	3,928
Income (loss) from equity investments[3]	5	108	(9)	14	185	—	303
Impairment of equity investment	(13)	—	—	—	—	—	(13)
Plant operating costs and other[3]	(417)	(409)	80	(177)	(158)	24 [2]	(1,057)
Commodity purchase resold	—	—	—	(84)	(3)	—	(87)
Property taxes	(77)	(118)	—	(31)	(1)	—	(227)
Depreciation and amortization	(316)	(237)	(22)	(84)	(18)	—	(677)
Segmented Earnings (Losses)	411	1,079	254	176	252	(2)	2,170
Interest expense							(762)
Allowance for funds used during construction							131
Foreign exchange gains (losses), net							107
Interest income and other							42
Income (Loss) before Income Taxes							1,688
Income tax (expense) recovery							(341)
Net Income (Loss)							1,347
Net (income) loss attributable to non-controlling interests							(11)
Net Income (Loss) Attributable to Controlling Interests							1,336
Preferred share dividends							(23)
Net Income (Loss) Attributable to Common Shares							1,313
Capital Spending[4]							
Capital expenditures	822	602	386	13	56	6	1,885
Capital projects in development	3	—	—	—	75	—	78
Contributions to equity investments	900	—	—	—	170	—	1,070
	1,725	602	386	13	301	6	3,033

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 The Mexico Natural Gas Pipelines segment includes a recovery of $95 million on the ECL provision with respect to the net investment in leases associated with the in-service TGNH pipelines and a recovery of $11 million on the ECL provision for contract assets related to certain other Mexico natural gas pipelines. Income (loss) from equity investments includes an expense of $2 million on the ECL provision for contract assets related to Sur de Texas.

4 Included in investing activities in the Condensed consolidated statement of cash flows.

Total Assets by Segment

(unaudited - millions of Canadian $)	**March 31, 2024**	**December 31, 2023**
Canadian Natural Gas Pipelines	**30,089**	29,782
U.S. Natural Gas Pipelines	**51,860**	50,499
Mexico Natural Gas Pipelines	**13,104**	12,003
Liquids Pipelines	**16,504**	15,490
Power and Energy Solutions	**9,552**	9,525
Corporate	**6,917**	7,735
	128,026	125,034

5. REVENUES

Disaggregation of Revenues

The following tables summarize total Revenues for the three months ended March 31, 2024 and 2023:

three months ended March 31, 2024 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Energy Solutions**	**Total**
Revenues from contracts with customers						
Capacity arrangements and transportation	**1,378**	**1,416**	**107**	**592**	**—**	**3,493**
Power generation	**—**	**—**	**—**	**—**	**100**	**100**
Natural gas storage and other[1,2]	**6**	**214**	**31**	**3**	**82**	**336**
	1,384	**1,630**	**138**	**595**	**182**	**3,929**
Sales-type lease income	**—**	**—**	**76**	**—**	**—**	**76**
Other revenues[3]	**—**	**42**	**—**	**139**	**57**	**238**
	1,384	**1,672**	**214**	**734**	**239**	**4,243**

1 The Canadian Natural Gas Pipelines segment includes $6 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 TC Energy.

2 The Mexico Natural Gas Pipelines segment includes $24 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the in-service TGNH pipelines.

3 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information on financial instruments. Additionally, other revenues include $31 million of operating lease income.

three months ended March 31, 2023 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Energy Solutions**	**Total**
Revenues from contracts with customers						
Capacity arrangements and transportation	1,221	1,350	109	438	—	3,118
Power generation	—	—	—	—	116	116
Natural gas storage and other[1,2]	8	245	33	1	109	396
	1,229	1,595	142	439	225	3,630
Sales-type lease income	—	—	63	—	—	63
Other revenues[3]	—	114	—	99	22	235
	1,229	1,709	205	538	247	3,928

1 The Canadian Natural Gas Pipelines segment includes $8 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 TC Energy.

2 The Mexico Natural Gas Pipelines segment includes $27 million of revenues generated from non-lease components for the provision of operating and maintenance services with respect to sales-type leases on the in-service TGNH pipelines.

3 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 14, Risk management and financial instruments, for additional information on financial instruments. Additionally, other revenues include $32 million of operating lease income.

Contract Balances

(unaudited - millions of Canadian $)	March 31, 2024	December 31, 2023	Affected line item on the Condensed consolidated balance sheet
Receivables from contracts with customers	**1,715**	1,832	Accounts receivable
Contract assets	**211**	151	Other current assets
Long-term contract assets	**486**	457	Other long-term assets
Contract liabilities[1]	**74**	69	Accounts payable and other
Long-term contract liabilities	**13**	12	Other long-term liabilities

1 During the three months ended March 31, 2024, $27 million (2023 – $19 million) of revenues were recognized that were included in contract liabilities and long-term 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 represent unearned revenue for contracted services.

