Condensed consolidated statement of income

(unaudited - millions of Canadian $)	three months ended September 30 2019	three months ended September 30 2018	nine months ended September 30 2019	nine months ended September 30 2018
Revenues				
Canadian Natural Gas Pipelines	**1,016**	934	**2,939**	2,772
U.S. Natural Gas Pipelines	**1,176**	967	**3,691**	2,988
Mexico Natural Gas Pipelines	**151**	156	**455**	460
Liquids Pipelines	**694**	564	**2,233**	1,831
Power and Storage	**96**	535	**674**	1,724
	3,133	3,156	**9,992**	9,775
Income from Equity Investments	**334**	147	**695**	492
Operating and Other Expenses				
Plant operating costs and other	**980**	884	**2,816**	2,580
Commodity purchases resold	**2**	318	**368**	1,239
Property taxes	**178**	127	**546**	429
Depreciation and amortization	**610**	564	**1,839**	1,669
	1,770	1,893	**5,569**	5,917
Gain/(Loss) on Assets Held for Sale/Sold	**(112)**	—	**(44)**	—
Financial Charges				
Interest expense	**611**	608	**1,857**	1,740
Allowance for funds used during construction	**(120)**	(147)	**(358)**	(365)
Interest income and other	**20**	(167)	**(249)**	(137)
	511	294	**1,250**	1,238
Income before Income Taxes	**1,074**	1,116	**3,824**	3,112
Income Tax Expense				
Current	**452**	30	**717**	169
Deferred	**(184)**	81	**(9)**	203
	268	111	**708**	372
Net Income	**806**	1,005	**3,116**	2,740
Net income attributable to non-controlling interests	**59**	59	**217**	229
Net Income Attributable to Controlling Interests and to Common Shares	**747**	946	**2,899**	2,511

See accompanying notes to the Condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

(unaudited - millions of Canadian $)	three months ended September 30		nine months ended September 30	
	2019	**2018**	**2019**	**2018**
Net Income	**806**	1,005	**3,116**	2,740
Other Comprehensive Income/(Loss), Net of Income Taxes				
Foreign currency translation gains and losses on net investment in foreign operations	**225**	(282)	**(530)**	409
Reclassification of foreign currency translation gains on net investment on disposal of foreign operations	**(4)**	—	**(13)**	—
Change in fair value of net investment hedges	**(9)**	9	**24**	(6)
Change in fair value of cash flow hedges	**(26)**	4	**(85)**	9
Reclassification to net income of gains and losses on cash flow hedges	**4**	6	**10**	16
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	**3**	10	**8**	10
Other comprehensive income on equity investments	**3**	6	**7**	18
Other comprehensive income/(loss)	**196**	(247)	**(579)**	456
Comprehensive Income	**1,002**	758	**2,537**	3,196
Comprehensive income attributable to non-controlling interests	**74**	28	**151**	304
Comprehensive Income Attributable to Controlling Interests and to Common Shares	**928**	730	**2,386**	2,892

See accompanying notes to the Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

	three months ended September 30		nine months ended September 30	
(unaudited - millions of Canadian $)	2019	2018	2019	2018
Cash Generated from Operations				
Net income	**806**	1,005	**3,116**	2,740
Depreciation and amortization	**610**	564	**1,839**	1,669
Deferred income taxes	**(184)**	81	**(9)**	203
Income from equity investments	**(334)**	(147)	**(695)**	(492)
Distributions received from operating activities of equity investments	**339**	296	**888**	761
Employee post-retirement benefits funding, net of expense	**3**	(22)	**(27)**	(22)
Loss/(gain) on assets held for sale/sold	**112**	—	**44**	—
Equity allowance for funds used during construction	**(76)**	(104)	**(225)**	(261)
Unrealized losses/(gains) on financial instruments	**100**	(29)	**(78)**	120
Other	**30**	(93)	**(30)**	(152)
Decrease/(increase) in operating working capital	**134**	(285)	**316**	(129)
Net cash provided by operations	**1,540**	1,266	**5,139**	4,437
Investing Activities				
Capital expenditures	**(1,818)**	(2,435)	**(5,411)**	(6,474)
Capital projects in development	**(184)**	(127)	**(565)**	(239)
Contributions to equity investments	**(133)**	(236)	**(453)**	(778)
Proceeds from sale of assets, net of transaction costs	**1,807**	—	**2,398**	—
Other distributions from equity investments	**—**	—	**186**	121
Deferred amounts and other	**(72)**	(16)	**(154)**	79
Net cash used in investing activities	**(400)**	(2,814)	**(3,999)**	(7,291)
Financing Activities				
Notes payable (repaid)/issued, net	**(2,584)**	1,421	**(688)**	1,906
Long-term debt issued, net of issue costs	**1,994**	1,026	**3,015**	4,359
Long-term debt repaid	**(1)**	(1,232)	**(1,835)**	(3,266)
Junior subordinated notes issued, net of issue costs	**1,441**	—	**1,441**	—
Advances from affiliate	**—**	400	**185**	1,066
Dividends on common shares	**(697)**	(623)	**(2,023)**	(1,789)
Distributions to non-controlling interests	**(50)**	(57)	**(164)**	(174)
Common shares issued	**238**	207	**678**	633
Partnership units of TC PipeLines, LP issued, net of issue costs	**—**	—	**—**	49
Net cash provided by financing activities	**341**	1,142	**609**	2,784
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	**15**	(10)	**(1)**	47
Increase/(Decrease) in Cash and Cash Equivalents	**1,496**	(416)	**1,748**	(23)
Cash and Cash Equivalents				
Beginning of period	**614**	1,437	**362**	1,044
Cash and Cash Equivalents				
End of period	**2,110**	1,021	**2,110**	1,021

See accompanying notes to the Condensed consolidated financial statements.

Condensed consolidated balance sheet

(unaudited - millions of Canadian $)		September 30, 2019	December 31, 2018
ASSETS			
Current Assets			
Cash and cash equivalents		**2,110**	362
Accounts receivable		**1,965**	2,548
Inventories		**469**	431
Assets held for sale		**2,805**	543
Other		**794**	1,180
		8,143	5,064
Plant, Property and Equipment	net of accumulated depreciation of $26,960 and $25,834, respectively	**64,962**	66,503
Equity Investments		**6,617**	7,113
Regulatory Assets		**1,525**	1,548
Goodwill		**13,165**	14,178
Loan Receivable from Affiliate		**1,401**	1,315
Intangible and Other Assets		**2,148**	1,887
Restricted Investments		**1,497**	1,207
		99,458	98,815
LIABILITIES			
Current Liabilities			
Notes payable		**2,011**	2,762
Accounts payable and other		**4,852**	5,426
Dividends payable		**701**	633
Due to affiliate		**3,802**	3,617
Accrued interest		**611**	646
Current portion of long-term debt		**2,839**	3,462
		14,816	16,546
Regulatory Liabilities		**3,898**	3,930
Other Long-Term Liabilities		**1,634**	1,008
Deferred Income Tax Liabilities		**5,691**	6,026
Long-Term Debt		**36,389**	36,509
Junior Subordinated Notes		**8,771**	7,508
		71,199	71,527
EQUITY			
Common shares, no par value		**23,284**	22,606
Issued and outstanding:	September 30, 2019 – 898 million shares		
	December 31, 2018 – 887 million shares		
Additional paid-in capital		**29**	20
Retained earnings		**4,422**	3,613
Accumulated other comprehensive loss		**(1,119)**	(606)
Controlling Interests		**26,616**	25,633
Non-controlling interests		**1,643**	1,655
		28,259	27,288
		99,458	98,815

Contingencies and Guarantees (Note 15)
Variable Interest Entities (Note 17)

See accompanying notes to the Condensed consolidated financial statements.

