TC PipeLines, LP

Consolidated Financial Statements

December 31, 2021

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF INCOME

(millions of dollars)	Year ended December 31, 2021	2020
Transmission revenues, net ***(Note 6)***	**382**	399
Equity earnings ***(Note 4)***	**165**	170
Operation and maintenance expenses	**(66)**	(64)
Property taxes	**(26)**	(26)
General and administrative	**(2)**	(10)
Depreciation and amortization	**(89)**	(89)
Financial charges and other ***(Note 16)***	**(56)**	(73)
Net income before taxes	**308**	307
Income taxes	**(4)**	(6)
Net income	**304**	301
Net income attributable to non-controlling interest	**24**	17
Net income attributable to controlling interests	**280**	284

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

TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of dollars)	Year ended December 31, **2021**	2020
Net income	**304**	301
Other comprehensive income		
Change in fair value of cash flow hedges ***(Note 14)***	**—**	(16)
Reclassification to net income of gains and losses on cash flow hedges ***(Note 14)***	15	7
Other comprehensive income on equity investments	1	1
Comprehensive income	**320**	293
Comprehensive income attributable to non-controlling interests	**24**	17
Comprehensive income attributable to controlling interests	**296**	276

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

TC PIPELINES, LP
CONSOLIDATED BALANCE SHEETS

(millions of dollars)	**December 31, 2021**	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	**55**	200
Accounts receivable and other ***(Note 15)***	**36**	39
Imbalance receivable	**8**	1
Inventories	**11**	11
Other	**7**	6
Total current assets	**117**	257
Equity investments ***(Note 4)***	**1,236**	1,070
Property, plant and equipment ***(Note 9)***	**2,035**	1,747
Goodwill	**71**	71
TOTAL ASSETS	**3,459**	3,145
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**63**	46
Accounts payable to affiliates ***(Note 13)***	**9**	7
Demand loan payable to affiliates ***(Note 13)***	**441**	—
Accrued interest	**9**	11
Current portion of long-term debt ***(Note 8)***	**2**	423
Total current liabilities	**524**	487
Long-term debt, net ***(Note 8)***	**1,454**	1,768
Deferred state income taxes	**10**	10
Other liabilities ***(Note 17)***	**41**	47
Total liabilities	**2,029**	2,312
Partners' Equity		
Common units	**1,209**	637
Class B units ***(Note 10)***	**95**	95
General partner	**24**	16
Accumulated other comprehensive income (loss) (AOCI)	**3**	(13)
Controlling interests	**1,331**	735
Non-controlling interests	**99**	98
Total partners' equity	**1,430**	833
TOTAL LIABILITIES AND PARTNERS' EQUITY	**3,459**	3,145

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

TC PIPELINES, LP
CONSOLIDATED STATEMENT OF CASH FLOWS

(millions of dollars)		Year ended December 31, 2021	2020
Cash flows from operating activities:			
Net Income	$	**304**	301
Adjustments to reconcile net income to partners to net cash provided by operating activities:			
Depreciation and amortization		**89**	89
Amortization of debt issue costs reported as interest expense		**2**	2
Equity earnings from equity investments ***(Note 4)***		**(165)**	(170)
Distributions received from operating activities of equity investments ***(Note 4)***		**166**	196
Equity allowance for funds used during construction (AFUDC Equity)		**(19)**	(10)
Change in operating working capital ***(Note 11)***		**2**	4
Change in other long-term liabilities		**—**	1
Total adjustments		**75**	112
Net cash provided by operating activities		**379**	413
Cash flows used in investing activities:			
Investment in Great Lakes ***(Note 4)***		**(14)**	(10)
Investment in Iroquois ***(Note 4)***		**(152)**	(2)
Capital expenditures		**(338)**	(278)
Capital contribution from parent ***(Note 10)***		**148**	—
Distribution received from Iroquois as return of investment ***(Note 4)***		**—**	29
Customer advances for construction		**(1)**	(1)
Net cash used in investing activities		**(357)**	(262)
Cash flows used in financing activities:			
Change in demand loan payable ***(Note 13)***		**441**	—
Distributions paid to common units, including the General Partner		**(48)**	(189)
Distributions paid to Class B units ***(Note 10)***		**—**	(8)
Distributions paid to non-controlling interests		**(23)**	(23)
Common unit issuance ***(Note 10)***		**200**	—
Long-term debt issued, net of discount ***(Note 8)***		**206**	385
Long-term debt repaid ***(Note 8)***		**(943)**	(199)
Net cash used in financing activities		**(167)**	(34)
Increase (decrease) in cash and cash equivalents		**(145)**	117
Cash and cash equivalents, beginning of period		**200**	83
Cash and cash equivalents, end of period	$	**55**	200
Interest payments paid		**62**	75
State income taxes paid		**2**	1
Supplemental information about non-cash investing and financing activities			
Accrued capital expenditures, net		**17**	8