Future Revenues from Remaining Performance Obligations

As at March 31, 2024, future revenues from long-term pipeline capacity arrangements and transportation as well as natural gas storage and other contracts extending through 2055 are approximately $22.1 billion, of which approximately $3.8 billion is expected to be recognized during the remainder of 2024.

6. COASTAL GASLINK

Subordinated Loan Agreement

Committed capacity under the subordinated loan agreement between TC Energy and Coastal GasLink LP was $3.4 billion with a balance outstanding of $2.6 billion at March 31, 2024 (December 31, 2023 – $3.4 billion and $2.5 billion, respectively).

Any amounts outstanding on the loan will be repaid by Coastal GasLink LP to TC Energy once final project costs are known, which will be determined after the pipeline is placed in service. Coastal GasLink LP partners, including TC Energy, will contribute equity to Coastal GasLink LP to ultimately fund Coastal GasLink LP's repayment of this subordinated loan to TC Energy. The Company expects that these additional equity contributions will be predominantly funded by TC Energy.

Amounts drawn under the subordinated loan agreement are accounted for as in-substance equity contributions and are presented as Contributions to equity investments on the Company's Condensed consolidated statement of cash flows. Interest and principal repayments on this loan, which are expected to be predominantly funded by TC Energy, will be accounted for as an equity investment distribution to the Company once received.

In the three months ended March 31, 2024, draws of $50 million (2023 – $77 million, net of repayments) were made by Coastal GasLink LP under the subordinated loan agreement. The table below reflects the changes in the carrying value of this loan receivable balance.

(unaudited - millions of Canadian $)	
Outstanding balance at December 31, 2023	**2,520**
Impairment in prior years	**(2,020)**
Issuances in the three months ended March 31, 2024	**50**
Outstanding balance at March 31, 2024	**550**

Impairment of Equity Investment in Coastal GasLink LP

In the three months ended March 31, 2024, no impairment charges were recorded (2023 – $13 million) as there were no events or changes in circumstances since December 31, 2023 indicating a significant adverse impact on the estimated fair value of the Company's investment in Coastal GasLink LP.

Between December 31, 2022 and September 30, 2023, with the expectation that additional equity contributions under the subordinated loan agreement will be predominantly funded by TC Energy, the Company completed valuation assessments for the year ended December 31, 2022 and the first three quarters of 2023. For each period in which an assessment was performed, the Company concluded that the fair value of its investment in Coastal GasLink LP was below its carrying value and that these were other-than-temporary impairments. As a result, the cumulative pre-tax impairment charge recognized at March 31, 2024 is $5,148 million ($4,586 million after tax).

At March 31, 2024, the carrying value of the Company's investment was $532 million (December 31, 2023 – $294 million), which reflects the balance of amounts, net of impairments, drawn on the subordinated loan and other changes to TC Energy's equity investment.

At March 31, 2024, TC Energy expects to fund an additional $0.8 billion related to the capital cost estimates to complete the Coastal GasLink pipeline, which is consistent with the capital cost profile that was included in the September 30, 2023 impairment calculation.

7. INCOME TAXES

Effective Tax Rates

The effective income tax rates were 17 per cent and 20 per cent for the three months ended March 31, 2024 and 2023, respectively. The decrease in the effective income tax rate was primarily due to higher net income attributable to non-controlling interests, the impact of Mexico foreign exchange exposure and an unrealized non-taxable capital loss from the impairment of the Company's investment in Coastal GasLink LP in 2023, partially offset by lower foreign income tax rate differentials in 2024.

8. ASSETS HELD FOR SALE

Portland Natural Gas Transmission System

On March 4, 2024, the Company announced that TC Energy and its partner Northern New England Investment Company, Inc., a subsidiary of Énergir L.P. (Énergir), entered into a purchase and sale agreement to sell Portland Natural Gas Transmission System (PNGTS) to BlackRock, through a fund managed by its Diversified Infrastructure business and investment funds managed by Morgan Stanley Infrastructure Partners (the Purchaser), for expected proceeds of approximately $1.5 billion (US$1.1 billion). In addition, the Purchaser will assume US$250 million of Senior Notes outstanding at PNGTS, which is currently consolidated on the Company's Condensed consolidated balance sheet.

The cash proceeds will be split pro-rata according to the current PNGTS ownership interests (TC Energy – 61.7 per cent, Énergir – 38.3 per cent) and will be paid at closing, subject to certain customary adjustments. The transaction is expected to close in the second half of 2024, subject to the receipt of regulatory approvals and customary closing conditions.