Condensed consolidated statement of equity

	three months ended September 30		nine months ended September 30	
(unaudited - millions of Canadian $)	**2019**	**2018**	**2019**	**2018**
Common Shares				
Balance at beginning of period	**23,046**	22,187	**22,606**	21,761
Proceeds from shares issued	**238**	207	**678**	633
Balance at end of period	**23,284**	22,394	**23,284**	22,394
Additional Paid-In Capital				
Balance at beginning of period	**27**	13	**20**	—
Issuance of stock options	**2**	4	**9**	10
Dilution from TC PipeLines, LP units issued	**—**	—	**—**	7
Balance at end of period	**29**	17	**29**	17
Retained Earnings				
Balance at beginning of period	**4,376**	2,809	**3,613**	2,387
Net income attributable to controlling interests	**747**	946	**2,899**	2,511
Common share dividends	**(701)**	(631)	**(2,090)**	(1,869)
Adjustment related to income tax effects of asset drop-downs to TC PipeLines, LP	**—**	—	**—**	95
Balance at end of period	**4,422**	3,124	**4,422**	3,124
Accumulated Other Comprehensive Loss				
Balance at beginning of period	**(1,300)**	(1,134)	**(606)**	(1,731)
Other comprehensive income/(loss) attributable to controlling interests	**181**	(216)	**(513)**	381
Balance at end of period	**(1,119)**	(1,350)	**(1,119)**	(1,350)
Equity Attributable to Controlling Interests	**26,616**	24,185	**26,616**	24,185
Equity Attributable to Non-Controlling Interests				
Balance at beginning of period	**1,618**	2,053	**1,655**	1,852
Net income attributable to non-controlling interests	**59**	59	**217**	229
Other comprehensive income/(loss) attributable to non-controlling interests	**15**	(31)	**(66)**	75
Issuance of TC PipeLines, LP units				
Proceeds, net of issue costs	**—**	—	**—**	49
Decrease in TCPL's ownership of TC PipeLines, LP	**—**	—	**—**	(9)
Distributions declared to non-controlling interests	**(49)**	(58)	**(163)**	(173)
Balance at end of period	**1,643**	2,023	**1,643**	2,023
Total Equity	**28,259**	26,208	**28,259**	26,208

See accompanying notes to the Condensed consolidated financial statements.

Notes to Condensed consolidated financial statements (unaudited)

1. Basis of presentation

On May 3, 2019, TransCanada Corporation changed its name to TC Energy Corporation (TC Energy). TransCanada PipeLines Limited (TCPL or the Company) is a wholly-owned subsidiary of TC Energy. As of first quarter 2019, the previously disclosed Energy segment has been renamed the Power and Storage segment.

These Condensed consolidated financial statements of TCPL have been prepared by management in accordance with U.S. GAAP. The accounting policies applied are consistent with those outlined in TCPL's annual audited Consolidated financial statements for the year ended December 31, 2018, except as described in Note 2, Accounting changes. Capitalized and abbreviated terms that are used but not otherwise defined herein are identified in the 2018 audited Consolidated financial statements.

These Condensed consolidated financial statements reflect adjustments, all of which are normal recurring adjustments that are, in the opinion of management, necessary to reflect fairly the financial position and results of operations for the respective periods. These Condensed consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2018 audited Consolidated financial statements. Certain comparative figures have been reclassified to conform with the current period's presentation.

Earnings for interim periods may not be indicative of results for the fiscal year in the Company's natural gas pipelines segments due to the timing of regulatory decisions and seasonal fluctuations in short-term throughput volumes on U.S. pipelines. Earnings for interim periods may also not be indicative of results for the fiscal year in the Company's Liquids Pipelines segment due to fluctuations in throughput volumes on the Keystone Pipeline System and marketing activities. Due to the impact of seasonal weather conditions on customer demand and market pricing in certain of the Company's investments in electrical power generation plants and non-regulated gas storage facilities, earnings for interim periods may not be indicative of results for the fiscal year in the Company's Power and Storage segment.

USE OF ESTIMATES AND JUDGMENTS

In preparing these financial statements, TCPL is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions. In the opinion of management, these Condensed consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's significant accounting policies included in the annual audited Consolidated financial statements for the year ended December 31, 2018, except as described in Note 2, Accounting changes.

2. Accounting changes

CHANGES IN ACCOUNTING POLICIES FOR 2019

Leases

In February 2016, the FASB issued new guidance on the accounting for leases. The new guidance amends the definition of a lease such that, in order for an arrangement to qualify as a lease, the lessee is required to have both (1) the right to obtain substantially all of the economic benefits from the use of the asset and (2) the right to direct the use of the asset. The new guidance also establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and corresponding lease liability on the balance sheet for all leases with a term longer than twelve months. Leases will be classified as finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of income. The new guidance does not make extensive changes to lessor accounting.

The new guidance was effective January 1, 2019 and was applied using optional transition relief which allowed entities to initially apply the new lease standard at adoption (January 1, 2019) and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. This transition option allowed the Company to not apply the new guidance, including disclosure requirements, to the comparative periods presented.

The Company elected available practical expedients and exemptions upon adoption which allowed the Company:

- to not reassess prior conclusions on existing leases regarding lease identification, lease classification and initial direct costs under the new standard
- to carry forward the historical lease classification and its accounting treatment for land easements on existing agreements
- to not recognize ROU assets or lease liabilities for leases that qualify for the short-term lease recognition exemption
- to not separate lease and non-lease components for all leases for which the Company is the lessee and for facility and liquids tank terminals for which the Company is the lessor
- to use hindsight in determining the lease term and assessing ROU assets for impairment.

The new guidance had a significant impact on the Company's Condensed consolidated balance sheet, but did not have an impact on the Company's Condensed consolidated statements of income and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases and providing significant new disclosures about the Company's leasing activities. Refer to Note 7, Leases, for additional information related to the impact of adopting the new guidance and the Company's updated accounting policies related to leases.

In the application of the new guidance, significant assumptions and judgments are used to determine the following:

- whether a contract contains a lease
- the duration of the lease term including exercising lease renewal options. The lease term for all of the Company’s leases includes the noncancellable period of the lease plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor
- the discount rate for the lease.

Fair value measurement

In August 2018, the FASB issued new guidance that amends certain disclosure requirements for fair value measurements. This new guidance is effective January 1, 2020, however, early adoption of certain or all requirements is permitted. The Company elected to adopt this guidance effective first quarter 2019. The guidance was applied retrospectively and did not have a material impact on the Company's consolidated financial statements.

FUTURE ACCOUNTING CHANGES

Measurement of credit losses on financial instruments

In June 2016, the FASB issued new guidance that changes how entities measure credit losses for most financial assets and certain other financial instruments that are not measured at fair value through net income. The new guidance amends the impairment model of financial instruments, basing it on expected losses rather than incurred losses. These expected credit losses will be recognized as an allowance rather than as a direct write-down of the amortized cost basis. The new guidance is effective January 1, 2020 and will be applied using a modified retrospective approach. The Company has substantially completed its analysis and does not expect the adoption of this new guidance to have a material impact on its consolidated financial statements.

Implementation costs of cloud computing arrangements

In August 2018, the FASB issued new guidance requiring an entity in a hosting arrangement that is a service contract to follow the guidance for internal-use software to determine which implementation costs should be capitalized as an asset and which costs should be expensed. The guidance also requires the entity to amortize the capitalized implementation costs of a hosting arrangement over the term of the arrangement. This guidance is effective January 1, 2020, however, early adoption is permitted. This guidance can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company has substantially completed its analysis and does not expect the adoption of this new guidance to have a material impact on its consolidated financial statements.

Consolidation

In October 2018, the FASB issued new guidance for determining whether fees paid to decision makers and service providers are variable interests for indirect interests held through related parties under common control. This new guidance is effective January 1, 2020 and will be applied on a retrospective basis, however, early adoption is permitted. The Company does not expect the adoption of this new guidance to have a material impact on its consolidated financial statements.

Defined benefit plans

In August 2018, the FASB issued new guidance which amends and clarifies disclosure requirements related to defined benefit pension and other post-retirement benefit plans. This new guidance is effective January 1, 2021 and will be applied on a retrospective basis, however, early adoption is permitted. The Company is currently evaluating the timing and impact of the adoption of this guidance and has not yet determined the effect on its consolidated financial statements.

3. Segmented information

three months ended September 30, 2019 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Storage**[1]	**Corporate**[2]	**Total**
Revenues	**1,016**	**1,176**	**151**	**694**	**96**	**—**	**3,133**
Intersegment revenues	**—**	**40**	**—**	**—**	**4**	**(44)** [3]	**—**
	1,016	**1,216**	**151**	**694**	**100**	**(44)**	**3,133**
Income from equity investments	**4**	**60**	**12**	**18**	**203**	**37** [4]	**334**
Plant operating costs and other	**(380)**	**(393)**	**(11)**	**(185)**	**(51)**	**40** [3]	**(980)**
Commodity purchases resold	**—**	**—**	**—**	**—**	**(2)**	**—**	**(2)**
Property taxes	**(68)**	**(86)**	**—**	**(22)**	**(2)**	**—**	**(178)**
Depreciation and amortization	**(289)**	**(192)**	**(27)**	**(83)**	**(19)**	**—**	**(610)**
Gain/(loss) on assets held for sale/sold	**—**	**21**	**—**	**69**	**(202)**	**—**	**(112)**
Segmented Earnings	**283**	**626**	**125**	**491**	**27**	**33**	**1,585**
Interest expense							**(611)**
Allowance for funds used during construction							**120**
Interest income and other[4]							**(20)**
Income before Income Taxes							**1,074**
Income tax expense							**(268)**
Net Income							**806**
Net income attributable to non-controlling interests							**(59)**
Net Income Attributable to Controlling Interests and to Common Shares							**747**

1 Previously referred to as Energy.

2 Includes intersegment eliminations.

3 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.

