TC Energy reports strong first quarter 2023 results
Continue to progress critical energy infrastructure projects, while advancing $5+ billion asset divestiture program

CALGARY, Alberta – April 28, 2023 – 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, "First quarter 2023 results continue to demonstrate the resiliency of our business and our ability to generate sustainable cash flow growth while advancing our clearly defined funding program. Comparable EBITDA[1] was $2.8 billion, up 16 per cent from first quarter 2022 and segmented earnings were $2.2 billion compared to $1.2 billion in first quarter 2022." Poirier continued, "Our priorities for 2023 are clear – safely and reliably deliver essential energy across North America, advance our critical energy infrastructure projects and successfully execute our asset divestiture program to accelerate deleveraging objectives."

Highlights

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

- First quarter 2023 results were underpinned by strong utilization and demand for our assets and services
  - NGTL System total deliveries averaged 14.5 Bcf/d, up compared to first quarter 2022
  - Throughput across U.S. Natural Gas Pipelines averaging 28.5 Bcf/d with several assets performing at near record levels during peak demand
  - U.S. Natural Gas Pipelines achieved a new all-time record for deliveries to LNG export facilities
  - Alberta cogeneration power plant fleet reached 100 per cent peak price availability in February
  - Bruce Power achieved 95 per cent availability
- First quarter 2023 financial results:
  - Net income attributable to common shares of $1.3 billion or $1.29 per common share compared to $0.4 billion or $0.36 per common share in first quarter 2022. Comparable earnings[1] of $1.2 billion or $1.21 per common share compared to $1.1 billion or $1.12 per common share in 2022
  - Segmented earnings of $2.2 billion compared to segmented earnings of $1.2 billion in 2022 and comparable EBITDA of $2.8 billion compared to $2.4 billion in 2022
- Reaffirmed our 2023 financial outlook with comparable EBITDA expected to be five to seven per cent higher than 2022
- Declared a quarterly dividend of $0.93 per common share for the quarter ending June 30, 2023
- Dividend Reinvestment and Share Repurchase Plan (DRP) participation rate amongst common shareholders was approximately 38 per cent, resulting in $363 million reinvested in common equity from the dividends declared on February 13, 2023
- Continuing to advance our industry leading secured capital program, placing $1.4 billion of projects in service in first quarter 2023 and on track to place $6.0 billion in service during 2023
- Canadian Natural Gas Pipelines brought $1.1 billion of projects in service in first quarter 2023, enabling 700 MMcf/d of additional market access with an incremental 500 MMcf/d expected in second quarter 2023
- Placed Port Neches Link Pipeline System in service in March 2023 providing last mile connectivity to key demand markets

[1] Comparable EBITDA, comparable earnings, comparable earnings per common share and comparable funds generated from operations 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, Net income per common share and Net cash provided by operations, respectively. For more information on non-GAAP measures, refer to the Non-GAAP Measures section of this news release.

- Acquired 155 MW Fluvanna Wind Farm for US$99 million in cash, before post-closing adjustments in Scurry County, Texas. Entered into an agreement to acquire 148 MW Blue Cloud Wind Farm for US$125 million in cash, before post-closing adjustments in Bailey County, Texas. Closing of the Blue Cloud acquisition is pending regulatory approval
- Received FERC approval for ANR Section 4 Rate Case on April 11, 2023
- Bruce Power Unit 3 removed from service March 1, 2023 to begin its Major Component Replacement (MCR) outage with return to service expected in 2026.

	three months ended March 31	
(millions of $, except per share amounts)	**2023**	2022
Income		
Net income attributable to common shares	**1,313**	358
per common share – basic	**$1.29**	$0.36
Segmented earnings		
Canadian Natural Gas Pipelines	**411**	358
U.S. Natural Gas Pipelines	**1,079**	310
Mexico Natural Gas Pipelines	**254**	120
Liquids Pipelines	**176**	272
Power and Energy Solutions	**252**	76
Corporate	**(2)**	31
Total segmented earnings	**2,170**	1,167
Comparable EBITDA		
Canadian Natural Gas Pipelines	**740**	644
U.S. Natural Gas Pipelines	**1,267**	1,107
Mexico Natural Gas Pipelines	**172**	148
Liquids Pipelines	**317**	329
Power and Energy Solutions	**281**	157
Corporate	**(2)**	3
Comparable EBITDA	**2,775**	2,388
Depreciation and amortization	**(677)**	(626)
Interest expense included in comparable earnings	**(757)**	(580)
Allowance for funds used during construction	**131**	75
Foreign exchange gains (losses), net included in comparable earnings	**33**	32
Interest income and other	**42**	35
Income tax (expense) recovery included in comparable earnings	**(280)**	(179)
Net income attributable to non-controlling interests	**(11)**	(11)
Preferred share dividends	**(23)**	(31)
Comparable earnings	**1,233**	1,103
Comparable earnings per common share	**$1.21**	$1.12
Net cash provided by operations	**2,074**	1,707
Comparable funds generated from operations	**2,066**	1,865
Capital spending[1]	**3,033**	1,737
Dividends declared		
per common share	**$0.93**	$0.90
Basic common shares outstanding (millions)		
– weighted average for the period	**1,021**	981
– issued and outstanding at end of period	**1,023**	983

1 Includes Capital expenditures, Capital projects in development and Contributions to equity investments. Refer to the Financial condition – Cash (used in) provided by investing activities section for additional information.

CEO Message

Operational excellence drives 16 per cent increase in first quarter comparable EBITDA

First quarter 2023 results were underpinned by the strong demand for our assets and our ability to safely and reliably deliver essential energy services across North America. Comparable EBITDA was $2.8 billion, up 16 per cent compared to first quarter 2022, and segmented earnings were $2.2 billion compared to $1.2 billion in first quarter 2022. Comparable earnings per share for the quarter was $1.21, up eight per cent compared to $1.12 in first quarter 2022. Net income per common share was $1.29, up from $0.36 in first quarter 2022.

Reaffirming 2023 outlook and dividend declaration

We reaffirm our 2023 comparable EBITDA growth outlook of five to seven per cent relative to 2022, while comparable earnings per common share is expected to be modestly higher than 2022, showcasing the resiliency and sustainability of our earnings and cash flows. In addition, we expect capital spending in 2023 to continue to be $11.5 to $12.0 billion. Our 2023 outlook reflects our commitment to driving long-term growth and value for our shareholders. Based on the confidence of our business and growth outlook, TC Energy's Board of Directors declared a quarterly dividend of $0.93 per common share for the quarter ending June 30, 2023, equivalent to $3.72 per common share on an annualized basis. We expect to continue to grow the common share dividend at an annual rate of three to five per cent, enabling our shareholders to benefit from our growth and success in the coming years.

Focusing on project execution: advancing industry leading secured capital program

Major project execution continues to be a central priority and during the quarter we made meaningful progress on the Coastal GasLink and Southeast Gateway pipeline projects, as well as advancing our MCR program at Bruce Power. We continue to advance our $34 billion secured capital program and have placed $1.4 billion of our planned $6.0 billion of projects in service in 2023, further supporting comparable EBITDA growth and deleveraging objectives.

Bruce Power achieved 95 per cent availability during the quarter. On March 1, Unit 3 was removed from service to begin its MCR outage. In addition, the Unit 6 MCR is proceeding on budget and schedule and is now in the final stages of the installation phase, which will be followed by commissioning. Unit 6 is expected to return to service in the fourth quarter of 2023, while Unit 3 has an expected return to service date in 2026.

The **Southeast Gateway Pipeline project**, our second offshore pipeline project in Mexico, continues to track to cost and schedule with a targeted in service date of mid-2025. As a result of our strategic partnership with the Comisión Federal de Electricidad (CFE), the first critical milestones were achieved in early 2023 with the acquisition of land for the main offshore pipe landfalls and compressor stations, as well as obtaining key federal environmental authorizations and local permits. We anticipate commencing onshore construction for our compressor stations this summer and offshore pipe installation toward the end of 2023. Critical long-lead items and the offshore vessel have been secured, pipe and equipment are being delivered, and approximately 70 per cent of total project costs are under fixed price contracts. Once complete, we expect that the project will play a critical role in advancing a reliable and secure energy transition in key demand centers in southeast Mexico.

Over the winter construction season, the **Coastal GasLink** project progressed in line with our revised cost and schedule and is now approximately 87 per cent complete. The entire project route has been cleared, grading is approximately 99 per cent complete, welding is approximately 95 per cent complete and we continue to target mechanical completion in late 2023. We are pleased to announce that construction has progressed through the winter on plan and the compressor station at Wilde Lake has commenced commissioning work, including the recent introduction of natural gas as part of the transition of the facility to operations. Despite the high elevation and winter conditions, we safely completed excavation of Cable Crane Hill ahead of schedule and are now installing the final pipe through this critical path section. More than 85 per cent of all classified water crossings on the project are now complete and, in the first quarter alone, we safely completed the Clore River, Crystal, Lamprey and Owen Creek crossings. To date, over 567 km of the approximately 670 km pipeline has been backfilled with restoration activities underway in many areas. At this stage, the majority of the long-linear pipeline installation is complete and activity is shifting toward discrete work fronts with high criticality. We continue to systematically mitigate the remaining execution risks and remain focused on executing the project on time and with the highest standards of safety, quality and environmental protection. At this time there is no change to the comprehensive cost and schedule risk analysis (CSRA) described in our 2022 Annual Report.

Following the December 2022 **Milepost 14** incident on the Keystone Pipeline System, approximately 98 per cent of the released volume has been recovered and clean-up is approximately 90 per cent complete. The Keystone Pipeline System is operating at a reduced pressure while continuing to deliver our contracted volumes of approximately 585,000 Bbl/d. A Root Cause Failure Analysis has been conducted by an independent third party and findings have been posted to our website. Our focus remains on the safe operations of the system and remediation.

Progressing our $5+ billion asset divestiture program while maintaining our low-risk business profile
Our team remains laser focused on execution and managing capital spending while advancing our $5+ billion asset divestiture program to accelerate our deleveraging target and provide a source of funding for high quality growth opportunities. Our asset divestiture program is underway and we will be in a position to provide more details as the program progresses.

We continue to optimize system availability and throughput while simultaneously looking for new ways to maximize the value of our existing assets. The North American energy mix continues to evolve which will allow us to expand and extend our existing services and originate additional low-carbon solutions while living within our means. Our diverse and strategically positioned portfolio and 'all of the above' strategy will meet society's needs, regardless of the pace or direction of the energy transition. Going forward, TC Energy will remain steadfast in prioritizing project execution, deleveraging and capital discipline while safely and reliably delivering the energy people need, every day.

Teleconference and Webcast

We will hold a teleconference and webcast on **Friday, April 28, 2023** at **6:30 a.m. (MDT) / 8:30 a.m. (EDT)** to discuss our first quarter 2023 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 **1.800.319.4610**. No passcode is required. Please dial in 15 minutes prior to the start of the 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: http://www.gowebcasting.com/12502.

A replay of the teleconference will be available two hours after the conclusion of the call until midnight EDT on May 5, 2023. Please call 1.855.669.9658 and enter pass code 9998.

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.sedar.com 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 taking action to make that energy more sustainable and more secure. We're innovating and modernizing to reduce emissions from our business. And, we're delivering new energy solutions – from natural gas and renewables to carbon capture and hydrogen – to help other businesses and industries decarbonize too. Along the way, we invest in communities and partner with our neighbours, customers and governments to build the energy system of the future.

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, including the sustainability commitments and targets contained in our 2022 Report on Sustainability and our GHG Emissions Reduction Plan, and is subject to important risks and uncertainties (such statements are usually accompanied by words such as "anticipate", "expect", "believe", "may", "will", "should", "estimate", "intend" or other similar words). Forward-looking statements 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 2022 Annual Report filed under TC Energy's profile on SEDAR at www.sedar.com and with the U.S. Securities and Exchange Commission at www.sec.gov and the "Forward-looking information" section of our 2022 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 and comparable funds generated from operations. 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 in this release. The MD&A can be found on SEDAR (www.sedar.com) under TC Energy's profile.

Media Inquiries:
Media Relations
media@tcenergy.com
403.920.7859 or 800.608.7859

Investor & Analyst Inquiries:
Gavin Wylie / Hunter Mau
investor_relations@tcenergy.com
403.920.7911 or 800.361.6522

Quarterly report to shareholders

First quarter 2023

Financial highlights

	three months ended March 31	
(millions of $, except per share amounts)	**2023**	**2022**
Income		
Revenues	**3,928**	3,500
Net income attributable to common shares	**1,313**	358
per common share – basic	**$1.29**	$0.36
Comparable EBITDA[1]	**2,775**	2,388
Comparable earnings	**1,233**	1,103
per common share	**$1.21**	$1.12
Cash flows		
Net cash provided by operations	**2,074**	1,707
Comparable funds generated from operations	**2,066**	1,865
Capital spending[2]	**3,033**	1,737
Dividends declared		
per common share	**$0.93**	$0.90
Basic common shares outstanding (millions)		
– weighted average for the period	**1,021**	981
– issued and outstanding at end of period	**1,023**	983

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

2 Includes Capital expenditures, Capital projects in development and Contributions to equity investments. Refer to the Financial condition – Cash (used in) provided by investing activities section for additional information.

Management's discussion and analysis

April 27, 2023

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, 2023 and should be read with the accompanying unaudited Condensed consolidated financial statements for the three months ended March 31, 2023, which have been prepared in accordance with U.S. GAAP.

This MD&A should also be read in conjunction with our December 31, 2022 audited Consolidated financial statements and notes and the MD&A in our 2022 Annual Report. Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in our 2022 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, including our expectations regarding the size, timing and outcome of the asset divestiture program
- expected dividend growth
- expected duration of discounted DRP
- 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
- the expected impact of future tax and accounting changes
- the commitments and targets contained in our 2022 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 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 and divestitures
- our ability to successfully implement our strategic priorities and whether they will yield the expected benefits
- our ability to implement a capital allocation strategy aligned with maximizing shareholder value
- the operating performance of our pipelines, power generation and storage assets
- amount of capacity sold and rates achieved in our pipeline businesses
- the 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 and availability of, and inflationary pressures on, labour, equipment and materials
- the 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
- cyber security and technological developments
- ESG-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 2022 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.sedar.com).