At March 31, 2024, the related assets and liabilities classified as held for sale were as follows:

(unaudited - millions of Canadian $)	**March 31, 2024**
Assets Held for Sale	
Current assets	**70**
Plant, property and equipment	**615**
Total assets held for sale	**685**
Liabilities Related to Assets Held for Sale	
Current liabilities	**30**
Long-term debt, net	**338**
Other long-term liabilities	**16**
Total liabilities related to assets held for sale	**384**

9. KEYSTONE ENVIRONMENTAL PROVISION

In December 2022, a pipeline incident occurred in Washington County, Kansas on the Keystone Pipeline System. At December 31, 2023, the Company had accrued a life-to-date environmental liability of $794 million, before expected insurance recoveries and not including potential fines and penalties which continue to be indeterminable. For the three months ended March 31, 2024, amounts paid for the environmental remediation liability were $57 million (2023 – $181 million). The remaining balance reflected in Accounts payable and other and Other long-term liabilities on the Company's Condensed consolidated balance sheet was $67 million and $10 million, respectively at March 31, 2024 (December 31, 2023 – $122 million and $9 million, respectively).

The expected recovery of the remaining estimated environmental remediation costs recorded in Other current assets and Other long-term assets were $125 million and $34 million, respectively at March 31, 2024 (December 31, 2023 – $150 million and $33 million, respectively). An additional $36 million was accrued in 2023, which is expected to be recoverable from TC Energy's wholly-owned captive insurance subsidiary. This amount was recorded as an expense in Interest income and other in the Condensed consolidated statement of income. For the three months ended March 31, 2024, the Company received $28 million (2023 – $102 million) from its insurance policies related to the costs for environmental remediation.

10. LONG-TERM DEBT

Long-Term Debt Issued

Long-term debt issued by the Company in the three months ended March 31, 2024 included the following:

(unaudited - millions of Canadian $, unless otherwise noted)					
Company	**Issue date**	**Type**	**Maturity date**	**Amount**	**Interest rate**
Columbia Pipelines Holding Company LLC					
	January 2024	Senior Unsecured Notes	January 2034	US 500	5.68%

Long-Term Debt Repaid/Retired

Long-term debt repaid by the Company in the three months ended March 31, 2024 included the following:

(unaudited - millions of Canadian $, unless otherwise noted)				
Company	**Repayment date**	**Type**	**Amount**	**Interest rate**
ANR Pipeline Company				
	February 2024	Senior Unsecured Notes	US 125	7.38%
Nova Gas Transmission Ltd.				
	March 2024	Debentures	100	9.90%
TC Energía Mexicana, S. de R.L. de C.V.				
	Various	Senior Unsecured Revolving Credit Facility	US 80	Floating

Capitalized Interest

In the three months ended March 31, 2024, TC Energy capitalized interest related to capital projects of $68 million (2023 – $30 million).

11. COMMON SHARES AND PREFERRED SHARES

The Board of Directors of TC Energy declared quarterly dividends as follows:

	three months ended March 31	
(unaudited - Canadian $, rounded to two decimals)	**2024**	**2023**
per common share	**0.96**	0.93
per Series 1 preferred share	**0.22**	0.22
per Series 2 preferred share	**0.43**	0.38
per Series 3 preferred share	**0.11**	0.11
per Series 4 preferred share	**0.39**	0.34
per Series 5 preferred share	**0.12**	0.12
per Series 6 preferred share	**0.41**	0.36
per Series 7 preferred share	**0.24**	0.24
per Series 9 preferred share	**0.24**	0.24

Shareholders of the Series 7 preferred shares had the option to convert to Series 8 preferred shares by providing notice on or before April 15, 2024. As the total number of Series 7 preferred shares tendered for conversion did not meet the established threshold, no Series 7 preferred shares were subsequently converted into Series 8 preferred shares.

12. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

three months ended March 31, 2024 (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	**470**	**3**	**473**
Change in fair value of net investment hedges	**(12)**	**3**	**(9)**
Change in fair value of cash flow hedges	**11**	**(3)**	**8**
Other comprehensive income (loss) on equity investments	**120**	**(29)**	**91**
Other Comprehensive Income (Loss)	**589**	**(26)**	**563**

three months ended March 31, 2023 (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	(23)	(1)	(24)
Change in fair value of net investment hedges	13	(3)	10
Change in fair value of cash flow hedges	(1)	—	(1)
Reclassification to net income of (gains) losses on cash flow hedges	44	(10)	34
Other comprehensive income (loss) on equity investments	(95)	24	(71)
Other Comprehensive Income (Loss)	(62)	10	(52)