4 Income from equity investments includes foreign exchange gains on the Company's inter-affiliate loan with Sur de Texas. The offsetting foreign exchange losses on the inter-affiliate loan are included in Interest income and other. The peso-denominated loan to the Sur de Texas joint venture represents the Company's proportionate share of long-term debt financing for this joint venture.

three months ended September 30, 2018 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage[1]	Corporate[2]	Total
Revenues	934	967	156	564	535	—	3,156
Intersegment revenues	—	40	—	—	3	(43)[3]	—
	934	1,007	156	564	538	(43)	3,156
Income/(loss) from equity investments	3	62	8	22	112	(60)[4]	147
Plant operating costs and other	(356)	(313)	(11)	(160)	(79)	35[3]	(884)
Commodity purchases resold	—	—	—	—	(318)	—	(318)
Property taxes	(59)	(41)	—	(24)	(3)	—	(127)
Depreciation and amortization	(255)	(170)	(26)	(86)	(27)	—	(564)
Segmented Earnings/(Loss)	267	545	127	316	223	(68)	1,410
Interest expense							(608)
Allowance for funds used during construction							147
Interest income and other[4]							167
Income before Income Taxes							1,116
Income tax expense							(111)
Net Income							1,005
Net income attributable to non-controlling interests							(59)
Net Income Attributable to Controlling Interests and to Common Shares							946

1 Previously referred to as Energy.
2 Includes intersegment eliminations.
3 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.
4 Income/(loss) from equity investments includes foreign exchange losses on the Company's inter-affiliate loan with Sur de Texas. The offsetting foreign exchange gains on the inter-affiliate loan are included in Interest income and other. The peso-denominated loan to the Sur de Texas joint venture represents the Company's proportionate share of long-term debt financing for this joint venture.

nine months ended September 30, 2019 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage[1]	Corporate[2]	Total
Revenues	2,939	3,691	455	2,233	674	—	9,992
Intersegment revenues	—	123	—	—	15	(138) [3]	—
	2,939	3,814	455	2,233	689	(138)	9,992
Income from equity investments	8	196	22	46	412	11 [4]	695
Plant operating costs and other	(1,085)	(1,127)	(37)	(518)	(175)	126 [3]	(2,816)
Commodity purchases resold	—	—	—	—	(368)	—	(368)
Property taxes	(206)	(258)	—	(77)	(5)	—	(546)
Depreciation and amortization	(862)	(565)	(86)	(260)	(66)	—	(1,839)
Gain/(loss) on assets held for sale/sold	—	21	—	69	(134)	—	(44)
Segmented Earnings/(Loss)	**794**	**2,081**	**354**	**1,493**	**353**	**(1)**	**5,074**
Interest expense							(1,857)
Allowance for funds used during construction							358
Interest income and other[4]							249
Income before Income Taxes							**3,824**
Income tax expense							(708)
Net Income							**3,116**
Net income attributable to non-controlling interests							(217)
Net Income Attributable to Controlling Interests and to Common Shares							**2,899**

1 Previously referred to as Energy.

2 Includes intersegment eliminations.

3 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.

4 Income from equity investments includes foreign exchange gains on the Company's inter-affiliate loan with Sur de Texas. The offsetting foreign exchange losses on the inter-affiliate loan are included in Interest income and other. The peso-denominated loan to the Sur de Texas joint venture represents the Company's proportionate share of long-term debt financing for this joint venture.

nine months ended September 30, 2018 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Storage**[1]	**Corporate**[2]	**Total**
Revenues	2,772	2,988	460	1,831	1,724	—	9,775
Intersegment revenues	—	121	—	—	50	(171) [3]	—
	2,772	3,109	460	1,831	1,774	(171)	9,775
Income/(loss) from equity investments	9	188	20	50	277	(52) [4]	492
Plant operating costs and other	(1,020)	(925)	(25)	(506)	(250)	146 [3]	(2,580)
Commodity purchases resold	—	—	—	—	(1,239)	—	(1,239)
Property taxes	(200)	(149)	—	(74)	(6)	—	(429)
Depreciation and amortization	(761)	(489)	(73)	(254)	(92)	—	(1,669)
Segmented Earnings/(Loss)	800	1,734	382	1,047	464	(77)	4,350
Interest expense							(1,740)
Allowance for funds used during construction							365
Interest income and other[4]							137
Income before Income Taxes							3,112
Income tax expense							(372)
Net Income							2,740
Net income attributable to non-controlling interests							(229)
Net Income Attributable to Controlling Interests and to Common Shares							2,511

1 Previously referred to as Energy.
2 Includes intersegment eliminations.
3 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.
4 Income/(loss) from equity investments includes foreign exchange losses on the Company's inter-affiliate loan with Sur de Texas. The offsetting foreign exchange gains on the inter-affiliate loan are included in Interest income and other. The peso-denominated loan to the Sur de Texas joint venture represents the Company's proportionate share of long-term debt financing for this joint venture.

TOTAL ASSETS BY SEGMENT

(unaudited - millions of Canadian $)	**September 30, 2019**	**December 31, 2018**
Canadian Natural Gas Pipelines	**20,874**	18,407
U.S. Natural Gas Pipelines	**42,067**	44,115
Mexico Natural Gas Pipelines	**7,204**	7,058
Liquids Pipelines	**16,135**	17,352
Power and Storage	**7,780**	8,475
Corporate	**5,398**	3,408
	99,458	98,815

4. Revenues

DISAGGREGATION OF REVENUES

The following tables summarize total Revenues for the three and nine months ended September 30, 2019 and 2018:

three months ended September 30, 2019 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Storage**	**Total**
Revenues from contracts with customers						
Capacity arrangements and transportation	**1,016**	**1,008**	**149**	**614**	**—**	**2,787**
Power generation	**—**	**—**	**—**	**—**	**58**	**58**
Natural gas storage and other	**—**	**147**	**2**	**1**	**13**	**163**
	1,016	**1,155**	**151**	**615**	**71**	**3,008**
Other revenues[1]	**—**	**21**	**—**	**79**	**25**	**125**
	1,016	**1,176**	**151**	**694**	**96**	**3,133**

1 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. These arrangements are not in the scope of the revenue guidance. Refer to Note 7, Leases, and Note 13, Risk management and financial instruments, for additional information on income from lease arrangements and financial instruments, respectively.

three months ended September 30, 2018 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Storage**	**Total**
Revenues from contracts with customers						
Capacity arrangements and transportation	934	788	155	511	—	2,388
Power generation	—	—	—	—	450	450
Natural gas storage and other	—	158	1	1	4	164
	934	946	156	512	454	3,002
Other revenues[1]	—	21	—	52	81	154
	934	967	156	564	535	3,156

1 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. These arrangements are not in the scope of the revenue guidance. Refer to Note 13, Risk management and financial instruments, for additional information on income from financial instruments.

nine months ended September 30, 2019 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Power and Storage**	**Total**
Revenues from contracts with customers						
Capacity arrangements and transportation	**2,939**	**3,140**	**451**	**1,824**	**—**	**8,354**
Power generation	**—**	**—**	**—**	**—**	**599**	**599**
Natural gas storage and other	**—**	**481**	**4**	**3**	**55**	**543**
	2,939	**3,621**	**455**	**1,827**	**654**	**9,496**
Other revenues[1]	**—**	**70**	**—**	**406**	**20**	**496**
	2,939	**3,691**	**455**	**2,233**	**674**	**9,992**

1 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. These arrangements are not in the scope of the revenue guidance. Refer to Note 7, Leases, and Note 13, Risk management and financial instruments, for additional information on income from lease arrangements and financial instruments, respectively.

nine months ended September 30, 2018 (unaudited - millions of Canadian $)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Total
Revenues from contracts with customers						
Capacity arrangements and transportation	2,772	2,457	457	1,558	—	7,244
Power generation	—	—	—	—	1,455	1,455
Natural gas storage and other	—	468	3	2	65	538
	2,772	2,925	460	1,560	1,520	9,237
Other revenues[1]	—	63	—	271	204	538
	2,772	2,988	460	1,831	1,724	9,775

1 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. These arrangements are not in the scope of the revenue guidance. Refer to Note 13, Risk management and financial instruments, for additional information on income from financial instruments.