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.

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 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 (losses), 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 not to adjust for a specific item in reporting comparable measures is subjective and made after careful consideration. Specific items may include:

- gains or losses on sales of assets or assets held for sale
- income tax refunds, valuation allowances and adjustments resulting from changes in legislation and enacted tax rates
- unrealized fair value adjustments related to risk management activities and Bruce Power funds invested for post-retirement benefits
- expected credit loss provisions on net investment in leases and certain contract assets in Mexico
- legal, contractual, bankruptcy and other settlements
- impairment of goodwill, plant, property and equipment, equity investments and other assets
- acquisition and integration costs
- restructuring costs.

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.

We exclude from comparable measures the unrealized foreign exchange gains and losses on the peso-denominated loan receivable from an affiliate as well as the corresponding proportionate share of Sur de Texas foreign exchange gains and losses, as the amounts do not accurately reflect the gains and losses that will be realized at settlement. These amounts offset within each reporting period, resulting in no impact on net income. This peso-denominated loan was fully repaid in first quarter 2022.

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 attributable to common shares
comparable earnings per common share	net income per common share
funds generated from operations	net cash provided by operations
comparable funds generated from operations	net cash provided by operations

Comparable EBITDA and comparable EBIT

Comparable EBITDA represents segmented earnings (losses) adjusted for certain specific items, 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. Comparable earnings is comprised of segmented earnings (losses), Interest expense, AFUDC, Foreign exchange gains (losses), net, Interest income and other, Income tax (expense) recovery, Non-controlling interests and Preferred share dividends, adjusted for specific items. Refer to the Consolidated results section for reconciliations to Net income attributable to common shares and Net income 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 2022 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 noted above. Refer to the Financial condition section for a reconciliation to Net cash provided by operations.

Consolidated results

(millions of $, except per share amounts)	three months ended March 31 2023	2022
Canadian Natural Gas Pipelines	**411**	358
U.S. Natural Gas Pipelines	**1,079**	310
Mexico Natural Gas Pipelines	**254**	120
Liquids Pipelines	**176**	272
Power and Energy Solutions	**252**	76
Corporate	**(2)**	31
Total segmented earnings (losses)	**2,170**	1,167
Interest expense	**(762)**	(580)
Allowance for funds used during construction	**131**	75
Foreign exchange gains (losses), net	**107**	26
Interest income and other	**42**	35
Income before income taxes	**1,688**	723
Income tax (expense) recovery	**(341)**	(323)
Net income	**1,347**	400
Net income attributable to non-controlling interests	**(11)**	(11)
Net income attributable to controlling interests	**1,336**	389
Preferred share dividends	**(23)**	(31)
Net income attributable to common shares	**1,313**	358
Net income per common share – basic	**$1.29**	$0.36

Net income attributable to common shares increased by $955 million or $0.93 per common share for the three months ended March 31, 2023 compared to the same period in 2022. The following specific items were recognized in Net income attributable to common shares and were excluded from comparable earnings:

2023 results

- a $72 million after-tax unrealized recovery on the expected credit loss provision related to the Transportadora de Gas Natural de la Huasteca (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). Refer to Note 5, Coastal GasLink, of our Condensed consolidated financial statements for additional information
- after-tax preservation and other costs for Keystone XL pipeline project assets of $4 million for the three months ended March 31, 2023, which could not be accrued as part of the Keystone XL asset impairment charge.

2022 results

- an after-tax goodwill impairment charge of $531 million in first quarter 2022 related to Great Lakes
- a $193 million income tax expense in first quarter 2022 for a settlement related to prior years' income tax assessments in Mexico which was subsequently paid in second quarter 2022
- after-tax preservation and other costs for Keystone XL pipeline project assets of $5 million, which could not be accrued as part of the Keystone XL asset impairment charge.

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 attributable to common shares to comparable earnings is shown in the following table.

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO COMMON SHARES TO COMPARABLE EARNINGS

	three months ended March 31	
(millions of $, except per share amounts)	**2023**	**2022**
Net income attributable to common shares	**1,313**	358
Specific items (net of tax):		
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**(72)**	—
Keystone FERC decision	**48**	—
Coastal GasLink LP impairment charge	**29**	—
Keystone XL preservation and other	**4**	5
Great Lakes goodwill impairment charge	**—**	531
Settlement of Mexico prior years' income tax assessments	**—**	193
Bruce Power unrealized fair value adjustments	**(6)**	15
Risk management activities[1]	**(83)**	1
Comparable earnings	**1,233**	1,103
Net income per common share	**$1.29**	$0.36
Specific items (net of tax):		
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**(0.07)**	—
Keystone FERC decision	**0.05**	—
Coastal GasLink LP impairment charge	**0.03**	—
Keystone XL preservation and other	**—**	0.01
Great Lakes goodwill impairment charge	**—**	0.54
Settlement of Mexico prior years' income tax assessments	**—**	0.20
Bruce Power unrealized fair value adjustments	**(0.01)**	0.02
Risk management activities	**(0.08)**	(0.01)
Comparable earnings per common share	**$1.21**	$1.12

1 Risk management activities	three months ended March 31	
(millions of $)	**2023**	2022
U.S. Natural Gas Pipelines	**49**	(15)
Liquids Pipelines	**5**	30
Canadian Power	**(8)**	(31)
U.S. Power	**1**	—
Natural Gas Storage	**(12)**	(7)
Foreign exchange	**74**	22
Income tax attributable to risk management activities	**(26)**	—
Total unrealized gains (losses) from risk management activities	**83**	(1)

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 business segment financial results sections.

	three months ended March 31	
(millions of $, except per share amounts)	**2023**	2022
Comparable EBITDA		
Canadian Natural Gas Pipelines	**740**	644
U.S. Natural Gas Pipelines	**1,267**	1,107
Mexico Natural Gas Pipelines	**172**	148
Liquids Pipelines	**317**	329
Power and Energy Solutions	**281**	157
Corporate	**(2)**	3
Comparable EBITDA	**2,775**	2,388
Depreciation and amortization	**(677)**	(626)
Interest expense included in comparable earnings	**(757)**	(580)
Allowance for funds used during construction	**131**	75
Foreign exchange gains (losses), net included in comparable earnings	**33**	32
Interest income and other	**42**	35
Income tax (expense) recovery included in comparable earnings	**(280)**	(179)
Net income attributable to non-controlling interests	**(11)**	(11)
Preferred share dividends	**(23)**	(31)
Comparable earnings	**1,233**	1,103
Comparable earnings per common share	**$1.21**	$1.12

Comparable EBITDA – 2023 versus 2022

Comparable EBITDA increased by $387 million for the three months ended March 31, 2023 compared to the same period in 2022 primarily due to the net effect of the following:

- increased EBITDA from U.S. Natural Gas Pipelines due to higher earnings from ANR following the FERC-approved settlement for an increase in transportation rates effective August 2022, growth projects placed in service and higher realized earnings related to our U.S. natural gas marketing business, partially offset by higher operational costs
- higher Power and Energy Solutions EBITDA attributable to increased contributions from Bruce Power due to a higher contract price and fewer planned outage days, partially offset by realized losses on funds invested for post-retirement benefits; and increased earnings from Canadian Power due to higher realized power prices
- increased EBITDA in Canadian Natural Gas Pipelines mainly due to the impact of higher flow-through costs on our Canadian rate-regulated pipelines and increased rate-base earnings on the NGTL System
- higher EBITDA from Mexico Natural Gas Pipelines primarily related to the north section of the Villa de Reyes pipeline (VdR North) and the east section of the Tula pipeline (Tula East) that were placed into commercial service in third quarter 2022, partially offset by an equity income loss from Sur de Texas primarily due to peso-denominated financial exposure
- lower EBITDA from Liquids Pipelines primarily due to lower uncontracted volumes on the Keystone Pipeline System in relation to the Milepost 14 incident as well as lower rates and volumes on the U.S. Gulf Coast section of the pipeline, partially offset by higher long-haul contracted volumes from the 2019 Open Season that were commercialized in 2022
- the positive foreign exchange impact of a stronger U.S. dollar on the Canadian dollar equivalent segmented earnings (losses) in our U.S. dollar-denominated operations. U.S. dollar-denominated comparable EBITDA increased by US$41 million compared to 2022 which was translated at a rate of 1.35 in 2023 versus 1.27 in 2022. Refer to the Foreign exchange section for additional information.

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 – 2023 versus 2022

Comparable earnings increased by $130 million or $0.09 per common share for the three months ended March 31, 2023 compared to the same period in 2022 and was primarily the net effect of:

- changes in comparable EBITDA described above
- higher interest expense primarily due to long-term debt issuances, net of maturities, higher interest rates on decreased levels of short-term borrowings, and the foreign exchange impact of a stronger U.S. dollar in first quarter 2023 compared to the same period in 2022
- increased income tax expense due to higher comparable earnings subject to income tax, the impact of Mexico's foreign exchange exposure and lower foreign tax rate differentials
- higher depreciation and amortization due to incremental depreciation for the NGTL System and in U.S. Natural Gas Pipelines due to expansion facilities and new projects placed in service, partially offset by the discontinuance of depreciation expense on TGNH assets in Mexico accounted for as leases
- higher AFUDC primarily due to the reactivation of AFUDC on the TGNH assets under construction following the new TSA with the CFE in third quarter 2022, including capital expenditures on the Southeast Gateway pipeline project in first quarter 2023.

Outlook

Comparable EBITDA and comparable earnings

Our overall comparable EBITDA and comparable earnings per common share outlook for 2023 remains consistent with the 2022 Annual Report. We continue to monitor the impact of changes in energy markets, our construction projects and our asset divestiture program for any potential impacts on our 2023 comparable EBITDA and comparable earnings per share.

Consolidated capital spending and equity investments

Our expected total capital expenditures for 2023 as outlined in our 2022 Annual Report remain materially unchanged. We continue to work on cost mitigation strategies and assess developments in our construction projects and market conditions for changes to our overall 2023 capital program.

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 and 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 $34 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, 2023, we placed approximately $1.4 billion of Canadian natural gas, U.S. natural gas as well as Liquids pipeline capacity capital projects into service. In addition, approximately $0.4 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 an extensive portfolio of quality projects in various stages of development across each of our business units as discussed in our 2022 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. Each business segment has also outlined additional areas of focus for further ongoing business development activities and growth opportunities. 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 and projects under development.

Secured projects

Estimated and incurred project costs referred to in the following table include 100 per cent of the capital expenditures related to our wholly-owned projects and our share of equity contributions to fund projects within our equity investments, primarily Coastal GasLink and Bruce Power.

(billions of $)	Expected in-service date	Estimated project cost	Project costs incurred as at March 31, 2023
Canadian Natural Gas Pipelines			
NGTL System[1]	2023	3.1	1.9
	2024	0.5	0.2
	2025+	0.6	—
Coastal GasLink[2]	2023	5.4	2.4
Regulated maintenance capital expenditures	2023-2025	2.2	0.2
U.S. Natural Gas Pipelines			
Modernization III (Columbia Gas)	2023-2024	US 1.2	US 0.7
Delivery market projects	2025	US 1.5	US 0.1
Other capital	2023-2028	US 1.7	US 0.2
Regulated maintenance capital expenditures	2023-2025	US 2.4	US 0.1
Mexico Natural Gas Pipelines			
Villa de Reyes – lateral and south sections[3]	2023	US 0.6	US 0.6
Tula – central and west sections[4]	—	US 0.5	US 0.4
Southeast Gateway	2025	US 4.5	US 1.1
Liquids Pipelines			
Recoverable maintenance capital expenditures	2023-2025	0.1	—
Power and Energy Solutions			
Bruce Power – life extension[5]	2023-2027	4.3	2.4
Other capacity capital	2023	0.1	0.1
Other			
Non-recoverable maintenance capital expenditures[6]	2023-2025	0.7	0.1
		29.4	**10.5**
Foreign exchange impact on secured projects[7]		**4.3**	**1.1**
Total secured projects (Cdn$)		**33.7**	**11.6**

1 Estimated project costs for 2023 include $0.7 billion for the Foothills portion of the West Path Delivery Program.

2 Subsequent to revised project agreements executed between Coastal GasLink LP and LNG Canada and amended agreements with our partners in Coastal GasLink LP, the estimated project cost noted above represents our share of anticipated partner equity contributions to the project. Mechanical completion is targeted for the end of 2023 and commercial in-service of the Coastal GasLink pipeline will occur after completion of commissioning the pipeline. Refer to the Recent developments – Canadian Natural Gas Pipelines section for additional information.

3 We are currently working with the CFE on completing the remaining sections of the Villa de Reyes pipeline, expecting commercial in-service in 2023. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.

4 With the CFE, we are assessing the completion of the central section of the Tula pipeline, subject to an FID. We are also working together to advance the completion of the west section. Refer to the Recent developments – Mexico Natural Gas Pipelines section for additional information.

5 Reflects our expected share of cash contributions for the Bruce Power Unit 6 Major Component Replacement (MCR) program, expected to be in service in fourth quarter 2023, and the Unit 3 MCR, expected to be in service in 2026, as well as amounts to be invested under the Asset Management program through 2027 and the incremental uprate initiative. Refer to the Recent developments – Power and Energy Solutions section for additional information.

6 Includes non-recoverable maintenance capital expenditures from all segments and is primarily comprised of our proportionate share of maintenance capital expenditures for Bruce Power and other Power and Energy Solutions assets.

7 Reflects U.S./Canada foreign exchange rate of 1.35 at March 31, 2023.

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 2023	2022
NGTL System	**522**	426
Canadian Mainline	**185**	170
Other Canadian pipelines[1]	**33**	48
Comparable EBITDA	**740**	644
Depreciation and amortization	**(316)**	(286)
Comparable EBIT	**424**	358
Specific item:		
Coastal GasLink LP impairment charge	**(13)**	—
Segmented earnings (losses)	**411**	358

1 Includes results from Foothills, Ventures LP, Great Lakes Canada, our investment in TQM, Coastal GasLink development fee revenue as well as general and administrative and business development costs related to our Canadian Natural Gas Pipelines.