The changes in AOCI by component, net of tax, were as follows:

three months ended March 31, 2024 (unaudited - millions of Canadian $)	**Currency translation adjustments**	**Cash flow hedges**	**Pension and other post-retirement benefit plans adjustments**	**Equity investments**	**Total**
AOCI balance at January 1, 2024	**(317)**	**(35)**	**(55)**	**456**	**49**
Other comprehensive income (loss) before reclassifications[1]	**229**	**8**	**—**	**95**	**332**
Amounts reclassified from AOCI[2]	**—**	**—**	**—**	**(4)**	**(4)**
Net current period other comprehensive income (loss)	**229**	**8**	**—**	**91**	**328**
AOCI balance at March 31, 2024	**(88)**	**(27)**	**(55)**	**547**	**377**

1 Other comprehensive income (loss) before reclassifications on currency translation adjustments is net of non-controlling interest gain of $235 million (2023 – nil).

2 Gains 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 $2 million ($2 million after tax) at March 31, 2024. 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 were as follows:

	three months ended March 31		
(unaudited - millions of Canadian $)	**2024**	**2023**	**Affected line item in the Condensed consolidated statement of income**[1]
Cash flow hedges			
Commodities	**3**	(41)	Revenues (Power and Energy Solutions)
Interest rate	**(3)**	(3)	Interest expense
	—	(44)	Total before tax
	—	10	Income tax (expense) recovery
	—	(34)	Net of tax
Equity investments			
Equity income (loss)	**5**	6	Income (loss) from equity investments
	(1)	(2)	Income tax (expense) recovery
	4	4	Net of tax

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

13. EMPLOYEE POST-RETIREMENT BENEFITS

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

	three months ended March 31			
	Pension benefit plans		Other post-retirement benefit plans	
(unaudited - millions of Canadian $)	**2024**	**2023**	**2024**	**2023**
Service cost[1]	**28**	23	**—**	1
Other components of net benefit cost[1]				
Interest cost	**40**	39	**4**	4
Expected return on plan assets	**(62)**	(59)	**(3)**	(4)
	(22)	(20)	**1**	—
Net Benefit Cost	**6**	3	**1**	1

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.

14. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management Overview

TC Energy 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

TC Energy’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, net investment in leases and certain contract assets in Mexico.

Market events causing disruptions in global energy demand and supply may contribute to economic uncertainties impacting a number of TC Energy's customers. While the majority of the Company's credit exposure is to large creditworthy entities, TC Energy maintains close monitoring and communication with those counterparties experiencing greater financial pressures. Refer to TC Energy's 2023 Annual Report 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. TC Energy uses historical credit loss and recovery data, adjusted for management's judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in Plant operating costs and other.

For the three months ended March 31, 2024, the Company recorded a recovery of $18 million (2023 – $95 million) on the ECL provision before tax with respect to the net investment in leases associated with the in-service TGNH pipelines and a recovery of $2 million (2023 – $11 million) on the ECL provision for contract assets related to certain other Mexico natural gas pipelines. At March 31, 2024, the balance of the ECL provision was $59 million (December 31, 2023 – $76 million) with respect to the net investment in leases associated with the in-service TGNH pipelines and $2 million (December 31, 2023 – $4 million) related to certain other Mexico natural gas pipelines. The ECL provision is driven primarily by a probability of default measure for the counterparty that is published by an external third party. The Company's net investment in leases at March 31, 2024 included the lateral section of the Villa de Reyes pipeline, which was placed into service in August 2023.

At March 31, 2024, the Company had no significant credit losses, other than the ECL provisions noted above and there were no significant credit risk concentrations or amounts past due or impaired.

TC Energy has significant credit and performance exposure to financial institutions that hold cash deposits and provide committed credit lines and letters of credit that help manage the Company's exposure to counterparties and provide liquidity in commodity, foreign exchange and interest rate derivative markets. TC Energy's portfolio of financial sector exposure consists primarily of highly-rated investment grade, systemically important financial institutions.

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 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)	March 31, 2024		December 31, 2023	
	Fair value[1,2]	**Notional amount**	**Fair value[1,2]**	**Notional amount**
U.S. dollar foreign exchange options (maturing 2024)	**2**	**US 600**	8	US 1,000
U.S. dollar cross-currency interest rate swaps (maturing 2025)	**(3)**	**US 100**	2	US 200
	(1)	**US 700**	10	US 1,200

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)	March 31, 2024	December 31, 2023
Notional amount	**30,300 (US 22,400)**	27,800 (US 21,100)
Fair value	**29,500 (US 21,800)**	26,600 (US 20,200)

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 including the Company's LMCI equity securities which are classified in Level I of the fair value hierarchy. Certain other non-derivative financial instruments included in Cash and cash equivalents, Accounts receivable, Other current assets, Restricted investments, Net investment in leases, Other long-term assets, Notes payable, Accounts payable and other, 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.