CONTRACT BALANCES

(unaudited - millions of Canadian $)	September 30, 2019	December 31, 2018
Receivables from contracts with customers	**1,181**	1,684
Contract assets[1]	**303**	159
Long-term contract assets[2]	**120**	21
Contract liabilities[3]	**56**	11
Long-term contract liabilities[4]	**185**	121

1 Recorded as part of Other current assets on the Condensed consolidated balance sheet.
2 Recorded as part of Intangibles and other assets on the Condensed consolidated balance sheet.
3 Comprised of deferred revenue recorded in Accounts payable and other on the Condensed consolidated balance sheet. During the nine months ended September 30, 2019, $6 million of revenue was recognized that was included in contract liabilities at the beginning of the period.
4 Comprised of deferred revenue recorded in Other long-term liabilities on the Condensed consolidated balance sheet.

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

FUTURE REVENUES FROM REMAINING PERFORMANCE OBLIGATIONS

Capacity Arrangements and Transportation

As at September 30, 2019, future revenues from long-term pipeline capacity arrangements and transportation contracts extending through 2045 are approximately $28.4 billion, of which approximately $1.5 billion is expected to be recognized during the remainder of 2019.

Power Generation

The Company has long-term power generation contracts extending through 2028. Revenues from power generation contracts have a variable component related to market prices that are subject to factors outside the Company's influence. These revenues are considered to be fully constrained and are recognized on a monthly basis when the Company satisfies the performance obligation.

Natural Gas Storage and Other

As at September 30, 2019, future revenues from long-term natural gas storage and other contracts extending through 2026 are approximately $0.9 billion, of which approximately $170 million is expected to be recognized during the remainder of 2019.

5. Income taxes

Effective Tax Rates

The effective income tax rates for the nine-month periods ended September 30, 2019 and 2018 were 19 per cent and 12 per cent, respectively. The higher effective tax rate in 2019 was primarily the result of lower foreign tax rate differentials, partially offset by lower flow-through tax in Canadian rate-regulated pipelines.

Further to U.S. Tax Reform, the U.S. Treasury and the U.S. Internal Revenue Service issued proposed regulations in November and December of 2018 which provided administrative guidance and clarified certain aspects of the new laws with respect to interest deductibility, base erosion and anti-abuse tax, the new dividend received deduction and anti-hybrid rules. The proposed regulations are complex and comprehensive, and considerable uncertainty continues to exist pending release of the final regulations which is expected to occur in late 2019. If the proposed regulations are enacted as currently drafted, they should not have a material impact on the Company's consolidated financial statements.

Alberta Tax Rate Reduction

In June 2019, a reduction to the Alberta corporate tax rate was enacted. For the Company's Canadian businesses not subject to rate-regulated accounting (RRA), this resulted in a decrease in net deferred income tax liabilities and a deferred income tax recovery of $32 million. For the Company's Canadian businesses subject to RRA, this rate change resulted in the reduction of both net deferred income tax liabilities and long-term regulatory assets of $83 million on the Condensed consolidated balance sheet at September 30, 2019.

6. Assets held for sale

Ontario Natural Gas-Fired Power Plants

On July 30, 2019, TCPL entered into an agreement to sell the Halton Hills and Napanee power plants as well as its 50 per cent interest in Portlands Energy Centre to a third party for proceeds of approximately $2.87 billion, subject to timing of the close and related adjustments. The sale is expected to close by the end of first quarter 2020 subject to conditions which include regulatory approvals and Napanee reaching commercial operations as outlined in the agreement. TCPL expects this sale to result in a total pre-tax loss of approximately $330 million ($231 million after tax), with $202 million of the pre-tax loss ($133 million after tax) recorded at September 30, 2019 after classifying the net assets as held for sale. The remaining loss will be recorded on or before closing of the transaction.

At September 30, 2019, the related assets and liabilities in the Power and Storage segment were classified as held for sale as follows:

(unaudited - millions of Canadian $)	
Assets Held for Sale	
Inventories	**11**
Plant, property and equipment	**2,501**
Equity investments	**280**
Intangible and other assets	**13**
Total Assets Held for Sale	**2,805**
Liabilities Related to Assets Held for Sale	
Other long-term liabilities	**8**
Total Liabilities Related to Assets Held for Sale[1]	**8**

1 Included in Accounts payable and other on the Condensed consolidated balance sheet.

Coolidge Generating Station

On May 21, 2019, TCPL completed the sale of its Coolidge generating station, which was reported as Assets held for sale at December 31, 2018. Refer to Note 14, Dispositions, for additional information.

7. Leases

In 2016, the FASB issued new guidance on leases. The Company adopted the new guidance on January 1, 2019 using optional transition relief. Results reported for 2019 reflect the application of the new guidance while the 2018 comparative results were prepared and reported under previous leases guidance.

Lessee Accounting Policy

The Company determines if an arrangement is a lease at inception of the contract. Operating leases are recognized as ROU assets and included in Plant, property and equipment while corresponding liabilities are included in Accounts payable and other, and Other long-term liabilities on the Condensed consolidated balance sheet.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date of the lease agreement. As the Company's lease contracts do not provide an implicit interest rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and initial direct costs incurred and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term and included in Plant operating costs and other in the Condensed consolidated statement of income.

Lessor Accounting Policy

The Company is the lessor for certain contracts and these contracts are accounted for as operating leases. The Company recognizes lease payments as income over the lease term on a straight-line basis. Variable lease payments are recognized as income in the period in which the changes in facts and circumstances on which these payments are based occur.

Impact of New Lease Guidance on Date of Adoption

The following table illustrates the impact of the adoption of the new lease guidance on the Company's previously reported consolidated balance sheet line items:

(unaudited - millions of Canadian $)	As reported December 31, 2018	Adjustment	January 1, 2019
Plant, property and equipment	66,503	585	67,088
Accounts payable and other	5,426	57	5,483
Other long-term liabilities	1,008	528	1,536

As a Lessee

The Company has operating leases for corporate offices, other various premises, equipment and land. Some leases have an option to renew for periods of one to 25 years, and some may include options to terminate the lease within one year. Payments due under lease contracts include fixed payments plus, for many of the Company's leases, variable payments such as a proportionate share of the buildings' property taxes, insurance and common area maintenance. The Company subleases some of the leased premises.

Operating lease cost is as follows:

(unaudited - millions of Canadian $)	three months ended September 30, 2019	nine months ended September 30, 2019
Operating lease cost[1]	**29**	**84**
Sublease income	**(3)**	**(8)**
Net operating lease cost	**26**	**76**

1 Includes short-term leases and variable lease costs.

Other information related to operating leases is noted in the following tables:

(unaudited - millions of Canadian $)	three months ended September 30, 2019	nine months ended September 30, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	**19**	**56**
ROU assets obtained in exchange for new operating lease liabilities	**5**	**8**

(unaudited)	at September 30, 2019
Weighted average remaining lease term	**10 years**
Weighted average discount rate	**3.5%**

Maturities of operating lease liabilities on a prospective 12-month basis and where they are disclosed on the Condensed consolidated balance sheet as at September 30, 2019 are as follows:

(unaudited - millions of Canadian $)	
2020	**72**
2021	**69**
2022	**61**
2023	**59**
2024	**58**
Thereafter	**333**
Total operating lease payments	**652**
Imputed interest	**(106)**
Operating lease liabilities recorded on the Condensed consolidated balance sheet	**546**
Reported as follows:	
Accounts payable and other	**56**
Other long-term liabilities	**490**
	546

Future payments reported under previous lease guidance for the Company’s operating leases as at December 31, 2018 were as follows:

(unaudited - millions of Canadian $)	**Minimum operating lease payments**
2019	81
2020	78
2021	76
2022	69
2023	67
Thereafter	390
	761

As at September 30, 2019, the carrying value of the ROU assets recorded under operating leases was $544 million and is included in Plant, property and equipment on the Condensed consolidated balance sheet.

As a Lessor

Grandview and Bécancour power plants in the Power and Storage segment and the Northern Courier pipeline in the Liquids Pipelines segment are accounted for as operating leases. The Company has long-term PPAs for the sale of power for the Power and Storage lease assets which expire between 2024 and 2026. Northern Courier pipeline transports bitumen and diluent between the Fort Hills mine site and Suncor Energy’s terminal, with a contract expiring in 2042. On July 17, 2019, TCPL completed the sale of an 85 per cent equity interest in Northern Courier and now uses the equity method to account for its remaining 15 per cent interest in the Company's consolidated financial statements. Refer to Note 14, Dispositions, for additional information. Therefore, only the operating lease income prior to this sale has been included in this lease disclosure.