Canadian Natural Gas Pipelines segmented earnings increased by $53 million for the three months ended March 31, 2023 compared to the same period in 2022 and included a pre-tax impairment charge of $13 million in first quarter 2023 related to our equity investment in Coastal GasLink LP which has been excluded from our calculation of comparable EBITDA and comparable EBIT. Refer to Note 5, 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, our 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 2023	2022
Net income		
NGTL System	**190**	170
Canadian Mainline	**54**	49
Average investment base		
NGTL System	**18,580**	16,879
Canadian Mainline	**3,664**	3,699

Net income for the NGTL System increased by $20 million for the three months ended March 31, 2023 compared to the same period in 2022 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, 2023 increased by $5 million compared to the same period in 2022 mainly due to higher incentive earnings. 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 $96 million for the three months ended March 31, 2023 compared to the same period in 2022 due to the net effect of:

- higher flow-through financial charges and depreciation as well as higher rate-base earnings on the NGTL System
- higher flow-through depreciation and higher incentive earnings on the Canadian Mainline
- lower Coastal GasLink development fee revenue due to timing of revenue recognition.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $30 million for the three months ended March 31, 2023 compared to the same period in 2022 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).

(millions of US$, unless otherwise noted)	three months ended March 31 2023	2022
Columbia Gas	**395**	416
ANR	**192**	171
Columbia Gulf	**59**	59
Great Lakes	**54**	57
GTN	**53**	51
Other U.S. pipelines[1]	**174**	110
Non-controlling interests[2]	**11**	11
Comparable EBITDA	**938**	875
Depreciation and amortization	**(175)**	(167)
Comparable EBIT	**763**	708
Foreign exchange impact	**267**	188
Comparable EBIT (Cdn$)	**1,030**	896
Specific items:		
Great Lakes goodwill impairment charge	**—**	(571)
Risk management activities	**49**	(15)
Segmented earnings (losses) (Cdn$)	**1,079**	310

1 Reflects comparable EBITDA from our ownership in our mineral rights business (CEVCO), North Baja, Tuscarora, Bison, 61.7 per cent of Portland, 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.

2 Reflects comparable EBITDA attributable to the 38.3 per cent interest in Portland that we do not own.

U.S. Natural Gas Pipelines segmented earnings increased by $769 million for the three months ended March 31, 2023 compared to the same period in 2022 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a pre-tax goodwill impairment charge of $571 million related to Great Lakes in first quarter 2022
- unrealized gains and losses from changes in the fair value of derivatives related to our U.S. natural gas marketing business.

A stronger U.S. dollar for the three months ended March 31, 2023 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. operations compared to the same period in 2022. Refer to the Foreign exchange section for additional information.

Comparable EBITDA for U.S. Natural Gas Pipelines increased by US$63 million for the three months ended March 31, 2023 compared to the same period in 2022 and was primarily due to the net effect of:

- a net increase in earnings from ANR following the FERC-approved settlement for higher transportation rates effective August 2022, as well as contributions from growth projects placed in service
- higher realized earnings related to our U.S. natural gas marketing business due to increased trading activity and higher margins
- increased equity earnings from Iroquois and Northern Border
- decreased earnings from higher operational costs, reflective of increased system utilization across our footprint, as well as higher property taxes related to projects in service.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by US$8 million for the three months ended March 31, 2023 compared to the same period in 2022 mainly 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$, unless otherwise noted)	**2023**	**2022**
TGNH[1]	**56**	29
Topolobampo	**40**	41
Guadalajara	**17**	18
Mazatlán	**15**	18
Sur de Texas[2]	**(2)**	11
Comparable EBITDA	**126**	117
Depreciation and amortization	**(16)**	(22)
Comparable EBIT	**110**	95
Foreign exchange impact	**40**	25
Comparable EBIT (Cdn$)	**150**	120
Specific item:		
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**104**	—
Segmented earnings (losses) (Cdn$)	**254**	120

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 increased by $134 million for the three months ended March 31, 2023 compared to the same period in 2022 and includes an unrealized recovery of $104 million (nil for the three months ended March 31, 2022) related to the expected credit loss provision on 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 our 2022 Consolidated financial statements for additional information on expected credit loss provisions and Note 12, Risk management and financial instruments, for additional information on the expected credit loss provision recognized in first quarter 2023.

Comparable EBITDA for Mexico Natural Gas Pipelines increased by US$9 million for the three months ended March 31, 2023 compared to the same period in 2022 due to the net effect of:

- higher revenues in TGNH primarily related to the commercial in-service of VdR North and Tula East
- a loss from our equity investment in Sur de Texas primarily due to foreign exchange impacts on the revaluation of peso-denominated liabilities as a result of a stronger Mexican peso.

A stronger U.S. dollar for the three months ended March 31, 2023 had a positive impact on the Canadian dollar equivalent segmented earnings compared to the same period in 2022. Refer to the Foreign exchange section for additional information, including the foreign exchange impacts of the Mexican peso against the U.S. dollar.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization decreased by US$6 million for the three months ended March 31, 2023 compared to the same period in 2022 due to the change in accounting for Tamazunchale subsequent to execution of the new TGNH TSA with the CFE in third quarter 2022. Under sales-type lease accounting, our in-service TGNH pipeline assets are reflected on our Condensed consolidated balance sheet within net investment in leases with no depreciation expense being recognized.

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 $)	**2023**	**2022**
Keystone Pipeline System[1]	**302**	317
Intra-Alberta pipelines[2]	**18**	18
Other[1]	**(3)**	(6)
Comparable EBITDA	**317**	329
Depreciation and amortization	**(84)**	(81)
Comparable EBIT	**233**	248
Specific items:		
Keystone FERC decision	**(57)**	—
Keystone XL preservation and other	**(5)**	(6)
Risk management activities	**5**	30
Segmented earnings (losses)	**176**	272
Comparable EBITDA denominated as follows:		
Canadian dollars	**91**	98
U.S. dollars	**167**	183
Foreign exchange impact	**59**	48
Comparable EBITDA	**317**	329

1 Liquids marketing results were previously disclosed separately, but almost fully relate to marketing activities with respect to the Keystone Pipeline System. For comparative periods, liquids marketing results have been reclassified within Keystone Pipeline System.

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

Liquids Pipelines segmented earnings decreased by $96 million for the three months ended March 31, 2023 compared to the same period in 2022 and included the following specific items which have been excluded from our calculation of comparable EBITDA and comparable EBIT:

- a $57 million pre-tax charge 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. Refer to the Recent developments – Liquids Pipelines section for additional information
- pre-tax preservation and other costs for Keystone XL pipeline project assets of $5 million for the three months ended March 31, 2023 ($6 million for the three months ended March 31, 2022), which could not be accrued as part of the Keystone XL asset impairment charge
- unrealized gains and losses from changes in the fair value of derivatives related to our liquids marketing business.

A stronger U.S. dollar in 2023 relative to 2022 had a positive impact on the Canadian dollar equivalent segmented earnings from our U.S. operations for the three months ended March 31, 2023. Refer to the Foreign exchange section for additional information.

Comparable EBITDA for Liquids Pipelines decreased by $12 million for the three months ended March 31, 2023 compared to the same period in 2022 primarily due to the net effect of:

- lower uncontracted volumes on the Keystone Pipeline System as a result of the pressure de-rate per the terms of the Corrective Action Order (CAO) and Amended Corrective Action Order (ACAO) due to the Milepost 14 incident, which occurred in December 2022
- lower rates and volumes on the U.S. Gulf Coast section of the Keystone Pipeline System
- higher long-haul contracted volumes on the Keystone Pipeline System from the 2019 Open Season that were commercialized in April 2022 of 20,000 Bbl/d and an additional 10,000 Bbl/d in September 2022
- a stronger U.S. dollar as described above.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by $3 million for the three months ended March 31, 2023 compared to the same period in 2022 primarily as a result of a stronger U.S. dollar.

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 $)	**2023**	**2022**
Bruce Power[1]	**175**	93
Canadian Power	**102**	60
Natural Gas Storage and other	**4**	4
Comparable EBITDA	**281**	157
Depreciation and amortization	**(18)**	(20)
Comparable EBIT	**263**	137
Specific items:		
Bruce Power unrealized fair value adjustments	**8**	(23)
Risk management activities	**(19)**	(38)
Segmented earnings (losses)	**252**	76

1 Includes our share of equity income from Bruce Power.

Power and Energy Solutions segmented earnings increased by $176 million for the three months ended March 31, 2023 compared to the same period in 2022 and included the following specific items which have been excluded from our calculations 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 $124 million for the three months ended March 31, 2023 compared to the same period in 2022 primarily due to the net effect of:

- higher contributions from Bruce Power primarily due to a higher contract price and fewer planned outage days, partially offset by realized losses on funds invested for post-retirement benefits and increased operating expenses, including the net impact of the Unit 3 Major Component Replacement (MCR) which commenced on March 1, 2023
- increased Canadian Power financial results primarily from higher realized power prices
- Natural Gas Storage and other results were consistent as higher realized Alberta natural gas storage spreads were offset by increased business development costs across the segment.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization for the three months ended March 31, 2023 was largely consistent with the same period in 2022.

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)	**2023**	**2022**
Items included in comparable EBITDA and comparable EBIT comprised of:		
Revenues[1]	**506**	409
Operating expenses	**(236)**	(231)
Depreciation and other	**(95)**	(85)
Comparable EBITDA and comparable EBIT[2]	**175**	93
Bruce Power – other information		
Plant availability[3,4]	**95%**	84%
Planned outage days[4]	**—**	77
Unplanned outage days	**25**	14
Sales volumes (GWh)[5]	**5,400**	4,975
Realized power price per MWh[6]	**$93**	$82

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

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 Unit 6 and Unit 3 MCR outage days.

5 Sales volumes include deemed generation.

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.

The Unit 3 MCR commenced on March 1, 2023. The Unit 6 MCR outage, which began in January 2020, is now in the final stages of the installation phase which will be followed by fuel load and commissioning, with an expected return to service in fourth quarter 2023.

Planned outages are scheduled to begin on Unit 4 in second quarter 2023 and on Unit 8 in late-third quarter 2023. The average 2023 plant availability, excluding the Unit 6 and Unit 3 MCR programs, is expected to be in the low-90 per cent range.

Corporate

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

(millions of $)	three months ended March 31 2023	2022
Comparable EBITDA and comparable EBIT	**(2)**	3
Specific item:		
Foreign exchange gains – inter-affiliate loans[1]	**—**	28
Segmented earnings (losses)	**(2)**	31

1 Reported in Income from equity investments in the Condensed consolidated statement of income.

Corporate segmented losses of $2 million for the three months ended March 31, 2023 changed by $33 million from segmented earnings of $31 million for the three months ended March 31, 2022. Corporate segmented earnings in 2022 included foreign exchange gains on our proportionate share of peso-denominated inter-affiliate loans to the Sur de Texas joint venture from its partners up to March 15, 2022 when the peso-denominated inter-affiliate loans were fully repaid upon maturity. These foreign exchange gains were recorded in Income from equity investments in the Corporate segment and were excluded from our calculation of comparable EBITDA and comparable EBIT as they were fully offset by corresponding foreign exchange losses on the inter-affiliate loan receivable included in Foreign exchange gains (losses), net. Refer to the Financial risks and financial instruments – Related party transactions section for additional information.

INTEREST EXPENSE

(millions of $)	three months ended March 31 2023	2022
Interest expense on long-term debt and junior subordinated notes		
Canadian dollar-denominated	**(210)**	(177)
U.S. dollar-denominated	**(364)**	(305)
Foreign exchange impact	**(128)**	(81)
	(702)	(563)
Other interest and amortization expense	**(85)**	(19)
Capitalized interest	**30**	2
Interest expense included in comparable earnings	**(757)**	(580)
Specific item:		
Keystone FERC decision	**(5)**	—
Interest expense	**(762)**	(580)

Interest expense increased by $182 million for the three months ended March 31, 2023 compared to the same period in 2022 and included accrued carrying charges of $5 million as a result of a one-time pre-tax charge related to the FERC Administrative Law Judge initial decision on Keystone. This decision was issued in February 2023 in respect of a tolling-related complaint pertaining to amounts recognized from 2018 to 2022 which has been removed from our calculation of Interest expense included in comparable earnings. Refer to the Recent developments – Liquids Pipelines section for additional information.

Interest expense included in comparable earnings increased by $177 million for the three months ended March 31, 2023 compared to the same period in 2022 primarily due to the net effect of:

- long-term debt issuances, net of maturities. Refer to the Financial Condition section for additional information
- higher interest rates on decreased levels of short-term borrowings
- the foreign exchange impact from a stronger U.S. dollar on translation of U.S. dollar-denominated interest expense
- higher capitalized interest, largely due to funding related to our investment in Coastal GasLink LP. Refer to Note 5, Coastal GasLink, of our Condensed consolidated financial statements for additional information.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

	three months ended March 31	
(millions of $)	**2023**	**2022**
Canadian dollar-denominated	**33**	42
U.S. dollar-denominated	**72**	26
Foreign exchange impact	**26**	7
Allowance for funds used during construction	**131**	75

AFUDC increased by $56 million for the three months ended March 31, 2023 compared to the same period in 2022. The decrease in Canadian dollar-denominated AFUDC for the three months ended March 31, 2023 is primarily due to NGTL System expansion projects placed in service. The increase in U.S. dollar-denominated AFUDC is mainly the result of the reactivation of AFUDC on the TGNH assets under construction following the new TSA with the CFE, including capital expenditures on the Southeast Gateway pipeline project in first quarter 2023.