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 $)	March 31, 2024		December 31, 2023	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Long-term debt, including current portion[1,2,3]	**(54,031)**	**(53,467)**	(52,914)	(52,815)
Junior subordinated notes	**(10,496)**	**(9,926)**	(10,287)	(9,217)
	(64,527)	**(63,393)**	(63,201)	(62,032)

1 The carrying amount of long-term debt at March 31, 2024 includes $338 million (fair value of $287 million) in Liabilities related to assets held for sale on the Company's Condensed consolidated balance sheet related to the sale of Portland Natural Gas Transmission System.

2 Long-term debt is recorded at amortized cost, except for US$2.4 billion (December 31, 2023 – US$2.0 billion) that is attributed to hedged risk and recorded at fair value.

3 Net income (loss) for the three months ended March 31, 2024 included unrealized gains of $83 million (2023 – unrealized losses of $55 million) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships. 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:

	March 31, 2024		December 31, 2023	
(unaudited - millions of Canadian $)	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	**—**	**40**	1	35
Maturing within 1-5 years	**3**	**232**	8	241
Maturing within 5-10 years	**1,374**	**—**	1,340	—
Maturing after 10 years	**86**	**—**	102	—
Fair value of equity securities[2,4]	**973**	**55**	883	50
	2,436	**327**	2,334	326

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.

	three months ended March 31			
	2024		2023	
(unaudited - millions of Canadian $)	LMCI restricted investments[1]	Other restricted investments[2]	LMCI restricted investments[1]	Other restricted investments[2]
Net unrealized gains (losses) in the period	**59**	**3**	103	2
Net realized gains (losses) in the period[3]	**(2)**	**—**	(7)	—

1 Unrealized and realized gains (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 liabilities or regulatory assets.

2 Unrealized and realized gains (losses) on other restricted investments are included in Interest income and other in the Condensed consolidated statement of income.

3 Realized gains (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 refunded or recovered through the tolls charged by the Company. As a result, these gains and losses are deferred as regulatory liabilities or regulatory assets and are refunded to or collected from 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 March 31, 2024 (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]	**14**	**—**	**—**	**1,293**	**1,307**
Foreign exchange	**—**	**—**	**2**	**33**	**35**
	14	**—**	**2**	**1,326**	**1,342**
Other long-term assets					
Commodities[2]	**5**	**—**	**—**	**103**	**108**
Foreign exchange	**—**	**—**	**—**	**11**	**11**
Interest rate	**—**	**9**	**—**	**—**	**9**
	5	**9**	**—**	**114**	**128**
Total Derivative Assets	**19**	**9**	**2**	**1,440**	**1,470**
Accounts payable and other					
Commodities[2]	**—**	**—**	**—**	**(1,278)**	**(1,278)**
Foreign exchange	**—**	**—**	**(3)**	**(23)**	**(26)**
Interest rate	**—**	**(32)**	**—**	**—**	**(32)**
	—	**(32)**	**(3)**	**(1,301)**	**(1,336)**
Other long-term liabilities					
Commodities[2]	**—**	**—**	**—**	**(50)**	**(50)**
Foreign exchange	**—**	**—**	**—**	**(5)**	**(5)**
Interest rate	**—**	**(71)**	**—**	**—**	**(71)**
	—	**(71)**	**—**	**(55)**	**(126)**
Total Derivative Liabilities	**—**	**(103)**	**(3)**	**(1,356)**	**(1,462)**
Total Derivatives	**19**	**(94)**	**(1)**	**84**	**8**

1 Fair value equals carrying value.

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

at December 31, 2023 (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]	9	—	—	1,195	1,204
Foreign exchange	—	—	10	71	81
	9	—	10	1,266	1,285
Other long-term assets					
Commodities[2]	3	—	—	86	89
Foreign exchange	—	—	—	30	30
Interest rate	—	36	—	—	36
	3	36	—	116	155
Total Derivative Assets	12	36	10	1,382	1,440
Accounts payable and other					
Commodities[2]	(1)	—	—	(1,110)	(1,111)
Foreign exchange	—	—	—	(14)	(14)
Interest rate	—	(18)	—	—	(18)
	(1)	(18)	—	(1,124)	(1,143)
Other long-term liabilities					
Commodities[2]	—	—	—	(75)	(75)
Foreign exchange	—	—	—	(2)	(2)
Interest rate	—	(29)	—	—	(29)
	—	(29)	—	(77)	(106)
Total Derivative Liabilities	(1)	(47)	—	(1,201)	(1,249)
Total Derivatives	11	(11)	10	181	191