Some leases contain variable lease payments that are based on operating hours and the reimbursement of variable costs, and options to purchase the underlying asset at fair value or based on a formula considering the remaining fixed payments. Lessees have rights under some leases to terminate under certain circumstances.

The Company also leases liquids tanks which are accounted for as operating leases.

The fixed portion of the operating lease income recorded by the Company for the three and nine months ended September 30, 2019 was $38 million and $149 million, respectively.

Future lease payments to be received under operating leases as at September 30, 2019 are as follows:

(unaudited - millions of Canadian $)	**Future lease payments**
Remainder of 2019	**32**
2020	**119**
2021	**116**
2022	**111**
2023	**109**
Thereafter	**273**
	760

The cost and accumulated depreciation for facilities accounted for as operating leases was $856 million and $314 million, respectively, at September 30, 2019 (December 31, 2018 – $2,007 million and $324 million, respectively).

8. Long-term debt

LONG-TERM DEBT ISSUED

Long-term debt issued by the Company in the nine months ended September 30, 2019 included the following:

(unaudited - millions of Canadian $) **Company**	**Issue date**	**Type**	**Maturity date**	**Amount**	**Interest rate**
TRANSCANADA PIPELINES LIMITED					
	September 2019	Medium Term Notes	September 2029	700	3.00%
	September 2019	Medium Term Notes	July 2048	300	4.18%
	April 2019	Medium Term Notes	October 2049	1,000	4.34%
NORTHERN COURIER PIPELINE LIMITED PARTNERSHIP[1]					
	July 2019	Senior Secured Notes	June 2042	1,000	3.365%

1 Subsequent to the debt issuance, TCPL completed the sale of an 85 per cent equity interest in Northern Courier. The Company's remaining 15 per cent interest is accounted for using the equity method. Refer to Note 14, Dispositions for additional information.

LONG-TERM DEBT REPAID

Long-term debt retired/repaid by the Company in the nine months ended September 30, 2019 included the following:

(unaudited - millions of Canadian $, unless otherwise noted) Company	Retirement/ Repayment date	Type	Amount	Interest rate
TRANSCANADA PIPELINES LIMITED				
	May 2019	Medium Term Notes	13	9.35%
	March 2019	Debentures	100	10.50%
	January 2019	Senior Unsecured Notes	US 750	7.125%
	January 2019	Senior Unsecured Notes	US 400	3.125%
TC PIPELINES, LP				
	June 2019	Unsecured Term Loan	US 50	Floating
GAS TRANSMISSION NORTHWEST LLC				
	May 2019	Unsecured Term Loan	US 35	Floating

CAPITALIZED INTEREST

In the three and nine months ended September 30, 2019, TCPL capitalized interest related to capital projects of $48 million and $129 million, respectively (2018 – $33 million and $89 million, respectively).

9. Junior subordinated notes issued

(unaudited - millions of Canadian $, unless notes otherwise) Company	Issue date	Type	Maturity date	Amount	Interest rate
TRANSCANADA PIPELINES LIMITED					
	September 2019	Junior Subordinated Notes[1,2]	September 2079	US 1,100	5.75%

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

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

In September 2019, the Trust issued US$1.1 billion of Trust Notes – Series 2019-A (Trust Notes) to third party investors with a fixed interest rate of 5.50 per cent for the first ten years converting to a floating rate thereafter. All of the proceeds of the issuance by the Trust were loaned to TCPL for US$1.1 billion of junior subordinated notes of TCPL at an initial fixed rate of 5.75 per cent, including a 0.25 per cent administration charge. The rate will reset commencing September 2029 until September 2049 to the three month LIBOR plus 4.404 per cent per annum; from September 2049 until September 2079, the interest rate will reset to the three month LIBOR plus 5.154 per cent per annum. The junior subordinated notes are callable at TCPL's option at any time on or after September 15, 2029 at 100 per cent of the principal amount plus accrued and unpaid interest to the date of redemption.

Pursuant to the terms of the Trust Notes and related agreements, in certain circumstances (1) TCPL may issue deferral preferred shares to holders of the Trust Notes in lieu of interest; and (2) TCPL would be prohibited from declaring or paying dividends on or redeeming their outstanding preferred shares (or, if none are outstanding, their respective common shares) until all deferral preferred shares are redeemed by TCPL. The Trust Notes may also be automatically exchanged for preferred shares of TCPL upon certain kinds of bankruptcy and insolvency events. All of these preferred shares would rank equally with any other outstanding first preferred shares of TCPL.

10. Share capital

During the nine months ended September 30, 2019, the Company issued the following common shares to TC Energy, resulting in 898 million shares outstanding at September 30, 2019 (December 31, 2018 – 887 million):

- 3.8 million shares on January 31, 2019 for proceeds of $214 million
- 3.5 million shares on April 30, 2019 for proceeds of $226 million
- 3.7 million shares on July 31, 2019 for proceeds of $238 million.

The board of directors of TCPL declared dividends as follows:

	three months ended September 30		**nine months ended September 30**	
(unaudited - Canadian $, rounded to two decimals)	**2019**	**2018**	**2019**	**2018**
per common share	**$0.75**	$0.69	**$2.25**	$2.07

11. Other comprehensive income/(loss) and accumulated other comprehensive loss

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

three months ended September 30, 2019 (unaudited - millions of Canadian $)	**Before Tax Amount**	**Income Tax Recovery/ (Expense)**	**Net of Tax Amount**
Foreign currency translation gains on net investment in foreign operations	**219**	**6**	**225**
Reclassification of foreign currency translation gains on net investment on disposal of foreign operations	**(4)**	**—**	**(4)**
Change in fair value of net investment hedges	**(12)**	**3**	**(9)**
Change in fair value of cash flow hedges	**(34)**	**8**	**(26)**
Reclassification to net income of gains and losses on cash flow hedges	**5**	**(1)**	**4**
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	**4**	**(1)**	**3**
Other comprehensive income on equity investments	**3**	**—**	**3**
Other Comprehensive Income	**181**	**15**	**196**

three months ended September 30, 2018 (unaudited - millions of Canadian $)	**Before Tax Amount**	**Income Tax Recovery/ (Expense)**	**Net of Tax Amount**
Foreign currency translation losses on net investment in foreign operations	(273)	(9)	(282)
Change in fair value of net investment hedges	12	(3)	9
Change in fair value of cash flow hedges	5	(1)	4
Reclassification to net income of gains and losses on cash flow hedges	8	(2)	6
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	4	6	10
Other comprehensive income on equity investments	7	(1)	6
Other Comprehensive Loss	(237)	(10)	(247)

nine months ended September 30, 2019 (unaudited - millions of Canadian $)	**Before Tax Amount**	**Income Tax Recovery/ (Expense)**	**Net of Tax Amount**
Foreign currency translation losses on net investment in foreign operations	**(516)**	**(14)**	**(530)**
Reclassification of foreign currency translation gains on net investment on disposal of foreign operations	**(13)**	**—**	**(13)**
Change in fair value of net investment hedges	**32**	**(8)**	**24**
Change in fair value of cash flow hedges	**(108)**	**23**	**(85)**
Reclassification to net income of gains and losses on cash flow hedges	**13**	**(3)**	**10**
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	**11**	**(3)**	**8**
Other comprehensive income on equity investments	**1**	**6**	**7**
Other Comprehensive Loss	**(580)**	**1**	**(579)**

nine months ended September 30, 2018 (unaudited - millions of Canadian $)	**Before Tax Amount**	**Income Tax Recovery/ (Expense)**	**Net of Tax Amount**
Foreign currency translation gains on net investment in foreign operations	397	12	409
Change in fair value of net investment hedges	(8)	2	(6)
Change in fair value of cash flow hedges	8	1	9
Reclassification to net income of gains and losses on cash flow hedges	21	(5)	16
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	12	(2)	10
Other comprehensive income on equity investments	20	(2)	18
Other Comprehensive Income	450	6	456

The changes in AOCI by component are as follows:

three months ended September 30, 2019 (unaudited - millions of Canadian $)	**Currency Translation Adjustments**	**Cash Flow Hedges**	**Pension and OPEB Plan Adjustments**	**Equity Investments**	**Total**[1]
AOCI balance at July 1, 2019	**(557)**	**(63)**	**(309)**	**(371)**	**(1,300)**
Other comprehensive income/(loss) before reclassifications[2]	**198**	**(25)**	**—**	**—**	**173**
Amounts reclassified from AOCI[3]	**(4)**	**6**	**3**	**3**	**8**
Net current period other comprehensive income/(loss)	**194**	**(19)**	**3**	**3**	**181**
AOCI balance at September 30, 2019	**(363)**	**(82)**	**(306)**	**(368)**	**(1,119)**