FOREIGN EXCHANGE GAINS (LOSSES), NET

	three months ended March 31	
(millions of $)	**2023**	**2022**
Foreign exchange gains (losses), net included in comparable earnings	**33**	32
Specific items:		
Foreign exchange losses – inter-affiliate loan	**—**	(28)
Risk management activities	**74**	22
Foreign exchange gains (losses), net	**107**	26

Foreign exchange gains increased by $81 million for the three months ended March 31, 2023 compared to the same period in 2022. The following specific items have been removed from our calculation of Foreign exchange gains included in comparable earnings:

- net unrealized gains from changes in the fair value of derivatives used to manage our foreign exchange risk
- foreign exchange losses on the peso-denominated inter-affiliate loan receivable from the Sur de Texas joint venture until March 15, 2022, when it was fully repaid upon maturity. The interest income and interest expense on the peso-denominated inter-affiliate loan was included in comparable earnings with all amounts offsetting and resulting in no impact on consolidated net income.

Refer to the Financial risks and financial instruments section for additional information on related party transactions and derivatives.

Foreign exchange gains included in comparable earnings increased by $1 million for the three months ended March 31, 2023 compared to the same period in 2022, with the change primarily due to the net effect of:

- higher realized gains in first quarter 2023 compared to the same period in 2022 on derivatives used to manage our exposure to net liabilities in Mexico that give rise to foreign exchange gains and losses
- net realized losses on derivatives used to manage our net exposure to foreign exchange rate fluctuation on U.S. dollar-denominated income
- foreign exchange losses on the revaluation of our peso-denominated net monetary liabilities to U.S. dollars.

INTEREST INCOME AND OTHER

	three months ended March 31	
(millions of $)	**2023**	**2022**
Interest income and other	**42**	35

Interest income and other increased by $7 million for the three months ended March 31, 2023 compared to the same period in 2022 due to higher interest earned on short-term investments and the change in fair value of other restricted investments, partially offset by lower interest income in 2023 due to the repayment of the inter-affiliate loan receivable from the Sur de Texas joint venture in July 2022.

INCOME TAX (EXPENSE) RECOVERY

	three months ended March 31	
(millions of $)	**2023**	**2022**
Income tax (expense) recovery included in comparable earnings	**(280)**	(179)
Specific items:		
Expected credit loss provision on net investment in leases and certain contract assets in Mexico	**(32)**	—
Keystone FERC decision	**14**	—
Coastal GasLink LP impairment charge	**(16)**	—
Keystone XL preservation and other	**1**	1
Great Lakes goodwill impairment charge	**—**	40
Settlement of Mexico prior years' income tax assessments	**—**	(193)
Bruce Power unrealized fair value adjustments	**(2)**	8
Risk management activities	**(26)**	—
Income tax (expense) recovery	**(341)**	(323)

Income tax expense increased by $18 million for the three months ended March 31, 2023 compared to the same period in 2022 and included the settlement of prior years' income tax assessments related to our operations in Mexico in first quarter 2022 which was subsequently paid in second quarter 2022. This has been removed from our calculation of Income tax expense included in comparable earnings, in addition to the income tax impacts on specified items referenced elsewhere in this MD&A.

Income tax expense included in comparable earnings increased by $101 million for the three months ended March 31, 2023 compared to the same period in 2022 primarily due to higher comparable earnings, the impact of Mexico foreign exchange exposure and lower foreign tax rate differentials. Refer to the Foreign exchange section for additional information regarding our Mexico foreign exchange exposure.

NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

	three months ended March 31	
(millions of $)	**2023**	**2022**
Net income attributable to non-controlling interests	**(11)**	(11)

Net income attributable to non-controlling interests remained consistent for three months ended March 31, 2023 compared to the same period in 2022.

PREFERRED SHARE DIVIDENDS

	three months ended March 31	
(millions of $)	**2023**	**2022**
Preferred share dividends	**(23)**	(31)

Preferred share dividends decreased by $8 million for the three months ended March 31, 2023 compared to the same period in 2022 primarily due to the redemption of all issued and outstanding Series 15 preferred shares on May 31, 2022.

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, 2023 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, including our U.S. and Mexico Natural Gas Pipelines operations along with the majority of our Liquids Pipelines business. Comparable EBITDA is a non-GAAP measure.

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

	three months ended March 31	
(millions of US$)	**2023**	**2022**
Comparable EBITDA		
U.S. Natural Gas Pipelines	**938**	875
Mexico Natural Gas Pipelines[1]	**126**	132
Liquids Pipelines	**167**	183
	1,231	1,190
Depreciation and amortization	**(240)**	(238)
Interest expense on long-term debt and junior subordinated notes	**(364)**	(305)
Allowance for funds used during construction	**72**	26
Non-controlling interests and other	**(31)**	(12)
	668	661
Average exchange rate - U.S. to Canadian dollars	**1.35**	1.27

1 Excludes interest expense on our inter-affiliate loans with the Sur de Texas joint venture which was fully offset in Interest income and other. These inter-affiliate loans were fully repaid in 2022.

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 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. On January 17, 2023, a wholly-owned Mexican subsidiary entered into a US$1.8 billion senior unsecured term loan and a US$500 million senior unsecured revolving credit facility, which resulted in an additional peso-denominated income tax expense compared to first quarter 2022.

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.

Period end exchange rates - U.S. dollars to Mexican pesos

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

March 31, 2023	**18.04**
March 31, 2022	19.91
December 31, 2022	19.50
December 31, 2021	20.48

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 $)	**2023**	**2022**
Comparable EBITDA - Mexico Natural Gas Pipelines[1]	**(45)**	(21)
Foreign exchange gains (losses), net included in comparable earnings	**73**	4
Income tax (expense) recovery included in comparable earnings	**(51)**	(2)
	(23)	(19)

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

The Coastal GasLink project is approximately 87 per cent complete. The entire route has been cleared; grading and welding are approximately 99 per cent and 95 per cent complete, respectively, and over 567 km of pipeline has been backfilled with restoration activities underway in many areas. The Wilde Lake compressor and meter stations are complete and commissioning work has commenced.

Project costs are funded by existing project-level credit facilities and equity contributions from the Coastal GasLink LP partners, including us. Beginning in 2023, the equity financing required to fund construction of the pipeline to completion will initially be provided through a subordinated loan agreement between TC Energy and Coastal GasLink LP. Draws by Coastal GasLink LP on this loan will be repaid with funds from equity contributions to the partnership by the Coastal GasLink LP partners, including us, subsequent to the in-service date of the Coastal GasLink pipeline when final project costs are known. We expect that in accordance with contractual terms, the additional equity contributions required will be predominantly funded by us, except under certain conditions, but will not result in a change to our 35 per cent ownership. At March 31, 2023, committed capacity under this subordinated loan agreement was $3.3 billion, on which $327 million was drawn.

The expectation that additional equity contributions will predominantly be funded by us continues to be an indicator at March 31, 2023 that a decrease in the value of our equity investment had occurred. As a result, we completed a valuation assessment and concluded that there was an other-than-temporary impairment of our investment, resulting in a pre-tax impairment charge of the full value of our investment in Coastal GasLink LP of $13 million ($29 million after tax). The pre-impairment carrying value of our investment in Coastal GasLink LP at March 31, 2023 consisted of the $327 million advanced through the loan receivable from affiliate which was offset by other movements in the Equity investment balance during the quarter. Refer to Note 5, Coastal GasLink, of our Condensed consolidated financial statements for additional information.

TC Energy expects that a significant portion of our estimated $3.0 billion future investment will be impaired. We will continue to assess for other-than-temporary declines in the fair value of our investment in Coastal GasLink LP, and the extent of any future impairment charges will depend on the outcome of the valuation assessment performed at the respective reporting date.

NGTL System and Foothills

In the three months ended March 31, 2023, the NGTL System and Foothills placed approximately $0.9 billion and $0.2 billion, respectively, of capacity projects in service.

2021 NGTL System Expansion Program

The 2021 NGTL System Expansion Program consists of new pipeline and compression facilities to add incremental capacity to the NGTL System. In first quarter 2023, an additional $0.3 billion of the program and the facilities required to declare all contracts, were placed in service.

2022 NGTL System Expansion Program

The 2022 NGTL System Expansion Program consists of new pipeline and compression facilities to meet firm-receipt and intra-basin delivery requirements. In first quarter 2023, an additional $0.6 billion of the program's facilities were placed in service, with remaining facilities expected to be placed in service in second quarter 2023.

NGTL System/Foothills West Path Delivery Program

The NGTL System/Foothills West Path Delivery Program is a multi-year expansion of the NGTL System and Foothills System to facilitate incremental contracted export capacity connecting to the GTN Pipeline System. In first quarter 2023, an additional $0.2 billion of the program's facilities were placed in service. All outstanding permits have been received and construction of remaining facilities is underway with anticipated in-service throughout 2023. Weather delays, terrain complexity and inflationary pressures are factors we will continue to mitigate where possible.

U.S. NATURAL GAS PIPELINES

Virginia Electrification Project

In March 2023, the FERC provided a certificate order approving our Virginia Electrification project. The Virginia Electrification project will replace and upgrade certain facilities through conversion to electric compression and is expected to reduce emissions along portions of our Columbia Gas system. The anticipated in-service date is early 2024 with an estimated project cost of US$0.1 billion.

ANR Section 4 Rate Case

ANR reached a settlement with its customers effective August 2022 and received FERC approval on April 11, 2023. As part of the settlement, there is a moratorium on any further rate changes until November 1, 2025. ANR must file for new rates with an effective date no later than August 1, 2028. The settlement also included an additional rate step up effective August 2024 related to certain modernization projects. Previously accrued rate refund liabilities will be refunded to customers, including interest, in second quarter 2023.

MEXICO NATURAL GAS PIPELINES

TGNH Strategic Alliance with the CFE

In August 2022, we announced a strategic alliance with Mexico's state-owned electric utility, the CFE, for the development of new natural gas infrastructure in central and southeast Mexico. In connection with the strategic alliance, 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. In first quarter 2023, the project closed main land acquisition agreements in relation to landfalls, and obtained key federal environmental authorizations and local permits.

We expect the Villa de Reyes pipeline lateral and south sections to begin commercial service in 2023. Additionally, we have agreed to jointly develop and complete the central segment of the Tula pipeline, subject to an FID anticipated in mid-2023. Finally, we are working with the CFE on the Tula pipeline's west section to procure necessary land access and resolve legal claims.

Subject to regulatory approvals from Mexico's Federal Economic Competition Commission (COFECE) and the Regulatory Energy Commission, 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. Upon in-service of the Southeast Gateway pipeline, the CFE's equity interest in TGNH will equal 15 per cent and will increase to approximately 35 per cent upon expiry of the contract in 2055. On March 30, 2023, the initial submission was made to the COFECE to start the regulatory approval process, which is currently under review. Regulatory approvals related to the CFE's equity participation in TGNH could take up to 24 months.

LIQUIDS PIPELINES

Milepost 14 Incident

In December 2022, a pipeline rupture occurred in Washington County, Kansas on the Keystone Pipeline System, releasing 12,937 barrels of crude oil. To date, approximately 98 per cent of the released volume has been recovered and the clean-up is approximately 90 per cent complete. In December 2022, PHMSA released a CAO and subsequently released an ACAO in March 2023 that included an operating pressure restriction for the Keystone segments that deliver into Wood River and Patoka, Illinois and Cushing, Oklahoma. Under these corrective orders, we expect to continue to fulfill our Keystone Pipeline System contract commitments.

As outlined by PHMSA's ACAO, a Root Cause Failure Analysis (RCFA) was conducted by an independent third party, which was released to us on April 21, 2023. The RCFA revealed that a unique set of circumstances occurred at the rupture location, which originated during the construction of the pipeline segment, with the primary cause of the rupture being a fatigue crack. We are in the process of implementing a comprehensive plan, including the RCFA’s recommendations, to enhance our pipeline integrity program and overall safety performance.

Our cost estimate before insurance recoveries, fines and penalties remains unchanged, subject to certain assumptions. It is reasonably possible that we may incur additional costs beyond the amounts accrued at March 31, 2023. For the three months ended March 31, 2023, we have received $102 million from insurance proceeds related to the environmental remediation.

CER and FERC Decisions

In 2019 and 2020, certain Keystone customers initiated complaints before the FERC and the CER regarding certain costs within the variable toll calculation. In December 2022, the CER issued a decision in respect of the complaint that resulted in a one-time adjustment to previously charged tolls of $38 million. In January 2023, Keystone filed a Review and Variance application with the CER challenging the correctness of the original decision.

In February 2023, the FERC released its initial decision in respect of the complaint. As a result, we have recorded a one-time adjustment of $57 million reflective of previously charged tolls between 2018 and 2022.

Port Neches

In March 2023, the Port Neches Link Pipeline System was placed in service, connecting the Keystone Pipeline System to Motiva’s Port Neches Terminal, enabling last-mile connectivity to Motiva’s 630,000 Bbl/d refinery.

POWER AND ENERGY SOLUTIONS

Bruce Power Life Extension

On March 1, 2023, Unit 3 was removed from service and began its MCR outage with a return to service expected in 2026.

The Unit 6 MCR is proceeding on budget and schedule and is now in the final stages of the installation phase which will be followed by fuel load and commissioning. Unit 6 is expected to return to service in fourth quarter 2023.

Texas Wind Farms Acquisitions

On March 15, 2023, we acquired 100 per cent of the Class B Membership Interests in the 155 MW Fluvanna Wind Farm located in Scurry County, Texas for US$99 million in cash, before post-closing adjustments. Additionally, we entered into an agreement to acquire 100 per cent of the Class B Membership Interests in the 148 MW Blue Cloud Wind Farm located in Bailey County, Texas for US$125 million in cash, before post-closing adjustments. Closing of the acquisition is pending regulatory approval, which is expected in second quarter 2023.

Each of these operating assets has a tax equity investor which owns 100 per cent of the Class A Membership Interests, to which a percentage of earnings, tax attributes and cash flows are allocated under the provisions of each tax equity agreement.

Renewable Energy Contracts and/or Investment Opportunities

In first quarter 2023, we secured a 108 MW solar contract and approximately 300 MW from wind farms in Texas. To date, we have secured approximately 1,000 MW in the U.S. from solar and wind projects to meet the electricity needs of internal and external customers in the industrial and oil and gas sectors.