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:

	Carrying amount		Fair value hedging adjustments[1]	
(unaudited - millions of Canadian $)	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Long-term debt	**(3,154)**	(2,630)	**94**	11

1 At March 31, 2024 and December 31, 2023, 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 March 31, 2024 (unaudited)	Power	Natural gas	Liquids	Emission credits	Foreign exchange	Interest rate
Net sales (purchases)[1]	**9,287**	**33**	**12**	**(333)**	**—**	**—**
Millions of U.S. dollars	**—**	**—**	**—**	**—**	**5,500**	**2,400**
Millions of Mexican pesos	**—**	**—**	**—**	**—**	**17,500**	**—**
Maturity dates	**2024-2044**	**2024-2029**	**2024-2025**	**2024**	**2024-2026**	**2030-2038**

1 Volumes for power, natural gas, liquids and emission credit derivatives are in GWh, Bcf, MMBbls and thousand metric tonnes CO_2, respectively.

at December 31, 2023 (unaudited)	Power	Natural gas	Liquids	Foreign exchange	Interest rate
Net sales (purchases)[1]	9,209	50	(7)	—	—
Millions of U.S. dollars	—	—	—	4,978	2,000
Millions of Mexican pesos	—	—	—	20,000	—
Maturity dates	2024-2044	2024-2029	2024	2024-2026	2030-2034

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

Unrealized and Realized Gains (Losses) on Derivative Instruments

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

	three months ended March 31	
(unaudited - millions of Canadian $)	**2024**	**2023**
Derivative Instruments Held for Trading[1]		
Unrealized gains (losses) in the period		
Commodities	**(29)**	58
Foreign exchange	**(71)**	74
Realized gains (losses) in the period		
Commodities	**202**	188
Foreign exchange	**51**	57
Derivative Instruments in Hedging Relationships		
Realized gains (losses) in the period		
Commodities	**3**	11
Interest rate	**(13)**	(6)

1 Realized and unrealized gains (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 (losses) on foreign exchange held-for-trading derivative instruments are included on a net basis in Foreign exchange (gains) losses, net in the Condensed consolidated statement of income.

Derivatives in cash flow hedging relationships

The components of OCI (Note 12) related to the change in fair value of derivatives in cash flow hedging relationships before tax were as follows:

	three months ended March 31	
(unaudited - millions of Canadian $, pre-tax)	**2024**	**2023**
Gains (losses) in fair value of commodity derivative instruments recognized in OCI[1]	**11**	(1)

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

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:

	three months ended March 31	
(unaudited - millions of Canadian $)	**2024**	**2023**
Fair Value Hedges		
Interest rate contracts[1]		
Hedged items	**(30)**	(23)
Derivatives designated as hedging instruments	**(13)**	(6)
Cash Flow Hedges		
Reclassification of gains (losses) on derivative instruments from AOCI to Net income (loss)[2,3]		
Commodities[4]	**3**	(41)
Interest rate[1]	**(3)**	(3)

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

2 Refer to Note 12, Other comprehensive income (loss) and Accumulated other comprehensive income (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 Energy Solutions) 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. TC Energy 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 tables show 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 March 31, 2024 (unaudited - millions of Canadian $)	**Gross derivative instruments**	**Amounts available for offset**[1]	**Net amounts**
Derivative instrument assets			
Commodities	**1,415**	**(1,277)**	**138**
Foreign exchange	**46**	**(23)**	**23**
Interest rate	**9**	**(4)**	**5**
	1,470	**(1,304)**	**166**
Derivative instrument liabilities			
Commodities	**(1,328)**	**1,277**	**(51)**
Foreign exchange	**(31)**	**23**	**(8)**
Interest rate	**(103)**	**4**	**(99)**
	(1,462)	**1,304**	**(158)**

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

at December 31, 2023 (unaudited - millions of Canadian $)	**Gross derivative instruments**	**Amounts available for offset**[1]	**Net amounts**
Derivative instrument assets			
Commodities	1,293	(1,099)	194
Foreign exchange	111	(16)	95
Interest rate	36	(5)	31
	1,440	(1,120)	320
Derivative instrument liabilities			
Commodities	(1,186)	1,099	(87)
Foreign exchange	(16)	16	—
Interest rate	(47)	5	(42)
	(1,249)	1,120	(129)