1 All amounts are net of tax. Amounts in parentheses indicate losses recorded to OCI.
2 Other comprehensive income/(loss) before reclassifications on currency translation adjustments and cash flow hedges are net of non-controlling interests gains of $18 million and losses of $1 million, respectively.
3 Amount reclassified from AOCI on cash flow hedges is net of non-controlling interests gains of $2 million.

nine months ended September 30, 2019 (unaudited - millions of Canadian $)	**Currency Translation Adjustments**	**Cash Flow Hedges**	**Pension and OPEB Plan Adjustments**	**Equity Investments**	**Total**[1]
AOCI balance at January 1, 2019	**107**	**(23)**	**(314)**	**(376)**	**(606)**
Other comprehensive loss before reclassifications[2]	**(457)**	**(70)**	**—**	**(1)**	**(528)**
Amounts reclassified from AOCI[3,4]	**(13)**	**11**	**8**	**9**	**15**
Net current period other comprehensive (loss)/income	**(470)**	**(59)**	**8**	**8**	**(513)**
AOCI balance at September 30, 2019	**(363)**	**(82)**	**(306)**	**(368)**	**(1,119)**

1 All amounts are net of tax. Amounts in parentheses indicate losses recorded to OCI.
2 Other comprehensive loss before reclassifications on currency translation adjustments, cash flow hedges and equity investments are net of non-controlling interests losses of $49 million, $15 million and $1 million, respectively.
3 Losses related to cash flow hedges reported in AOCI and expected to be reclassified to net income in the next 12 months are estimated to be $21 million ($16 million, net of tax) at September 30, 2019. 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.
4 Amount reclassified from AOCI on cash flow hedges is net of non-controlling interests gains of $1 million.

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

	Amounts Reclassified From AOCI				
	three months ended September 30		nine months ended September 30		Affected line item in the Condensed consolidated statement of income
(unaudited - millions of Canadian $)	**2019**	**2018**	**2019**	**2018**	
Cash flow hedges					
Commodities	**(4)**	(3)	**(4)**	(4)	Revenues (Power and Storage)
Interest rate	**(3)**	(4)	**(10)**	(13)	Interest expense
	(7)	(7)	**(14)**	(17)	Total before tax
	1	2	**3**	5	Income tax expense
	(6)	(5)	**(11)**	(12)	Net of tax[1,3]
Pension and other post-retirement benefit plan adjustments					
Amortization of actuarial losses	**(4)**	(4)	**(11)**	(12)	Plant operating costs and other[2]
	1	(6)	**3**	2	Income tax expense
	(3)	(10)	**(8)**	(10)	Net of tax[1]
Equity investments					
Equity income	**(3)**	(6)	**(9)**	(19)	Income from equity investments
	—	1	**—**	3	Income tax expense
	(3)	(5)	**(9)**	(16)	Net of tax[1,3]
Currency translation adjustments					
Realization of foreign currency translation gain on disposal of foreign operations	**4**	—	**13**	—	Gain/(loss) on assets held for sale/sold
	—	—	**—**	—	Income tax expense
	4	—	**13**	—	Net of tax[1]

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

2 These AOCI components are included in the computation of net benefit cost. Refer to Note 12, Employee post-retirement benefits, for additional information.

3 Amounts reclassified from AOCI on cash flow hedges and equity investments are net of non-controlling interests gains of $2 million and nil, respectively, for the three months ended September 30, 2019 (2018 – $1 million and $1 million, respectively) and gains of $1 million and nil, respectively, for the nine months ended September 30, 2019 (2018 – $4 million and $2 million, respectively).

12. Employee post-retirement benefits

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

	three months ended September 30				nine months ended September 30			
	Pension benefit plans		Other post-retirement benefit plans		Pension benefit plans		Other post-retirement benefit plans	
(unaudited - millions of Canadian $)	2019	2018	2019	2018	2019	2018	2019	2018
Service cost[1]	**31**	30	**1**	1	**95**	91	**4**	3
Other components of net benefit cost[1]								
Interest cost	**36**	33	**5**	3	**107**	100	**13**	10
Expected return on plan assets	**(55)**	(55)	**(4)**	(4)	**(167)**	(165)	**(12)**	(12)
Amortization of actuarial losses	**3**	4	**1**	—	**9**	11	**2**	1
Amortization of regulatory asset	**3**	5	**—**	—	**10**	14	**1**	—
	(13)	(13)	**2**	(1)	**(41)**	(40)	**4**	(1)
Net Benefit Cost	**18**	17	**3**	—	**54**	51	**8**	2

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.

13. Risk management and financial instruments

RISK MANAGEMENT OVERVIEW

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

COUNTERPARTY CREDIT RISK

TCPL's maximum counterparty credit exposure with respect to financial instruments at September 30, 2019, without taking into account security held, consisted of cash and cash equivalents, accounts receivable, available-for-sale assets, the fair value of derivative assets and a loan receivable.

The Company monitors its counterparties and reviews its accounts receivable regularly and, if needed, the Company records an allowance for doubtful accounts using the specific identification method. At September 30, 2019, there were no significant credit losses, no significant credit risk concentration and no significant amounts past due or impaired.

Continued low natural gas prices have presented increased financial challenges to certain of the Company's WCSB and Appalachian natural gas pipeline shippers. The Company does not expect these shipper challenges to result in any material negative impact to its earnings or cash flow.

LOAN RECEIVABLE FROM AFFILIATE

The Company holds a 60 per cent equity interest in a joint venture with IEnova to build, own and operate the Sur de Texas pipeline. The Company accounts for its interest in the joint venture as an equity investment. In 2017, the Company entered into a MXN$21.3 billion unsecured revolving credit facility with the joint venture, which bears interest at a floating rate and matures in March 2022.

At September 30, 2019, the Company's Condensed consolidated balance sheet included a MXN$20.9 billion or $1.4 billion (December 31, 2018 – MXN$18.9 billion or $1.3 billion) loan receivable from the Sur de Texas joint venture which represents TCPL's proportionate share of long-term debt financing requirements related to the joint venture. Interest income and other included interest income of $38 million and $110 million for the three and nine months ended September 30, 2019 (2018 – $32 million and $88 million) from this joint venture with a corresponding proportionate share of interest expense recorded in Income from equity investments in the Company's Mexico Natural Gas Pipelines segment. As a result, there is no impact to net income.

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 swaps and foreign exchange options.

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

	September 30, 2019		December 31, 2018	
(unaudited - millions of Canadian $, unless otherwise noted)	**Fair value[1,2]**	**Notional amount**	**Fair value[1,2]**	**Notional amount**
U.S. dollar cross-currency swaps[3]	—	—	(43)	US 300
U.S. dollar foreign exchange options (maturing 2019 to 2020)	**(4)**	**US 2,500**	(47)	US 2,500
	(4)	**US 2,500**	(90)	US 2,800

1 Fair value equals carrying value.

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

3 In the three and nine months ended September 30, 2019, Net income includes net realized gains of nil (2018 – nil and $1 million, respectively) related to the interest component of cross-currency swap settlements which are reported within Interest expense on the Company's Condensed consolidated statement of income.

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

(unaudited - millions of Canadian $, unless otherwise noted)	September 30, 2019	December 31, 2018
Notional amount	**29,700 (US 22,500)**	31,000 (US 22,700)
Fair value	**33,500 (US 25,300)**	31,700 (US 23,200)

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Fair value of non-derivative financial instruments

Available-for-sale assets are recorded at fair value which is calculated using quoted market prices where available. Certain non-derivative financial instruments included in Cash and cash equivalents, Accounts receivable, Intangible and other assets, Notes payable, Accounts payable and other, Due to affiliate, Accrued interest and Other long-term liabilities have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity. Each of these instruments are classified in Level II of the fair value hierarchy.

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

Balance sheet presentation of non-derivative financial instruments

The following table details the fair value of the Company's non-derivative financial instruments, excluding those where carrying amounts approximate fair value, which are classified in Level II of the fair value hierarchy:

	September 30, 2019		December 31, 2018	
(unaudited - millions of Canadian $)	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt including current portion[1,2]	**(39,228)**	**(45,502)**	(39,971)	(42,284)
Junior subordinated notes	**(8,771)**	**(8,684)**	(7,508)	(6,665)
	(47,999)	**(54,186)**	(47,479)	(48,949)

1 Long-term debt is recorded at amortized cost except for US$450 million (December 31, 2018 – US$750 million) that is attributed to hedged risk and recorded at fair value.