OTHER ENERGY SOLUTIONS

Alberta Carbon Grid

In June 2021, we announced a partnership with Pembina Pipeline Corporation to jointly develop a world-scale carbon transportation and sequestration system which, when fully constructed, is expected to be capable of transporting up to 20 million tonnes of carbon dioxide annually. Alberta Carbon Grid continues to evaluate the suitability of our Areas Of Interest, including the advancement of well drilling and testing activities to support the development of a detailed Measurement, Monitoring and Verification plan required to apply for a sequestration permit.

CORPORATE

Asset Divestiture Program

We are continuing to progress our $5+ billion asset divestiture program that we previously announced in 2022 through the sale of discrete assets and/or partial monetization of certain assets.

The objectives of this asset divestiture program are to accelerate our deleveraging, execute on our vast opportunity set and provide a source of funding for high-value growth opportunities. We believe that executing these steps will strengthen our balance sheet to ensure we remain competitively positioned to capitalize on future opportunities.

2023 Canada Federal Budget

On March 28, 2023, the Canadian Federal Government delivered its 2023 Budget. As part of this budget, several changes were announced to interest deductibility rules, global minimum tax proposals and other tax measures. We do not expect a material impact on our financial performance and cash flows in the near term.

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 asset divestitures to meet our financing needs, manage our capital structure and to preserve our credit ratings.

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

At March 31, 2023, our current assets totaled $10.3 billion and current liabilities amounted to $14.0 billion, leaving us with a working capital deficit of $3.7 billion compared to $9.6 billion at December 31, 2022. Our working capital deficiency is considered to be in the normal course of business and is managed through:

- our ability to generate predictable and growing cash flows from operations
- a total of $10.4 billion of committed revolving credit facilities, of which $8.0 billion of short-term borrowing capacity remains available, net of $2.4 billion backstopping outstanding commercial paper balances. We also have arrangements in place for a further $2.5 billion of demand credit facilities of which $1.4 billion remained available as at March 31, 2023
- our access to capital markets, including through securities issuances, incremental credit facilities, portfolio management activities and the DRP, if deemed appropriate.

CASH PROVIDED BY OPERATING ACTIVITIES

	three months ended March 31	
(millions of $)	**2023**	**2022**
Net cash provided by operations	**2,074**	1,707
Increase (decrease) in operating working capital	**(60)**	(40)
Funds generated from operations	**2,014**	1,667
Specific items:		
Keystone FERC decision, net of current income tax	**48**	—
Settlement of Mexico prior years' income tax assessments	**—**	193
Keystone XL preservation and other, net of current income tax	**4**	5
Comparable funds generated from operations	**2,066**	1,865

Net cash provided by operations

Net cash provided by operations increased by $367 million for the three months ended March 31, 2023 compared to the same period in 2022 primarily due to higher funds generated from operations and the amount and timing of working capital changes.

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 $201 million for the three months ended March 31, 2023 compared to the same period in 2022 primarily due to increased comparable EBITDA and higher distributions from operating activities of our equity investments, partially offset by higher interest expense.

CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES

(millions of $)	three months ended March 31 2023	 2022
Capital spending		
Capital expenditures	**(1,885)**	(1,508)
Capital projects in development	**(78)**	(13)
Contributions to equity investments	**(1,070)**	(216)
	(3,033)	(1,737)
Loans to affiliate (issued) repaid, net	**250**	(163)
Acquisition, net of cash acquired	**(138)**	—
Other distributions from equity investments	**16**	—
Deferred amounts and other	**129**	67
Net cash (used in) provided by investing activities	**(2,776)**	(1,833)

Capital expenditures in 2023 were incurred primarily for the expansion of the NGTL System, Columbia Gas and ANR projects, and the development of the Southeast Gateway pipeline, as well as maintenance capital expenditures. Higher capital expenditures in first quarter 2023 compared to the same period in 2022 reflect increased spending for the development of the Southeast Gateway pipeline and Columbia Gas projects, partially offset by reduced spending on expansion of the NGTL System.

Contributions to equity investments increased in first quarter 2023 compared to the same period in 2022 mainly due to funding the remaining $537 million of the $1.9 billion contractual equity contribution to Coastal GasLink LP in accordance with the July 2022 amended agreements, as well as 2023 draws on the subordinated loan by Coastal GasLink LP which are accounted for as in-substance equity contributions. Refer to Note 5, Coastal GasLink, of our Condensed consolidated financial statements for additional information.

Loans to affiliate (issued) repaid, net represent issuances prior to amended agreements in 2022 and repayments on the subordinated demand revolving credit facility and the subordinated loan agreement that we entered with Coastal GasLink LP. Refer to the Financial risks and financial instruments – Related party transactions section for additional information.

As part of refinancing activities with the Sur de Texas joint venture, on March 15, 2022, our peso-denominated inter-affiliate loan was fully repaid upon maturity in the amount of $1.2 billion and was subsequently replaced with a new U.S. dollar-denominated inter-affiliate loan of an equivalent $1.2 billion. The Contributions to equity investments and Other distributions from equity investments with respect to these refinancing activities are presented above on a net basis, although they are reported on a gross basis in our Condensed consolidated statement of cash flows. Refer to the Financial risks and financial instruments – Related party transactions section for additional information.

On March 15, 2023, we acquired 100 per cent of the Class B Membership Interests in the Fluvanna Wind Farm located in Scurry County, Texas for US$99 million in cash, before post-closing adjustments. Refer to the Recent developments – Power and Energy Solutions section for additional information.

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

	three months ended March 31	
(millions of $)	**2023**	**2022**
Notes payable issued (repaid), net	**(2,225)**	330
Long-term debt issued, net of issue costs	**7,011**	—
Long-term debt repaid	**(110)**	(26)
Junior subordinated notes issued, net of issue costs	**—**	1,011
Dividends and distributions paid	**(735)**	(915)
Common shares issued, net of issue costs	**3**	129
Other	**—**	5
Net cash (used in) provided by financing activities	**3,944**	534

Long-term debt issued

The following table outlines significant long-term debt issuances in the three months ended March 31, 2023:

(millions of Canadian $, unless otherwise noted)					
Company	**Issue date**	**Type**	**Maturity date**	**Amount**	**Interest rate**
TransCanada PipeLines Limited					
	March 2023	Senior Unsecured Notes	March 2026[1]	US 850	6.20 %
	March 2023	Senior Unsecured Notes	March 2026[1]	US 400	Floating
	March 2023	Medium Term Notes	July 2030	1,250	5.28 %
	March 2023	Medium Term Notes	March 2026[1]	600	5.42 %
	March 2023	Medium Term Notes	March 2026[1]	400	Floating
TC Energía Mexicana, S. de R.L. de C.V.					
	January 2023	Senior Unsecured Term Loan	January 2028	US 1,800	Floating
	January 2023	Senior Unsecured Revolving Credit Facility	January 2028	US 500	Floating

1 Callable at par in March 2024 or at any time thereafter.

Long-term debt repaid/retired

The following table outlines significant long-term debt repaid in the three months ended March 31, 2023:

(millions of Canadian $, unless otherwise noted)				
Company	**Repayment date**	**Type**	**Amount**	**Interest rate**
TC Energía Mexicana, S. de R.L. de C.V.				
	Various	Senior Unsecured Revolving Credit Facility	US 60	Floating

On April 1, 2023, Nova Gas Transmission Ltd. retired US$200 million of Debentures bearing interest at a fixed rate of 7.875 per cent.

DIVIDENDS

On April 27, 2023, we declared quarterly dividends on our common shares of $0.93 per share payable on July 31, 2023 to shareholders of record at the close of business on June 30, 2023.

DIVIDEND REINVESTMENT PLAN

With respect to the common share dividends declared on February 13, 2023, the participation rate by common shareholders was approximately 38 per cent resulting in $363 million reinvested in common equity under the program.

SHARE INFORMATION

At April 24, 2023, we had approximately 1.0 billion issued and outstanding common shares and approximately 8 million outstanding options to buy common shares, of which 5 million were exercisable.

CREDIT FACILITIES

At April 24, 2023, we had a total of $10.5 billion of committed revolving credit facilities of which $8.3 billion of short-term borrowing capacity remains available, net of $2.2 billion backstopping outstanding commercial paper balances. We also have arrangements in place for a further $2.5 billion of demand credit facilities of which $1.4 billion remains available.

CONTRACTUAL OBLIGATIONS

Capital expenditure commitments at March 31, 2023 have increased by approximately $0.4 billion from those reported at December 31, 2022, reflecting new contractual commitments entered into for the construction of the Southeast Gateway pipeline and other capital projects, partially offset by normal course fulfillment of construction contracts.

There were no material changes to our contractual obligations in first quarter 2023 or to payments due in the next five years or after. Refer to our 2022 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 2022 Annual Report for additional information about the risks we face in our business which have not changed materially since December 31, 2022, 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. For eligible hedging relationships affected by the expected cessation of certain reference interest rates, we have applied the optional expedient permissible under U.S. GAAP allowing an entity to assume that the hedged forecasted transaction in a cash flow hedge is probable of occurring and, therefore, we expect no material impact on our consolidated financial statements.

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 from equity investments and Income tax expense.

We manage a portion of our foreign exchange risk using foreign exchange derivatives. Refer to the Foreign Exchange section for additional information on our foreign currency exposure.

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, foreign exchange forwards 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
- loans receivable
- 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 2022 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, 2023, we had no significant credit risk concentrations and no significant amounts past due or impaired. We recorded an unrealized recovery of $104 million on the expected credit loss provision before tax on the TGNH net investment in leases and certain contract assets in Mexico, as required by U.S. GAAP. Refer to our 2022 Consolidated financial statements for additional information on expected credit loss provisions and Note 12, Risk management and financial instruments, for additional information on the expected credit loss provision recognized in first quarter 2023.

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. We had no direct exposure to the recent U.S. regional bank failures; however, we are closely monitoring potential impacts on our portfolio of financial sector counterparties.

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 $3.0 billion equity requirement related to the estimated capital cost to complete the Coastal GasLink pipeline. As at March 31, 2023, the total capacity committed by TC Energy under this subordinated loan agreement was $3.3 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, 2023 was $327 million (December 31, 2022 – $250 million). The carrying value of this loan was reduced to nil at March 31, 2023 and December 31, 2022 as part of 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, 2023 (December 31, 2022 – nil). This revolver was not impacted by the impairment charges recognized to date.

Sur de Texas

We hold a 60 per cent equity interest in a joint venture with IEnova to own the Sur de Texas pipeline, for which we are the operator. In 2017, we entered into a MXN$21.3 billion unsecured revolving credit facility with the joint venture, which bore interest at a floating rate. On March 15, 2022, as part of refinancing activities with the Sur de Texas joint venture, the peso-denominated inter-affiliate loan was replaced with a new U.S. dollar-denominated inter-affiliate loan from us for an equivalent $1.2 billion (US$938 million) with a floating interest rate. On July 29, 2022, the Sur de Texas joint venture entered into an unsecured term loan agreement with third parties, the proceeds of which were used to fully repay the U.S. dollar-denominated inter-affiliate loan with TC Energy.

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 is as follows:

(millions of $)	**March 31, 2023**	**December 31, 2022**
Other current assets	**638**	614
Other long-term assets	**95**	91
Accounts payable and other	**(746)**	(871)
Other long-term liabilities	**(65)**	(151)
	(78)	(317)

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 2023	2022
Derivative Instruments Held for Trading[1]		
Unrealized gains (losses) in the period		
Commodities	**58**	(38)
Foreign exchange	**74**	22
Realized gains (losses) in the period		
Commodities	**188**	141
Foreign exchange	**57**	41
Derivative Instruments in Hedging Relationships		
Realized gains (losses) in the period		
Commodities	**11**	(3)
Interest rate	**(6)**	(3)

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 12, 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, 2023, 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 2023 that had or are likely to have a material impact on our internal control 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 2022 Annual Report for a listing of critical accounting estimates.

Equity Investment in Coastal GasLink LP

Impairment and Maximum Exposure to Loss

On February 1, 2023, TC Energy announced that the revised capital cost of the Coastal GasLink pipeline project was expected to be approximately $14.5 billion. While this estimate includes contingencies for certain factors that may be outside the control of Coastal GasLink LP, as with any complex construction project, the final capital cost is subject to certain risks and uncertainties. The revised estimate of total project costs and our corresponding future funding requirements were indicators that a decrease in the value of our equity investment had occurred. We completed a valuation assessment and concluded that the fair value of TC Energy's investment was below its carrying value at December 31, 2022. We determined that this was an other-than-temporary impairment of our equity investment in Coastal GasLink LP, which resulted in a pre-tax impairment charge of $3.0 billion ($2.6 billion after tax) at December 31, 2022 and we disclosed that a significant portion of our future funding was expected to be impaired. Our valuation assessment in first quarter 2023 concluded that the carrying value of our investment was impaired and we recognized a pre-tax impairment charge of $13 million ($29 million after tax) at March 31, 2023 in Impairment of equity investment in the Condensed consolidated statement of income in the Canadian Natural Gas Pipelines segment. The pre-impairment carrying value of the investment in Coastal GasLink LP at March 31, 2023 consisted of amounts in Equity investments and loans receivable from affiliate, which were adjusted to a nil balance. Refer to Note 5, Coastal GasLink, of our Condensed consolidated financial statements for additional information.

Subsequent to March 31, 2023, TC Energy expects to fund an additional $3.0 billion related to the estimated remaining capital cost to complete the Coastal GasLink pipeline and a significant portion of our future investment in Coastal GasLink LP is expected to be impaired. We will continue to assess for other-than-temporary declines in the fair value of this investment and the extent of any future impairment charges will depend on the outcome of the valuation assessment performed at the respective reporting date.

The fair value of TC Energy's investment in Coastal GasLink LP at March 31, 2023 was estimated using a 40-year discounted cash flow model consistent with our fair value assessment at December 31, 2022. Refer to our 2022 Consolidated financial statements for additional information.

The maximum exposure to loss as a result of our involvement with Coastal GasLink LP, a variable interest entity (VIE), as at March 31, 2023 was $3.0 billion. Our maximum exposure to loss is the maximum loss that could potentially be recorded through net income in future periods as a result of our variable interest in a VIE. TC Energy is contractually obligated to fund the capital costs to complete the Coastal GasLink pipeline, which is estimated to be $3.0 billion subsequent to March 31, 2023, through additional equity contributions in Coastal GasLink LP, subject to any final cost sharing between the Coastal GasLink LP partners. The determination of our maximum exposure to loss involves an estimate of capital costs to complete.