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 $154 million and letters of credit of $51 million at March 31, 2024 (December 31, 2023 – $149 million and $83 million, respectively) to its counterparties. At March 31, 2024, the Company held cash collateral of less than $1 million and $88 million letters of credit (December 31, 2023 – less than $1 million and $15 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 March 31, 2024, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $7 million (December 31, 2023 – $3 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 March 31, 2024, 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. The Company uses the most observable inputs available or alternatively long-term broker quotes or negotiated commodity prices that have been contracted for under similar terms in determining an appropriate estimate of these transactions. Where appropriate, these long-dated prices are discounted to reflect the expected pricing from the applicable markets. 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 March 31, 2024 (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	**1,151**	**213**	**51**	**1,415**
Foreign exchange	**—**	**46**	**—**	**46**
Interest rate	**—**	**9**	**—**	**9**
Derivative instrument liabilities				
Commodities	**(1,195)**	**(123)**	**(10)**	**(1,328)**
Foreign exchange	**—**	**(31)**	**—**	**(31)**
Interest rate	**—**	**(103)**	**—**	**(103)**
	(44)	**11**	**41**	**8**

1 There were no transfers from Level II to Level III for the three months ended March 31, 2024.

at December 31, 2023 (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	1,054	229	10	1,293
Foreign exchange	—	111	—	111
Interest rate	—	36	—	36
Derivative instrument liabilities				
Commodities	(1,002)	(163)	(21)	(1,186)
Foreign exchange	—	(16)	—	(16)
Interest rate	—	(47)	—	(47)
	52	150	(11)	191

1 There were no transfers from Level II to Level III for the year ended December 31, 2023.

The Company has entered into contracts to sell 50 MW of power commencing in 2025 with terms ranging from 15 to 20 years provided from specified renewable sources in the Province of Alberta. The fair value of these contracts is classified in Level III of the fair value hierarchy and is based on the assumption that the contract volumes will be sourced approximately 80 per cent from wind generation, 10 per cent from solar generation and 10 per cent from the market.

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

	three months ended March 31	
(unaudited - millions of Canadian $)	**2024**	**2023**
Balance at beginning of period	**(11)**	(11)
Net gains (losses) included in Net income (loss)	**55**	1
Transfers to Level II	**(3)**	1
Balance at end of period[1]	**41**	(9)

1 For the three months ended March 31, 2024, there were unrealized gains of $55 million recognized in Revenues attributed to derivatives in the Level III category that were held at March 31, 2024 (2023 – unrealized gains of $1 million).

15. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

Capital expenditure commitments at March 31, 2024 have decreased by approximately $0.3 billion from those reported at December 31, 2023, reflecting normal course fulfillment of construction contracts.

Contingencies

TC Energy and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. The amounts involved in such proceedings are not reasonably estimable as the final outcome of such legal proceedings cannot be predicted with certainty. The Company assesses all legal matters on an ongoing basis, including those of its equity investments, to determine if they meet the requirements for disclosure or accrual of a contingent loss. With the potential exception of the matters discussed below, for which the claims are material and there is a reasonable possibility of loss, but have not been assessed as probable and a reasonable estimate of loss cannot be made, it is the opinion of management that the ultimate resolution of such proceedings and actions will not have a material impact on the Company's consolidated financial position or results of operations.

Coastal GasLink LP

Coastal GasLink LP is in dispute with a number of contractors related to construction of the Coastal GasLink pipeline. Material legal matters pertaining to Coastal GasLink are summarized as follows:

SA Energy Group

Coastal GasLink LP is in arbitration with SA Energy Group (SAEG), which is one of the prime construction contractors on the Coastal GasLink pipeline. While still engaged as prime contractor, SAEG filed a request to arbitrate in February 2022, seeking damages for incremental costs resulting from alleged project delays. In order to mitigate cost, schedule and environmental risk while the project was in active construction, Coastal GasLink LP advanced without prejudice payments to SAEG which Coastal GasLink LP now seeks to recover via set off. By agreement among the parties, the scope of the arbitration is limited to damages for project work completed prior to December 29, 2022. In November 2023, SAEG filed materials purporting to seek damages in excess of $1.1 billion. Coastal GasLink LP continues to dispute the merits of SAEG’s claims and to assert its right to set off. Arbitration is scheduled to proceed in late 2024. At March 31, 2024, the final outcome of this matter cannot be reasonably estimated.

Pacific Atlantic Pipeline Construction Ltd.