2 Net income for the three and nine months ended September 30, 2019 includes unrealized gains of $1 million and losses of $4 million, respectively (2018 – unrealized losses of $1 million and unrealized gains of $3 million, respectively) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships on US$450 million of long-term debt at September 30, 2019 (December 31, 2018 – US$750 million). 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 are classified as available-for-sale assets:

	September 30, 2019		December 31, 2018	
(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]				
Maturing within 1 year	**—**	**16**	—	22
Maturing within 1-5 years	**51**	**97**	—	110
Maturing within 5-10 years	**734**	**—**	140	—
Maturing after 10 years	**58**	**—**	952	—
Fair value of equity securities[2]	**528**	**—**	—	—
	1,371	**113**	1,092	132

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.

	September 30, 2019		September 30, 2018	
(unaudited - millions of Canadian $)	LMCI restricted investments[1]	Other restricted investments[2]	LMCI restricted investments[1]	Other restricted investments[2]
Net unrealized (losses)/gains in the period				
three months ended	**(57)**	**—**	(34)	—
nine months ended	**22**	**3**	(29)	1
Net realized gains/(losses) in the period				
three months ended	**48**	**—**	—	—
nine months ended	**59**	**—**	(3)	—

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

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

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.

Balance sheet presentation of derivative instruments

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

at September 30, 2019 (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]	—	—	—	**195**	**195**
Foreign exchange	—	—	**5**	**11**	**16**
	—	—	**5**	**206**	**211**
Intangible and other assets					
Commodities[2]	—	—	—	**48**	**48**
Foreign exchange	—	—	**2**	—	**2**
Interest rate	—	**2**	—	—	**2**
	—	**2**	**2**	**48**	**52**
Total Derivative Assets	—	**2**	**7**	**254**	**263**
Accounts payable and other					
Commodities[2]	**(6)**	—	—	**(168)**	**(174)**
Foreign exchange	—	—	**(10)**	**(22)**	**(32)**
Interest rate	**(7)**	—	—	—	**(7)**
	(13)	—	**(10)**	**(190)**	**(213)**
Other long-term liabilities					
Commodities[2]	**(5)**	—	—	**(59)**	**(64)**
Foreign exchange	—	—	**(1)**	—	**(1)**
Interest rate	**(89)**	—	—	—	**(89)**
	(94)	—	**(1)**	**(59)**	**(154)**
Total Derivative Liabilities	**(107)**	—	**(11)**	**(249)**	**(367)**
Total Derivatives	**(107)**	**2**	**(4)**	**5**	**(104)**

1 Fair value equals carrying value.
2 Includes purchases and sales of power, natural gas and liquids.

at December 31, 2018 (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]	1	—	—	716	717
Foreign exchange	—	—	16	1	17
Interest rate	3	—	—	—	3
	4	—	16	717	737
Intangible and other assets					
Commodities[2]	1	—	—	50	51
Foreign exchange	—	—	1	—	1
Interest rate	8	1	—	—	9
	9	1	1	50	61
Total Derivative Assets	13	1	17	767	798
Accounts payable and other					
Commodities[2]	(4)	—	—	(622)	(626)
Foreign exchange	—	—	(105)	(188)	(293)
Interest rate	—	(3)	—	—	(3)
	(4)	(3)	(105)	(810)	(922)
Other long-term liabilities					
Commodities[2]	—	—	—	(28)	(28)
Foreign exchange	—	—	(2)	—	(2)
Interest rate	(11)	(1)	—	—	(12)
	(11)	(1)	(2)	(28)	(42)
Total Derivative Liabilities	(15)	(4)	(107)	(838)	(964)
Total Derivatives	(2)	(3)	(90)	(71)	(166)

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 $)	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Current portion of long-term debt	**(331)**	(748)	**—**	3
Long-term debt	**(267)**	(273)	**(2)**	—
	(598)	(1,021)	**(2)**	3

1 At September 30, 2019 and December 31, 2018, 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 is as follows:

at September 30, 2019 (unaudited)	Power	Natural Gas	Liquids	Foreign Exchange	Interest Rate
Purchases[1]	**418**	**14**	**39**	**—**	**—**
Sales[1]	**2,353**	**24**	**62**	**—**	**—**
Millions of U.S. dollars	**—**	**—**	**—**	**3,268**	**1,850**
Millions of Mexican pesos	**—**	**—**	**—**	**500**	**—**
Maturity dates	**2019-2024**	**2019-2027**	**2019-2020**	**2019-2020**	**2019-2030**

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

at December 31, 2018 (unaudited)	Power	Natural Gas	Liquids	Foreign Exchange	Interest Rate
Purchases[1]	23,865	44	59	—	—
Sales[1]	17,689	56	79	—	—
Millions of U.S. dollars	—	—	—	3,862	1,650
Maturity dates	2019-2023	2019-2027	2019	2019	2019-2030

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

Unrealized and realized (losses)/gains on derivative instruments

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

	three months ended September 30		nine months ended September 30	
(unaudited - millions of Canadian $)	**2019**	**2018**	**2019**	**2018**
Derivative Instruments Held for Trading[1]				
Amount of unrealized (losses)/gains in the period				
Commodities[2]	**(69)**	(31)	**(98)**	(41)
Foreign exchange	**(31)**	60	**176**	(79)
Amount of realized gains/(losses) in the period				
Commodities	**132**	81	**319**	210
Foreign exchange	**(9)**	(5)	**(68)**	14
Derivative Instruments in Hedging Relationships				
Amount of realized gains/(losses) in the period				
Commodities	**1**	1	**(8)**	—
Interest rate	**1**	(2)	**1**	(1)

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

2 In the three and nine months ended September 30, 2019 and 2018, there were no gains or losses included in Net income relating to discontinued cash flow hedges where it was probable that the anticipated transaction would not occur.

Derivatives in cash flow hedging relationships

The components of OCI (Note 11) related to the change in fair value of derivatives in cash flow hedging relationships before tax and including the portion attributable to non-controlling interests are as follows:

(unaudited - millions of Canadian $)	three months ended September 30		nine months ended September 30	
	2019	**2018**	**2019**	**2018**
Change in fair value of derivative instruments recognized in OCI[1]				
Commodities	**1**	3	**(13)**	(3)
Interest rate	**(35)**	2	**(95)**	11
	(34)	5	**(108)**	8

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

Effect of fair value and cash flow hedging relationships

The following tables detail amounts presented in the Condensed consolidated statement of income in which the effects of fair value or cash flow hedging relationships are recorded:

	three months ended September 30			
	Revenues (Power and Storage)		Interest Expense	
(unaudited - millions of Canadian $)	**2019**	**2018**	**2019**	**2018**
Total Amount Presented in the Condensed Consolidated Statement of Income	**96**	535	**(611)**	(608)
Fair Value Hedges				
Interest rate contracts				
Hedged items	**—**	—	**(5)**	(17)
Derivatives designated as hedging instruments	**—**	—	**1**	(2)
Cash Flow Hedges				
Reclassification of losses on derivative instruments from AOCI to net income[1,2]				
Interest rate contracts	**—**	—	**(1)**	(5)
Commodity contracts	**(4)**	(3)	**—**	—

1 Refer to Note 11, Other comprehensive income/(loss) and accumulated other comprehensive loss, for the components of OCI related to derivatives in cash flow hedging relationships including the portion attributable to non-controlling interests.

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

(unaudited - millions of Canadian $)	nine months ended September 30			
	Revenues (Power and Storage)		Interest Expense	
	2019	2018	2019	2018
Total Amount Presented in the Condensed Consolidated Statement of Income	**674**	1,724	**(1,857)**	(1,740)
Fair Value Hedges				
Interest rate contracts				
Hedged items	**—**	—	**(16)**	(59)
Derivatives designated as hedging instruments	**—**	—	**—**	(4)
Cash Flow Hedges				
Reclassification of losses on derivative instruments from AOCI to net income[1,2]				
Interest rate contracts	**—**	—	**(9)**	(17)
Commodity contracts	**(4)**	(4)	**—**	—

1 Refer to Note 11, Other comprehensive income/(loss) and accumulated other comprehensive loss, for the components of OCI related to derivatives in cash flow hedging relationships including the portion attributable to non-controlling interests.