Accounting changes

Our significant accounting policies have remained unchanged since December 31, 2022 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 2022 Annual Report.

Quarterly results

SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

	2023	2022				2021		
(millions of $, except per share amounts)	**First**	**Fourth**	**Third**	**Second**	**First**	**Fourth**	**Third**	**Second**
Revenues	**3,928**	4,041	3,799	3,637	3,500	3,584	3,240	3,182
Net income (loss) attributable to common shares	**1,313**	(1,447)	841	889	358	1,118	779	975
Comparable earnings	**1,233**	1,129	1,068	979	1,103	1,028	970	1,038
Per share statistics:								
Net income (loss) per common share – basic	**$1.29**	($1.42)	$0.84	$0.90	$0.36	$1.14	$0.80	$1.00
Comparable earnings per common share	**$1.21**	$1.11	$1.07	$1.00	$1.12	$1.05	$0.99	$1.06
Dividends declared per common share	**$0.93**	$0.90	$0.90	$0.90	$0.90	$0.87	$0.87	$0.87

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 and 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
- contracted and uncontracted spot transportation.

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.

We also excluded from comparable measures the unrealized foreign exchange gains and losses on the peso-denominated loan receivable from an affiliate as well as the corresponding proportionate share of Sur de Texas foreign exchange gains and losses, as the amounts do not accurately reflect the gains and losses that will be realized at settlement. These amounts offset within each reporting period, resulting in no impact on net income. This peso-denominated loan was fully repaid in first quarter 2022.

In first quarter 2023, comparable earnings also excluded:

- a $72 million after-tax unrealized 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
- after-tax preservation and other costs for Keystone XL pipeline project assets of $4 million, which could not be accrued as part of the Keystone XL asset impairment charge.

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
- $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, which could not be accrued as part of the Keystone XL asset impairment charge
- 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, which could not be accrued as part of the Keystone XL asset impairment charge.

In second quarter 2022, comparable earnings also excluded:
- preservation and other costs for Keystone XL pipeline project assets of $3 million after tax, which could not be accrued as part of the Keystone XL asset impairment charge
- a $2 million income tax expense for the settlement related to prior years' income tax assessments in Mexico.

In first quarter 2022, comparable earnings also excluded:
- an after-tax goodwill impairment charge of $531 million related to Great Lakes
- a $193 million income tax expense for the settlement-in-principle of matters related to prior years' income tax assessments in Mexico
- preservation and other costs for Keystone XL pipeline project assets of $5 million after tax, which could not be accrued as part of the Keystone XL asset impairment charge.

In fourth quarter 2021, comparable earnings also excluded:
- an incremental $60 million after-tax reduction to the Keystone XL asset impairment charge, net of expected contractual recoveries and other contractual and legal obligations, related to the termination of the Keystone XL pipeline project
- an after-tax gain of $19 million related to the sale of the remaining interest in Northern Courier
- preservation and other costs for Keystone XL pipeline project assets of $10 million after tax, which could not be accrued as part of the Keystone XL asset impairment charge
- a $7 million after-tax gain related to pension adjustments as part of the Voluntary Retirement Program
- an incremental $6 million income tax expense related to the sale of our Ontario natural gas-fired power plants sold in 2020.

In third quarter 2021, comparable earnings also excluded:
- a $55 million after-tax expense with respect to transition payments incurred as part of the Voluntary Retirement Program
- preservation and other costs of $11 million after tax, which could not be accrued as part of the Keystone XL asset impairment charge.

In second quarter 2021, comparable earnings also excluded:
- preservation and other costs of $16 million after tax, which could not be accrued as part of the Keystone XL asset impairment charge and interest expense on the Keystone XL project-level credit facility prior to its termination
- a $13 million after-tax recovery of certain costs from the IESO associated with the Ontario natural gas-fired power plants sold in 2020
- an incremental $2 million after-tax asset impairment charge, net of expected contractual recoveries and other contractual and legal obligations, related to the termination of the Keystone XL pipeline project.

Condensed consolidated statement of income

(unaudited - millions of Canadian $, except per share amounts)	three months ended March 31 2023	2022
Revenues		
Canadian Natural Gas Pipelines	**1,229**	1,088
U.S. Natural Gas Pipelines	**1,709**	1,449
Mexico Natural Gas Pipelines	**205**	152
Liquids Pipelines	**538**	668
Power and Energy Solutions	**247**	143
	3,928	3,500
Income from Equity Investments	**303**	205
Impairment of Equity Investment	**(13)**	—
Operating and Other Expenses		
Plant operating costs and other	**1,057**	1,006
Commodity purchases resold	**87**	128
Property taxes	**227**	207
Depreciation and amortization	**677**	626
Goodwill impairment charge	**—**	571
	2,048	2,538
Financial Charges		
Interest expense	**762**	580
Allowance for funds used during construction	**(131)**	(75)
Foreign exchange (gains) losses, net	**(107)**	(26)
Interest income and other	**(42)**	(35)
	482	444
Income before Income Taxes	**1,688**	723
Income Tax Expense (Recovery)		
Current	**112**	275
Deferred	**229**	48
	341	323
Net Income	**1,347**	400
Net income attributable to non-controlling interests	**11**	11
Net Income Attributable to Controlling Interests	**1,336**	389
Preferred share dividends	**23**	31
Net Income Attributable to Common Shares	**1,313**	358
Net Income per Common Share		
Basic and diluted	**$1.29**	$0.36
Weighted Average Number of Common Shares (millions)		
Basic	**1,021**	981
Diluted	**1,021**	982

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

(unaudited - millions of Canadian $)	three months ended March 31 2023	2022
Net Income	**1,347**	400
Other Comprehensive Income (Loss), Net of Income Taxes		
Foreign currency translation adjustments	**(24)**	(301)
Change in fair value of net investment hedges	**10**	19
Change in fair value of cash flow hedges	**(1)**	18
Reclassification to net income of (gains) losses on cash flow hedges	**34**	8
Reclassification to net income of actuarial (gains) losses on pension and other post-retirement benefit plans	**—**	1
Other comprehensive income (loss) on equity investments	**(71)**	180
	(52)	(75)
Comprehensive Income	**1,295**	325
Comprehensive income attributable to non-controlling interests	**11**	9
Comprehensive Income Attributable to Controlling Interests	**1,284**	316
Preferred share dividends	**23**	31
Comprehensive Income Attributable to Common Shares	**1,261**	285

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of cash flows

(unaudited - millions of Canadian $)	three months ended March 31 2023	2022
Cash Generated from Operations		
Net income	**1,347**	400
Depreciation and amortization	**677**	626
Goodwill impairment charge	**—**	571
Deferred income taxes	**229**	48
Income from equity investments	**(303)**	(205)
Impairment of equity investment	**13**	—
Distributions received from operating activities of equity investments	**305**	234
Employee post-retirement benefits funding, net of expense	**(13)**	(6)
Equity allowance for funds used during construction	**(84)**	(53)
Unrealized (gains) losses on financial instruments	**(132)**	16
Expected credit loss provision	**(106)**	—
Other	**81**	36
(Increase) decrease in operating working capital	**60**	40
Net cash provided by operations	**2,074**	1,707
Investing Activities		
Capital expenditures	**(1,885)**	(1,508)
Capital projects in development	**(78)**	(13)
Contributions to equity investments	**(1,070)**	(1,415)
Loans to affiliate (issued) repaid, net	**250**	(163)
Acquisition, net of cash acquired	**(138)**	—
Other distributions from equity investments	**16**	1,199
Deferred amounts and other	**129**	67
Net cash (used in) provided by investing activities	**(2,776)**	(1,833)
Financing Activities		
Notes payable issued (repaid), net	**(2,225)**	330
Long-term debt issued, net of issue costs	**7,011**	—
Long-term debt repaid	**(110)**	(26)
Junior subordinated notes issued, net of issue costs	**—**	1,011
Dividends on common shares	**(651)**	(853)
Dividends on preferred shares	**(22)**	(31)
Distributions to non-controlling interests	**(21)**	(10)
Distributions on Class C Interests	**(41)**	(21)
Common shares issued, net of issue costs	**3**	129
Other	**—**	5
Net cash (used in) provided by financing activities	**3,944**	534
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	**(11)**	(8)
Increase (Decrease) in Cash and Cash Equivalents	**3,231**	400
Cash and Cash Equivalents		
Beginning of period	**620**	673
Cash and Cash Equivalents		
End of period	**3,851**	1,073

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated balance sheet

(unaudited - millions of Canadian $)		March 31, 2023	December 31, 2022
ASSETS			
Current Assets			
Cash and cash equivalents		**3,851**	620
Accounts receivable		**3,160**	3,624
Inventories		**984**	936
Other current assets		**2,323**	2,152
		10,318	7,332
Plant, Property and Equipment	net of accumulated depreciation of $35,165 and $34,629, respectively	**77,463**	75,940
Net Investment in Leases		**1,997**	1,895
Equity Investments		**9,696**	9,535
Restricted Investments		**2,265**	2,108
Regulatory Assets		**2,008**	1,910
Goodwill		**12,837**	12,843
Other Long-Term Assets		**2,617**	2,785
		119,201	114,348
LIABILITIES			
Current Liabilities			
Notes payable		**4,031**	6,262
Accounts payable and other		**5,990**	7,149
Dividends payable		**963**	930
Accrued interest		**732**	668
Current portion of long-term debt		**2,242**	1,898
		13,958	16,907
Regulatory Liabilities		**4,735**	4,520
Other Long-Term Liabilities		**970**	1,017
Deferred Income Tax Liabilities		**8,005**	7,648
Long-Term Debt		**46,247**	39,645
Junior Subordinated Notes		**10,491**	10,495
		84,406	80,232
EQUITY			
Common shares, no par value		**29,264**	28,995
Issued and outstanding:	March 31, 2023 – 1,023 million shares December 31, 2022 – 1,018 million shares		
Preferred shares		**2,499**	2,499
Additional paid-in capital		**725**	722
Retained earnings		**1,182**	819
Accumulated other comprehensive income (loss)		**903**	955
Controlling Interests		**34,573**	33,990
Non-Controlling Interests		**222**	126
		34,795	34,116
		119,201	114,348

Commitments, Contingencies and Guarantees (Note 14)

Variable Interest Entities (Note 15)

See accompanying Notes to the Condensed consolidated financial statements.

Condensed consolidated statement of equity

(unaudited - millions of Canadian $)	three months ended March 31 2023	2022
Common Shares		
Balance at beginning of period	**28,995**	26,716
Shares issued:		
Dividend reinvestment and share purchase plan	**266**	—
Exercise of stock options	**3**	144
Balance at end of period	**29,264**	26,860
Preferred Shares		
Balance at beginning and end of period	**2,499**	3,487
Additional Paid-In Capital		
Balance at beginning of period	**722**	729
Issuance of stock options, net of exercises	**3**	(12)
Balance at end of period	**725**	717
Retained Earnings		
Balance at beginning of period	**819**	3,773
Net income attributable to controlling interests	**1,336**	389
Common share dividends	**(952)**	(884)
Preferred share dividends	**(21)**	(17)
Balance at end of period	**1,182**	3,261
Accumulated Other Comprehensive Income (Loss)		
Balance at beginning of period	**955**	(1,434)
Other comprehensive income (loss) attributable to controlling interests	**(52)**	(73)
Balance at end of period	**903**	(1,507)
Equity Attributable to Controlling Interests	**34,573**	32,818
Equity Attributable to Non-Controlling Interests		
Balance at beginning of period	**126**	125
Non-controlling interest on acquisition of Fluvanna Wind Farm	**106**	—
Net income attributable to non-controlling interests	**11**	11
Other comprehensive income (loss) attributable to non-controlling interests	**—**	(2)
Distributions declared to non-controlling interests	**(21)**	(10)
Balance at end of period	**222**	124
Total Equity	**34,795**	32,942

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, 2022, except as described in Note 2, Accounting changes. Capitalized and abbreviated terms that are used but not otherwise defined herein are identified in the 2022 audited Consolidated financial statements included in TC Energy's 2022 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 2022 audited Consolidated financial statements included in TC Energy's 2022 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.

In addition to the factors mentioned above, revenues and segmented earnings (losses) 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, 2022, except as described in Note 2, Accounting changes.

Asset divestiture program

In 2022, TC Energy announced an asset divestiture program that may involve the divestiture of reporting units, or portions thereof. These divestitures could include assets that have associated goodwill. An assessment of whether the goodwill for a reporting unit is impaired requires certain estimates and judgments relating to matters that are dependent on future events. To the extent that a sale transaction indicates a value lower than previously estimated, goodwill could be impaired. In the event of a partial sale of such assets, the anticipated proceeds will be considered in management's assessment of fair value of the retained interest and any associated goodwill.

2. ACCOUNTING CHANGES

Future Accounting Changes

Leases

In March 2023, the FASB issued new guidance that clarified the accounting for leasehold improvements associated with common control leases. This new guidance is effective January 1, 2024 and can be applied either prospectively or retrospectively, with early application permitted. The Company will adopt the guidance on a prospective basis starting January 1, 2024.