Coastal GasLink LP is in arbitration with one of its previous prime contractors, Pacific Atlantic Pipeline Construction Ltd. (PAPC). Coastal GasLink LP terminated its contract with PAPC for cause, due to the failure of PAPC to complete work as scheduled and made a demand on the parental guarantee for payment of the guaranteed obligations. Following Coastal GasLink LP’s demand on the guarantee, in August 2022, PAPC initiated arbitration. As of November 2023, PAPC purports to seek at least $428 million in damages for wrongful termination for cause, termination damages and payments alleged to be outstanding. Coastal GasLink LP disputes the merits of PAPC’s claims and has counterclaimed against PAPC and its parent company and guarantor, Bonatti S.p.A., citing delays and failures by PAPC to perform and manage work in accordance with the terms of its contract. Coastal GasLink LP estimates its damages to be $1.2 billion. Arbitration is scheduled to proceed in late 2024. At March 31, 2024, the final outcome of this matter cannot be reasonably estimated.

Separately, Coastal GasLink LP has drawn on a $117 million irrevocable standby letter of credit (LOC) provided by PAPC based on a bona fide belief that Coastal GasLink LP’s damages are in excess of the face value of the LOC. PAPC applied for an injunction restraining Coastal GasLink LP from drawing on the LOC pending the completion of the arbitration between Coastal GasLink LP, PAPC and Bonatti S.p.A., but was unsuccessful. Coastal GasLink LP is now able to use the recovered LOC funds.

2016 Columbia Pipeline Acquisition Lawsuit

In 2023, the Delaware Chancery Court issued its decision in the class action lawsuit commenced by former shareholders of Columbia Pipeline Group Inc. (CPG) related to the acquisition of CPG by TC Energy in 2016. The Court found that the former CPG executives breached their fiduciary duties, that the former CPG Board breached its duty of care in overseeing the sale process and that TC Energy aided and abetted those breaches. The Court awarded US$1 per share in damages to the plaintiffs and total damages, which is presently estimated at US$400 million plus statutory interest. Post-trial briefing and argument has concluded and a decision from the Court allocating liability as between TC Energy and the CPG executives is expected sometime in the first half of 2024. Until the allocation of damages is known, the amount that TC Energy is liable for cannot be reasonably estimated, therefore, the Company has not accrued a provision for this claim at March 31, 2024. Management expects to proceed with an appeal following the Court's determination of total damages and TC Energy's allocated share.

Guarantees

TC Energy 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.

TC Energy 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 TC Energy 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:

		March 31, 2024		December 31, 2023	
(unaudited - millions of Canadian $)	Term	Potential exposure[1]	Carrying value	Potential exposure[1]	Carrying value
Sur de Texas	Renewable to 2053	**100**	**—**	97	—
Bruce Power	Renewable to 2065	**88**	**—**	88	—
Other jointly-owned entities	to 2043	**80**	**3**	80	3
		268	**3**	265	3

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

16. VARIABLE INTEREST ENTITIES

Consolidated VIEs

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 for the settlement of the VIE's obligations, or are not considered a business, were as follows:

(unaudited - millions of Canadian $)	March 31, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash and cash equivalents	**260**	190
Accounts receivable	**462**	476
Inventories	**93**	90
Other current assets	**44**	49
	859	805
Plant, Property and Equipment	**28,418**	27,649
Equity Investments	**818**	823
Regulatory Assets	**13**	12
Goodwill	**450**	439
	30,558	29,728
LIABILITIES		
Current Liabilities		
Accounts payable and other	**896**	1,135
Accrued interest	**248**	210
Current portion of long-term debt	**502**	28
	1,646	1,373
Regulatory Liabilities	**262**	280
Other Long-Term Liabilities	**58**	56
Deferred Income Tax Liabilities	**22**	22
Long-Term Debt	**11,846**	11,388
	13,834	13,119

Non-Consolidated VIEs

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 $)	March 31, 2024	December 31, 2023
Balance Sheet Exposure		
Equity investments		
Bruce Power	**6,384**	6,241
Coastal GasLink	**532**	294
Other pipeline equity investments	**1,104**	1,117
Off-Balance Sheet Exposure[1]		
Bruce Power	**2,166**	1,538
Coastal GasLink[2]	**805**	855
Other pipeline equity investments	**58**	58
Maximum Exposure to Loss	**11,049**	10,103

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

2 TC Energy is contractually obligated to fund the capital costs to complete the Coastal GasLink pipeline by funding the remaining equity requirements of Coastal GasLink LP through capacity on the subordinated loan agreement with Coastal GasLink LP until final project costs are determined. At March 31, 2024, the total capacity committed by TC Energy under this subordinated loan agreement was $3,375 million (December 31, 2023 – $3,375 million). The outstanding balance on this subordinated loan at March 31, 2024 was $2,570 million, reducing the Company's funding commitment under the subordinated loan agreement to $805 million. Refer to Note 6, Coastal GasLink.