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

Offsetting of derivative instruments

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

at September 30, 2019 (unaudited - millions of Canadian $)	Gross derivative instruments	Amounts available for offset[1]	Net amounts
Derivative instrument assets			
Commodities	**243**	**(197)**	**46**
Foreign exchange	**18**	**(12)**	**6**
Interest rate	**2**	**(2)**	**—**
	263	**(211)**	**52**
Derivative instrument liabilities			
Commodities	**(238)**	**197**	**(41)**
Foreign exchange	**(33)**	**12**	**(21)**
Interest rate	**(96)**	**2**	**(94)**
	(367)	**211**	**(156)**

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

at December 31, 2018 (unaudited - millions of Canadian $)	**Gross derivative instruments**	**Amounts available for offset**[1]	**Net amounts**
Derivative instrument assets			
Commodities	768	(626)	142
Foreign exchange	18	(18)	—
Interest rate	12	(4)	8
	798	(648)	150
Derivative instrument liabilities			
Commodities	(654)	626	(28)
Foreign exchange	(295)	18	(277)
Interest rate	(15)	4	(11)
	(964)	648	(316)

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

With respect to the derivative instruments presented above, at September 30, 2019, the Company provided cash collateral of $47 million (December 31, 2018 – $143 million) and letters of credit of $20 million (December 31, 2018 – $22 million) to its counterparties. At September 30, 2019, the Company held no cash collateral and no letters of credit from counterparties on asset exposures (December 31, 2018 – nil and $1 million, respectively).

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 September 30, 2019, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $5 million (December 31, 2018 – $6 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 September 30, 2019, the Company would have been required to provide collateral of $5 million (December 31, 2018 – $6 million) to its counterparties. 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 mainly includes long-dated commodity transactions in certain markets where liquidity is low and the Company uses the most observable inputs available or, if not available, long-term broker quotes to estimate the fair value for these transactions. There is uncertainty caused by using unobservable market data which may not accurately reflect possible future changes in fair value.

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

at September 30, 2019 (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	**195**	**48**	**—**	**243**
Foreign exchange	**—**	**18**	**—**	**18**
Interest rate	**—**	**2**	**—**	**2**
Derivative instrument liabilities				
Commodities	**(199)**	**(32)**	**(7)**	**(238)**
Foreign exchange	**—**	**(33)**	**—**	**(33)**
Interest rate	**—**	**(96)**	**—**	**(96)**
	(4)	**(93)**	**(7)**	**(104)**

1 There were no transfers from Level II to Level III for the nine months ended September 30, 2019.

at December 31, 2018 (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	581	187	—	768
Foreign exchange	—	18	—	18
Interest rate	—	12	—	12
Derivative instrument liabilities				
Commodities	(555)	(95)	(4)	(654)
Foreign exchange	—	(295)	—	(295)
Interest rate	—	(15)	—	(15)
	26	(188)	(4)	(166)

1 There were no transfers from Level II to Level III for the year ended December 31, 2018.

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 September 30		nine months ended September 30	
(unaudited - millions of Canadian $)	**2019**	**2018**	**2019**	**2018**
Balance at beginning of period	**(7)**	40	**(4)**	(7)
Total losses included in Net income	**—**	(24)	**(3)**	(6)
Settlements	**—**	(14)	**—**	9
Transfers out of Level III	**—**	(16)	**—**	(10)
Balance at end of period[1]	**(7)**	(14)	**(7)**	(14)

1 For the three and nine months ended September 30, 2019, Revenues included unrealized gains of less than $1 million and losses of $3 million, respectively, attributed to derivatives in the Level III category that were still held at September 30, 2019 (2018 – unrealized losses of $16 million and $2 million, respectively).

14. Dispositions

Coolidge Generating Station

In December 2018, the Company entered into an agreement to sell its Coolidge generating station in Arizona to SWG Coolidge Holdings, LLC (SWG). Salt River Project Agriculture Improvement and Power District (SRP), the PPA counterparty, subsequently exercised its contractual right of first refusal (ROFR) on a sale to a third party and the Company terminated the agreement with SWG.

On May 21, 2019, the Company completed the sale to SRP as per the terms of their ROFR, for proceeds of US$448 million before post-closing adjustments. As a result, the Company recorded a pre-tax gain on sale of $68 million ($54 million after tax) including the impact of $9 million of foreign currency translation gains which were reclassified from AOCI to net income. The pre-tax gain is included in Gain/(loss) on assets held for sale/sold in the Condensed consolidated statement of income.

Northern Courier

On July 17, 2019, TCPL completed the sale of an 85 per cent equity interest in Northern Courier to a third party for gross proceeds of $144 million, before post-closing adjustments, resulting in a pre-tax gain of $69 million after recording the Company's remaining 15 per cent interest at fair value. The pre-tax gain is included in Gain/(loss) on assets held for sale/sold in the Condensed consolidated statement of income. On an after-tax basis, the gain of $115 million reflects the utilization of previously unrecognized tax loss benefits. Preceding the equity sale, Northern Courier issued $1.0 billion of long-term, non-recourse debt, the proceeds from which were paid to TCPL, resulting in aggregate gross proceeds to TCPL of $1.15 billion from this asset monetization.

TCPL remains the operator of the Northern Courier pipeline and is using the equity method to account for its remaining 15 per cent interest in the Company's consolidated financial statements.

Columbia Midstream Assets

On August 1, 2019, TCPL completed the sale of certain Columbia Midstream assets to a third party for approximately US$1.3 billion before post-closing adjustments.

The Company recorded a pre-tax gain on sale of $21 million ($133 million after-tax loss), which included a $4 million foreign currency translation gain and the release of $595 million of Columbia's goodwill allocated to these assets that is not deductible for income tax purposes. The pre-tax gain is included in Gain/(loss) on assets held for sale/sold in the Condensed consolidated statement of income. This sale does not include any interest in Columbia Energy Ventures Company, the Company's minerals business in the Appalachian basin.

15. Contingencies and guarantees

CONTINGENCIES

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

GUARANTEES

As part of its role as operator of the pipeline, TCPL has guaranteed the financial performance of the Northern Courier pipeline related to delivery and terminalling of bitumen and diluent and contingent financial obligations under sub-lease agreements.

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

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

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

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

		at September 30, 2019		at December 31, 2018	
(unaudited - millions of Canadian $)	Term	Potential exposure[1]	Carrying value	Potential exposure[1]	Carrying value
Northern Courier	ranging to 2055	**300**	**27**	—	—
Sur de Texas	ranging to 2020	**167**	**1**	183	1
Bruce Power	ranging to 2021	**88**	**—**	88	—
Other jointly-owned entities	ranging to 2059	**100**	**10**	104	11
		655	**38**	375	12

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

16. 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.

The following amounts are included in Due to affiliate:

		2019		2018	
(millions of Canadian $)	Maturity Date	Outstanding September 30	Effective Interest Rate	Outstanding December 31	Effective Interest Rate
Credit Facility[1]	Demand	**3,802**	**3.95%**	3,617	3.95%

1 TCPL has an unsecured $4.5 billion credit facility with TC Energy. Interest on this facility is charged at the prime rate per annum.

In the three and nine months ended September 30, 2019, Interest expense included $38 million and $110 million of interest charges as a result of inter-affiliate borrowing (September 30, 2018 - $31 million and $79 million).

At September 30, 2019, Accounts payable and other included $6 million due to TC Energy (December 31, 2018 - $19 million). In the three and nine months ended September 30, 2019, the Company made interest payments of $38 million and $110 million to TC Energy (September 30, 2018 - $31 million and $77 million).

17. Variable interest entities

A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity.

In the normal course of business, the Company consolidates VIEs in which it has a variable interest and for which it is considered to be the primary beneficiary. VIEs in which the Company has a variable interest but is not the primary beneficiary are considered non-consolidated VIEs and are accounted for as equity investments.

Consolidated VIEs

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

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

(unaudited - millions of Canadian $)	September 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	**119**	45
Accounts receivable	**61**	79
Inventories	**25**	24
Other	**6**	13
	211	161
Plant, Property and Equipment	**3,095**	3,026
Equity Investments	**810**	965
Goodwill	**440**	453
Intangible and Other Assets	**—**	8
	4,556	4,613
LIABILITIES		
Current Liabilities		
Accounts payable and other	**72**	88
Accrued interest	**29**	24
Current portion of long-term debt	**191**	79
	292	191
Regulatory Liabilities	**44**	43
Other Long-Term Liabilities	**11**	3
Deferred Income Tax Liabilities	**12**	13
Long-Term Debt	**2,753**	3,125
	3,112	3,375

Non-Consolidated VIEs

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

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

(unaudited - millions of Canadian $)	September 30, 2019	December 31, 2018
Balance sheet		
Equity investments	**4,473**	4,575
Off-balance sheet		
Potential exposure to guarantees	**466**	170
Maximum exposure to loss	**4,939**	4,745