3. SEGMENTED INFORMATION

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	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 before Income Taxes							1,688
Income tax (expense) recovery							(341)
Net Income							1,347
Net income attributable to non-controlling interests							(11)
Net Income Attributable to Controlling Interests							1,336
Preferred share dividends							(23)
Net Income Attributable to Common Shares							1,313

1 Includes intersegment eliminations.

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

3 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.

three months ended March 31, 2022 (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	1,088	1,449	152	668	143	—	3,500
Intersegment revenues	—	34	—	—	—	(34) [2]	—
	1,088	1,483	152	668	143	(34)	3,500
Income (loss) from equity investments	4	79	9	14	71	28 [3]	205
Plant operating costs and other	(373)	(367)	(13)	(173)	(117)	37 [2]	(1,006)
Commodity purchase resold	—	—	—	(128)	—	—	(128)
Property taxes	(75)	(103)	—	(28)	(1)	—	(207)
Depreciation and amortization	(286)	(211)	(28)	(81)	(20)	—	(626)
Goodwill impairment charge	—	(571)	—	—	—	—	(571)
Segmented Earnings (Losses)	358	310	120	272	76	31	1,167
Interest expense							(580)
Allowance for funds used during construction							75
Foreign exchange gains (losses), net[3]							26
Interest income and other							35
Income before Income Taxes							723
Income tax (expense) recovery							(323)
Net Income							400
Net income attributable to non-controlling interests							(11)
Net Income Attributable to Controlling Interests							389
Preferred share dividends							(31)
Net Income Attributable to Common Shares							358

1 Includes intersegment eliminations.

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

3 Income (loss) from equity investments includes the Company's proportionate share of Sur de Texas foreign exchange gains (losses) on the peso-denominated loans from affiliates which are fully offset in Foreign exchange gains (losses), net by the corresponding foreign exchange gains (losses) on the affiliate receivable balance until March 15, 2022, when it was fully repaid upon maturity.

Total Assets by Segment

(unaudited - millions of Canadian $)	March 31, 2023	December 31, 2022
Canadian Natural Gas Pipelines	**28,082**	27,456
U.S. Natural Gas Pipelines	**49,877**	50,038
Mexico Natural Gas Pipelines	**9,921**	9,231
Liquids Pipelines	**15,344**	15,587
Power and Energy Solutions	**8,735**	8,272
Corporate	**7,242**	3,764
	119,201	114,348

4. REVENUES

Disaggregation of Revenues

The following tables summarize total Revenues for the three months ended March 31, 2023 and 2022:

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 12, Risk management and financial instruments, for additional information on financial instruments. Additionally, other revenues include $32 million of operating lease income.

three months ended March 31, 2022 (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	1,067	1,197	145	509	—	2,918
Power generation	—	—	—	—	87	87
Natural gas storage and other[1]	21	257	7	1	66	352
	1,088	1,454	152	510	153	3,357
Other revenues[2]	—	(5)	—	158	(10)	143
	1,088	1,449	152	668	143	3,500

1 The Canadian Natural Gas Pipelines segment includes $21 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 Other revenues include income from the Company's marketing activities and financial instruments. Refer to Note 12, Risk management and financial instruments, for additional information on financial instruments. Additionally, other revenues include $31 million of operating lease income.

Contract Balances

(unaudited - millions of Canadian $)	March 31, 2023	December 31, 2022	Affected line item on the Condensed consolidated balance sheet
Receivables from contracts with customers	**1,671**	1,907	Accounts receivable
Contract assets	**211**	155	Other current assets
Long-term contract assets	**381**	355	Other long-term assets
Contract liabilities[1]	**114**	62	Accounts payable and other
Long-term contract liabilities	**15**	32	Other long-term liabilities

1 During the three months ended March 31, 2023, $19 million (2022 – $26 million) of revenues were recognized that were included in contract liabilities at the beginning of the period.

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

Future Revenues from Remaining Performance Obligations

As at March 31, 2023, future revenues from long-term pipeline capacity arrangements and transportation as well as natural gas storage and other contracts extending through 2055 are approximately $22.8 billion, of which approximately $2.9 billion is expected to be recognized during the remainder of 2023.

5. COASTAL GASLINK

Subordinated Loan Agreement

Committed capacity under the subordinated loan agreement between TC Energy and Coastal GasLink LP was $1.3 billion at December 31, 2022 and increased to $3.3 billion at March 31, 2023 to align with the Company's expected funding requirements.

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 on this loan subsequent to the amended agreements executed in July 2022 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, 2023, $327 million was drawn on the loan and $250 million was repaid.

In April 2023, an additional $150 million was drawn on the subordinated loan and will be subject to impairment in future reporting periods along with future draws on this loan.

Impairment of Equity Investment in Coastal GasLink LP

With the expectation that additional equity contributions under the subordinated loan agreement will be predominantly funded by TC Energy, the Company completed a valuation assessment and concluded that the fair value of its investment in Coastal GasLink LP was below its carrying value at March 31, 2023 and that this was an other-than-temporary impairment. As a result, a pre-tax impairment charge of $13 million ($29 million after tax) was recognized in Impairment of equity investment in the Condensed consolidated statement of income in the Canadian Natural Gas Pipelines segment, which reduced the carrying values of the investment in Coastal GasLink LP and the loan receivable from affiliate to nil at March 31, 2023. The impairment charge reflected the net impact of the $327 million draw and the $250 million repayment on the subordinated loan for the three months ended March 31, 2023, along with TC Energy's proportionate share of unrealized gains and losses on an interest rate derivative in Coastal GasLink LP and other changes to the equity investment. The impairment of the subordinated loan resulted in unrealized non-taxable capital losses that are not recognized.

The fair value of TC Energy's investment in Coastal GasLink LP at March 31, 2023 was estimated using a 40-year discounted cash flow model consistent with the Company's fair value assessment at December 31, 2022. Refer to TC Energy's 2022 Consolidated financial statements for additional information.

TC Energy expects that a significant portion of its future investment will be impaired. The Company will continue to assess for other-than-temporary declines in the fair value of its investment in Coastal GasLink LP, and the extent of any future impairment charges will depend on the outcome of the valuation assessment performed at the respective reporting date.

6. INCOME TAXES

Effective Tax Rates

The effective income tax rates were 20 per cent and 45 per cent for the three months ended March 31, 2023 and 2022, respectively. The decrease in the effective income tax rate was primarily due to the settlement of Mexico income tax assessments recorded in the three months ended March 31, 2022.

7. KEYSTONE ENVIRONMENTAL PROVISION

In December 2022, a pipeline rupture occurred in Washington County, Kansas on the Keystone Pipeline System. At December 31, 2022, the Company accrued an environmental remediation liability of $650 million, before expected insurance recoveries and not including potential fines and penalties which are currently indeterminable. At March 31, 2023, the cost estimate for the incident remained unchanged. The accrual is based on certain assumptions and, therefore, it is reasonably possible that the Company will incur additional costs beyond the amounts accrued. To the extent costs beyond the amounts accrued are incurred, they will be evaluated under the Company's existing insurance policies. For the three months ended March 31, 2023, amounts paid for the environmental remediation liability were $181 million (2022 – nil). The remaining balance reflected in Accounts payable and other on the Company's Condensed consolidated balance sheet was $469 million at March 31, 2023 (December 31, 2022 – $650 million).

At March 31, 2023, the expected recovery of the estimated environmental remediation costs recorded in Other current assets and Other long-term assets was $516 million and $32 million, respectively (December 31, 2022 – $410 million and $240 million, respectively). For the three months ended March 31, 2023, the Company received $102 million (2022 – nil) from its insurance policies related to the costs for environmental remediation. The Company expects remediation activities to be substantially completed in 2023.

8. LONG-TERM DEBT

Long-Term Debt Issued

Long-term debt issued by the Company in the three months ended March 31, 2023 included the following:

(unaudited - millions of Canadian $, unless otherwise noted)					
Company	**Issue date**	**Type**	**Maturity date**	**Amount**	**Interest rate**
TransCanada PipeLines Limited					
	March 2023	Senior Unsecured Notes	March 2026[1]	US 850	6.20 %
	March 2023	Senior Unsecured Notes	March 2026[1]	US 400	Floating
	March 2023	Medium Term Notes	July 2030	1,250	5.28 %
	March 2023	Medium Term Notes	March 2026[1]	600	5.42 %
	March 2023	Medium Term Notes	March 2026[1]	400	Floating
TC Energía Mexicana, S. de R.L. de C.V.					
	January 2023	Senior Unsecured Term Loan	January 2028	US 1,800	Floating
	January 2023	Senior Unsecured Revolving Credit Facility	January 2028	US 500	Floating

1 Callable at par in March 2024 or at any time thereafter.

Long-Term Debt Repaid/Retired

Long-term debt repaid by the Company in the three months ended March 31, 2023 included the following:

(unaudited - millions of Canadian $, unless otherwise noted)				
Company	**Repayment date**	**Type**	**Amount**	**Interest rate**
TC Energía Mexicana, S. de R.L. de C.V.				
	Various	Senior Unsecured Revolving Credit Facility	US 60	Floating

On April 1, 2023, Nova Gas Transmission Ltd. retired US$200 million of Debentures bearing interest at a fixed rate of 7.875 per cent.

Capitalized Interest

In the three months ended March 31, 2023, TC Energy capitalized interest related to capital projects of $30 million (2022 – $2 million).

9. 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)	**2023**	**2022**
per common share	**0.93**	0.90
per Series 1 preferred share	**0.22**	0.22
per Series 2 preferred share	**0.38**	0.13
per Series 3 preferred share	**0.11**	0.11
per Series 4 preferred share	**0.34**	0.09
per Series 5 preferred share	**0.12**	0.12
per Series 6 preferred share	**0.36**	0.11
per Series 7 preferred share	**0.24**	0.24
per Series 9 preferred share	**0.24**	0.24

10. 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, are as follows:

three months ended March 31, 2023 (unaudited - millions of Canadian $)	Before tax amount	Income tax (expense) recovery	Net of tax amount
Foreign currency translation adjustments	**(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)**

three months ended March 31, 2022 (unaudited - millions of Canadian $)	Before tax amount	Income tax (expense) recovery	Net of tax amount
Foreign currency translation adjustments	(293)	(8)	(301)
Change in fair value of net investment hedges	25	(6)	19
Change in fair value of cash flow hedges	24	(6)	18
Reclassification to net income of (gains) losses on cash flow hedges	15	(7)	8
Reclassification to net income of actuarial (gains) losses on pension and other post-retirement benefit plans	2	(1)	1
Other comprehensive income (loss) on equity investments	240	(60)	180
Other Comprehensive Income (Loss)	13	(88)	(75)

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

three months ended March 31, 2023 (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, 2023	**441**	**(109)**	**(44)**	**667**	**955**
Other comprehensive income (loss) before reclassifications[1]	**(14)**	**(1)**	**—**	**(67)**	**(82)**
Amounts reclassified from AOCI	**—**	**34**	**—**	**(4)**	**30**
Net current period other comprehensive income (loss)	**(14)**	**33**	**—**	**(71)**	**(52)**
AOCI balance at March 31, 2023	**427**	**(76)**	**(44)**	**596**	**903**

1 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 $47 million ($36 million after tax) at March 31, 2023. These estimates assume constant commodity prices, interest rates and foreign exchange rates over time, however, the amounts reclassified will vary based on the actual value of these factors at the date of settlement.

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

	three months ended March 31		
(unaudited - millions of Canadian $)	**2023**	**2022**	**Affected line item in the Condensed consolidated statement of income[1]**
Cash flow hedges			
Commodities	**(41)**	(9)	Revenues (Power and Energy Solutions)
Interest rate	**(3)**	(6)	Interest expense
	(44)	(15)	Total before tax
	10	7	Income tax (expense) recovery
	(34)	(8)	Net of tax
Pension and other post-retirement benefit plans			
Amortization of actuarial gains (losses)	**—**	(2)	Plant operating costs and other[2]
	—	1	Income tax (expense) recovery
	—	(1)	Net of tax
Equity investments			
Equity income (loss)	**6**	1	Income from equity investments
	(2)	—	Income tax (expense) recovery
	4	1	Net of tax

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

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

11. EMPLOYEE POST-RETIREMENT BENEFITS

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

	three months ended March 31			
	Pension benefit plans		Other post-retirement benefit plans	
(unaudited - millions of Canadian $)	**2023**	2022	**2023**	2022
Service cost[1]	**23**	36	**1**	1
Other components of net benefit cost[1]				
Interest cost	**39**	31	**4**	3
Expected return on plan assets	**(59)**	(59)	**(4)**	(3)
Amortization of actuarial (gains) losses	**—**	3	**—**	—
Amortization of regulatory asset	**—**	3	**—**	—
	(20)	(22)	**—**	—
Net Benefit Cost	**3**	14	**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.

12. 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, loans receivable, net investment in leases and contract assets.

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 2022 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, 2023, the Company recorded a recovery of $95 million (2022 – nil) 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 $11 million (2022 – nil) on the ECL provision for contract assets related to certain other Mexico natural gas pipelines. At March 31, 2023, the balance of the ECL provision was $54 million (December 31, 2022 – $149 million) with respect to the net investment in leases associated with the in-service TGNH pipelines and $3 million (December 31, 2022 – $14 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. There was significant volatility in the probability of default during first quarter 2023 which, when combined with the size and contract term of the Company's net investment in leases, resulted in a significant change in the provision in the three months ended March 31, 2023.

At March 31, 2023, the Company had no significant credit losses, other than the ECL provisions noted above, and there were no significant credit risk concentrations or significant 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. The Company had no direct exposure to the recent U.S. regional bank failures; however, it is closely monitoring potential impacts on its portfolio of financial sector counterparties.

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:

	March 31, 2023		December 31, 2022	
(unaudited - millions of Canadian $, unless otherwise noted)	Fair value[1,2]	Notional amount	Fair value[1,2]	Notional amount
U.S. dollar foreign exchange options (maturing 2023 to 2024)	**(9)**	**US 2,600**	(22)	US 3,600
U.S. dollar cross-currency interest rate swaps (maturing 2023 to 2025)	**(5)**	**US 300**	(5)	US 300
	(14)	**US 2,900**	(27)	US 3,900

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, 2023	December 31, 2022
Notional amount	**32,500 (US 24,100)**	32,500 (US 24,000)
Fair value	**30,900 (US 22,900)**	30,800 (US 22,700)

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, 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. Each of these instruments are classified in Level II of the fair value hierarchy, except for the Company's LMCI equity securities which are classified in Level I.

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

Balance sheet presentation of non-derivative financial instruments

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

	March 31, 2023		December 31, 2022	
(unaudited - millions of Canadian $)	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt, including current portion[1,2]	**(48,489)**	**(43,865)**	(41,543)	(39,505)
Junior subordinated notes	**(10,491)**	**(9,132)**	(10,495)	(9,415)
	(58,980)	**(52,997)**	(52,038)	(48,920)

1 Long-term debt is recorded at amortized cost, except for US$1.6 billion (December 31, 2022 – US$1.6 billion) that is attributed to hedged risk and recorded at fair value.

2 Net income for the three months ended March 31, 2023 included unrealized losses of $55 million (2022 – nil) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships on US$1.6 billion of long-term debt at March 31, 2023 (December 31, 2022 – US$1.6 billion). There were no other unrealized gains or losses from fair value adjustments to the non-derivative financial instruments.

Available-for-sale assets summary

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

(unaudited - millions of Canadian $)	March 31, 2023 LMCI restricted investments	March 31, 2023 Other restricted investments[1]	December 31, 2022 LMCI restricted investments	December 31, 2022 Other restricted investments[1]
Fair values of fixed income securities[2,3]				
Maturing within 1 year	**1**	**65**	—	54
Maturing within 1-5 years	**34**	**113**	—	106
Maturing within 5-10 years	**1,212**	**—**	1,153	—
Maturing after 10 years	**83**	**—**	77	—
Fair value of equity securities[2,4]	**810**	**—**	749	—
	2,140	**178**	1,979	160

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			
	2023		2022	
(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	**103**	**2**	(149)	(4)
Net realized gains (losses) in the period[3]	**(7)**	**—**	(2)	—

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 assets or regulatory liabilities.

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 recovered or refunded 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, 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]	**1**	**—**	**—**	**605**	**606**
Foreign exchange	**—**	**—**	**7**	**25**	**32**
	1	**—**	**7**	**630**	**638**
Other long-term assets					
Commodities[2]	**2**	**—**	**—**	**45**	**47**
Foreign exchange	**—**	**—**	**—**	**18**	**18**
Interest rate	**—**	**30**	**—**	**—**	**30**
	2	**30**	**—**	**63**	**95**
Total Derivative Assets	**3**	**30**	**7**	**693**	**733**
Accounts payable and other					
Commodities[2]	**(36)**	**—**	**—**	**(561)**	**(597)**
Foreign exchange	**—**	**—**	**(19)**	**(108)**	**(127)**
Interest rate	**—**	**(22)**	**—**	**—**	**(22)**
	(36)	**(22)**	**(19)**	**(669)**	**(746)**
Other long-term liabilities					
Commodities[2]	**(1)**	**—**	**—**	**(31)**	**(32)**
Foreign exchange	**—**	**—**	**(2)**	**(14)**	**(16)**
Interest rate	**—**	**(17)**	**—**	**—**	**(17)**
	(1)	**(17)**	**(2)**	**(45)**	**(65)**
Total Derivative Liabilities	**(37)**	**(39)**	**(21)**	**(714)**	**(811)**
Total Derivatives	**(34)**	**(9)**	**(14)**	**(21)**	**(78)**

1 Fair value equals carrying value.

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

at December 31, 2022 (unaudited - millions of Canadian $)	Cash flow hedges	Fair value hedges	Net investment hedges	Held for trading	Total fair value of derivative instruments[1]
Other current assets					
Commodities[2]	—	—	—	597	597
Foreign exchange	—	—	6	11	17
	—	—	6	608	614
Other long-term assets					
Commodities[2]	—	—	—	62	62
Foreign exchange	—	—	2	15	17
Interest rate	—	12	—	—	12
	—	12	2	77	91
Total Derivative Assets	—	12	8	685	705
Accounts payable and other					
Commodities[2]	(72)	—	—	(584)	(656)
Foreign exchange	—	—	(31)	(158)	(189)
Interest rate	—	(26)	—	—	(26)
	(72)	(26)	(31)	(742)	(871)
Other long-term liabilities					
Commodities[2]	(2)	—	—	(75)	(77)
Foreign exchange	—	—	(4)	(20)	(24)
Interest rate	—	(50)	—	—	(50)
	(2)	(50)	(4)	(95)	(151)
Total Derivative Liabilities	(74)	(76)	(35)	(837)	(1,022)
Total Derivatives	(74)	(64)	(27)	(152)	(317)

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, 2023	December 31, 2022	March 31, 2023	December 31, 2022
Long-term debt	**(2,156)**	(2,101)	**9**	64

1 At March 31, 2023 and December 31, 2022, 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, 2023 (unaudited)	Power	Natural gas	Liquids	Emission credits	Foreign exchange	Interest rate
Net sales (purchases)[1]	**1,267**	**62**	**2**	**125**	**—**	**—**
Millions of U.S. dollars	**—**	**—**	**—**	**—**	**6,449**	**1,600**
Millions of Mexican pesos	**—**	**—**	**—**	**—**	**19,750**	**—**
Maturity dates	**2023-2027**	**2023-2029**	**2023-2024**	**2023**	**2023-2026**	**2030-2032**

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, 2022 (unaudited)	Power	Natural gas	Liquids	Foreign exchange	Interest rate
Net sales (purchases)[1]	673	(96)	11	—	—
Millions of U.S. dollars	—	—	—	5,997	1,600
Millions of Mexican pesos	—	—	—	9,747	—
Maturity dates	2023-2026	2023-2027	2023-2024	2023-2026	2030-2032

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 $)	2023	2022
Derivative Instruments Held for Trading[1]		
Unrealized gains (losses) in the period		
Commodities	**58**	(38)
Foreign exchange	**74**	22
Realized gains (losses) in the period		
Commodities	**188**	141
Foreign exchange	**57**	41
Derivative Instruments in Hedging Relationships		
Realized gains (losses) in the period		
Commodities	**11**	(3)
Interest rate	**(6)**	(3)

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

	three months ended March 31	
(unaudited - millions of Canadian $, pre-tax)	**2023**	**2022**
Gains (losses) in fair value of derivative instruments recognized in OCI[1]		
Commodities	**(1)**	(5)
Interest rate	**—**	29
	(1)	24

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 $)	**2023**	**2022**
Fair Value Hedges		
Interest rate contracts[1]		
Hedged items	**(23)**	—
Derivatives designated as hedging instruments	**(6)**	—
Cash Flow Hedges		
Reclassification of gains (losses) on derivative instruments from AOCI to Net income[2,3]		
Commodities[4]	**(41)**	(9)
Interest rate[1]	**(3)**	(6)

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

2 Refer to Note 10, Other comprehensive income (loss) and Accumulated other comprehensive 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, 2023 (unaudited - millions of Canadian $)	**Gross derivative instruments**	**Amounts available for offset**[1]	**Net amounts**
Derivative instrument assets			
Commodities	**653**	**(545)**	**108**
Foreign exchange	**50**	**(44)**	**6**
Interest rate	**30**	**(7)**	**23**
	733	**(596)**	**137**
Derivative instrument liabilities			
Commodities	**(629)**	**545**	**(84)**
Foreign exchange	**(143)**	**44**	**(99)**
Interest rate	**(39)**	**7**	**(32)**
	(811)	**596**	**(215)**

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

at December 31, 2022 (unaudited - millions of Canadian $)	**Gross derivative instruments**	**Amounts available for offset**[1]	**Net amounts**
Derivative instrument assets			
Commodities	659	(591)	68
Foreign exchange	34	(33)	1
Interest rate	12	(4)	8
	705	(628)	77
Derivative instrument liabilities			
Commodities	(733)	591	(142)
Foreign exchange	(213)	33	(180)
Interest rate	(76)	4	(72)
	(1,022)	628	(394)

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 $85 million and letters of credit of $72 million at March 31, 2023 (December 31, 2022 – $138 million and $68 million, respectively) to its counterparties. At March 31, 2023, the Company held cash collateral of less than $1 million and no letters of credit (December 31, 2022 – less than $1 million and $10 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, 2023, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $10 million (December 31, 2022 – $19 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, 2023, the Company would have been required to provide collateral equal to the fair value of the related derivative instruments discussed above. Collateral may also need to be provided should the fair value of derivative instruments exceed pre-defined contractual exposure limit thresholds.

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

Fair Value Hierarchy

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

Levels	How fair value has been determined
Level I	Quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. An active market is a market in which frequency and volume of transactions provides pricing information on an ongoing basis.
Level II	This category includes interest rate and foreign exchange derivative assets and liabilities where fair value is determined using the income approach and commodity derivatives where fair value is determined using the market approach. Inputs include published exchange rates, interest rates, interest rate swap curves, yield curves and broker quotes from external data service providers.
Level III	This category includes long-dated commodity transactions in certain markets where liquidity is low and the Company uses the most observable inputs available or, if not available, long-term broker quotes to estimate the fair value for these transactions. There is uncertainty caused by using unobservable market data which may not accurately reflect possible future changes in fair value.

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

at March 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	**470**	**181**	**2**	**653**
Foreign exchange	**—**	**50**	**—**	**50**
Interest rate	**—**	**30**	**—**	**30**
Derivative instrument liabilities				
Commodities	**(401)**	**(217)**	**(11)**	**(629)**
Foreign exchange	**—**	**(143)**	**—**	**(143)**
Interest rate	**—**	**(39)**	**—**	**(39)**
	69	**(138)**	**(9)**	**(78)**

1 There were no transfers from Level II to Level III for the three months ended March 31, 2023.

at December 31, 2022 (unaudited - millions of Canadian $)	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II)[1]	Significant unobservable inputs (Level III)[1]	Total
Derivative instrument assets				
Commodities	515	142	2	659
Foreign exchange	—	34	—	34
Interest rate	—	12	—	12
Derivative instrument liabilities				
Commodities	(478)	(242)	(13)	(733)
Foreign exchange	—	(213)	—	(213)
Interest rate	—	(76)	—	(76)
	37	(343)	(11)	(317)

1 There were no transfers from Level II to Level III for the year ended December 31, 2022.

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 $)	**2023**	**2022**
Balance at beginning of period	**(11)**	(6)
Net gains (losses) included in Net income	**1**	(6)
Transfers to Level II	**1**	—
Balance at End of Period[1]	**(9)**	(12)

1 For the three months ended March 31, 2023, there were unrealized gains of $1 million recognized in Revenues attributed to derivatives in the Level III category that were held at March 31, 2023 (2022 – unrealized losses of $6 million).

13. ACQUISITIONS

Texas Wind Farms

On March 15, 2023, TC Energy acquired 100 per cent of the Class B Membership Interests in the 155 MW Fluvanna Wind Farm (Fluvanna) located in Scurry County, Texas for US$99 million in cash, before post-closing adjustments. The asset has a tax equity investor that owns 100 per cent of the Class A Membership Interests, to which a percentage of earnings, tax attributes and cash flows are allocated.

TC Energy determined it has a controlling financial interest in the project and will consolidate the acquired entity as a voting interest entity. The tax equity investor's interest was recorded as non-controlling interest at its estimated fair value of $106 million (US$80 million). The transaction is accounted for as an asset acquisition and therefore did not result in the recognition of goodwill. The Company began consolidating Fluvanna as of the date of acquisition which did not have a material impact on the Revenues and Net income of the Company for the three months ended March 31, 2023.

TC Energy has determined that the use of the Hypothetical Liquidation at Book Value (HLBV) method of allocating earnings between the Company and the tax equity investor is appropriate as the earnings, tax attributes and cash flows from Fluvanna are allocated to its Class A and Class B Membership Interest owners on a basis other than ownership percentages. Using the HLBV method, the Company's earnings from the project are calculated based on how the project would allocate and distribute its cash if it sold its net assets at their carrying amount on the reporting date under the provisions of the tax equity agreement.

Additionally, the Company has entered into an agreement to acquire 100 per cent of the Class B Membership Interests in the 148 MW Blue Cloud Wind Farm located in Bailey County, Texas for US$125 million in cash, before post-closing adjustments. Closing of the acquisition is pending regulatory approval, which is expected in second quarter 2023. The project has a tax equity investor owning 100 per cent of the Class A Membership Interests.

14. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

Capital expenditure commitments at March 31, 2023 have increased by approximately $0.4 billion from those reported at December 31, 2022, reflecting new contractual commitments entered into for the construction of the Southeast Gateway pipeline and other capital projects, partially offset by 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. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of management that the resolution of such normal course proceedings and actions will not have a material impact on the Company's consolidated financial position or results of operations.

Guarantees

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, 2023		December 31, 2022	
(unaudited - millions of Canadian $)	Term	Potential exposure[1]	Carrying value	Potential exposure[1]	Carrying value
Sur de Texas	Renewable to 2053	**100**	**—**	100	—
Bruce Power	Renewable to 2065	**88**	**—**	88	—
Other jointly-owned entities	to 2043	**81**	**3**	81	3
		269	**3**	269	3

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

15. 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, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	**46**	60
Accounts receivable	**86**	98
Inventories	**31**	32
Other current assets	**8**	14
	171	204
Plant, Property and Equipment	**4,009**	3,997
Equity Investments	**743**	748
Goodwill	**449**	449
	5,372	5,398
LIABILITIES		
Current Liabilities		
Accounts payable and other	**218**	234
Accrued interest	**23**	18
Current portion of long-term debt	**31**	31
	272	283
Regulatory Liabilities	**80**	78
Other Long-Term Liabilities	**6**	1
Deferred Income Tax Liabilities	**16**	16
Long-Term Debt	**2,106**	2,136
	2,480	2,514

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, 2023	December 31, 2022
Balance Sheet Exposure		
Equity investments		
Bruce Power	**5,971**	5,783
Other pipeline equity investments	**1,132**	1,148
Off-Balance Sheet Exposure[1]		
Bruce Power	**1,932**	2,025
Coastal GasLink[2]	**2,973**	3,300
Other pipeline equity investments	**58**	58
Maximum Exposure to Loss	**12,066**	12,314

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 incremental capacity on the subordinated loan agreement with Coastal GasLink LP until final project costs are determined. At March 31, 2023, the total capacity committed by TC Energy under this subordinated loan agreement was $3,300 million (December 31, 2022 – $1,262 million). In the three months ended March 31, 2023, $327 million was drawn on the subordinated loan, reducing the Company's funding commitment under the subordinated loan agreement to $2,973 million. Refer to Note 5, Coastal GasLink, for further information.