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

TC PIPELINES, LP
CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY

	Limited Partners							
	Common Units [a]		Class B Units		General Partner	Accumulated Other Comprehensive Income (Loss) [b]	Non-Controlling Interest	Total Equity
	millions of units	*millions of dollars*	*millions of units*	*millions of dollars*	*millions of dollars*	*millions of dollars*	*millions of dollars*	*millions of dollars*
Partners' Equity at December 31, 2019	71.3	544	1.9	103	14	(5)	104	760
Net Income	—	278	—	—	6	—	17	301
Other comprehensive income (loss)	—	—	—	—	—	(8)	—	(8)
Distributions	—	(185)	—	(8)	(4)	—	(23)	(220)
Partners' Equity at December 31, 2020	71.3	637	1.9	95	16	(13)	98	833
Net Income	—	274	—	—	6	—	24	304
Common unit issuance (Note 10)	6.6	200	—	—	—	—	—	200
Other comprehensive income (loss)	—	—	—	—	—	16	—	16
Distributions	—	(47)	—	—	(1)	—	(23)	(71)
Capital contribution from parent	4.8	145	—	—	3	—	—	148
Partners' Equity at December 31, 2021	**82.7**	**1,209**	**1.9**	**95**	**24**	**3**	**99**	**1,430**

(a) Effective March 3, 2021, all of the Partnership's common units became owned by indirect, wholly owned subsidiaries of TC Energy (see Note 1).
(b) Gain (loss) related to cash flow hedges reported in AOCI were fully settled as a result of the termination of the 2013 Term Loan Facility (see Note 8).

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

TC PIPELINES, LP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

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

Pipeline	Length	Description	Ownership
GTN	1,377 miles	Extends between an interconnection near Kingsgate, British Columbia, Canada at the Canadian border to a point near Malin, Oregon at the California border and delivers natural gas to the Pacific Northwest and to California.	100 percent
Bison	303 miles	Extends from a location near Gillette, Wyoming to Northern Border's pipeline system in North Dakota. Bison can transport natural gas from the Powder River Basin to Midwest markets.	100 percent
North Baja	86 miles	Extends between an interconnection with the El Paso Natural Gas Company pipeline near Ehrenberg, Arizona and an interconnection with a natural gas pipeline near Ogilby, California on the Mexican border transporting natural gas in the Southwest. North Baja is a bi-directional pipeline.	100 percent
Tuscarora	305 miles	Extends between the GTN pipeline near Malin, Oregon to its terminus near Reno, Nevada and delivers natural gas in northeastern California and northwestern Nevada.	100 percent
Norther Border	1,412 miles	Extends between the Canadian border near Port of Morgan, Montana to a terminus near North Hayden, Indiana, south of Chicago. Northern Border is capable of receiving natural gas from Canada, the Bakken, the Williston Basin and Rocky Mountain area for deliveries to the Midwest. ONEOK Northern Border Pipeline Company Holdings LLC owns the remaining 50 percent of Northern Border.	50 percent
PNGTS	295 miles	Connects with the TQM at the Canadian border to deliver natural gas to customers in the U.S. Northeast. Northern New England Investment Company, Inc. owns the remaining 38.29 percent of PNGTS. The 295-mile pipeline includes 107 miles of jointly owned pipeline facilities (the Joint Facilities) with MNE. The Joint Facilities extend from Westbrook, Maine to Dracut, Massachusetts and PNGTS owns approximately 32 percent of the undivided ownership interest based on contractually agreed upon percentages. The Joint Facilities are maintained and operated by MNOC, a wholly owned subsidiary of MNE. MNE is a subsidiary of Enbridge Inc.	61.71 percent
Great Lakes	2,115 miles	Connects with the TC Energy Mainline at the Canadian border near Emerson, Manitoba, Canada and St. Clair, Michigan, near Detroit. Great Lakes is a bi-directional pipeline that can receive and deliver natural gas at multiple points along its system. TC Energy owns the remaining 53.55 percent of Great Lakes.	46.45 percent
Iroquois	416 miles	Extends from the TC Energy Mainline system near Waddington, New York to deliver natural gas to customers in the U.S. northeast. The remaining 50.66 percent is owned by: TC Energy (0.66 percent), Berkshire Hathaway (50 percent). Iroquois is maintained and operated by a subsidiary of Iroquois.	49.34 percent

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

On March 3, 2021, the Partnership merged with a wholly-owned subsidiary of TC Energy Corporation through a share for unit exchange transaction whereby 0.70 TC Energy Corporation common shares were issued and exchanged for every common unit of the Partnership not beneficially owned by TC Energy (Merger).

NOTE 2 SIGNIFICANT ACCOUNTING MATTERS

The accompanying consolidated financial statements and related notes have been prepared in accordance with United States generally accepted accounting principles (GAAP) and amounts are stated in United States (U.S.) dollars. The financial statements and notes present the financial position of the Partnership as of December 31, 2021 and 2020 and the results of its operations, cash flows and changes in partners' equity for the years ended December 31, 2021, and 2020.

Basis of Presentation

The Partnership consolidates its interests in entities over which it is able to exercise control. To the extent there are interests owned by other parties, these interests are included as non-controlling interests. The Partnership uses the equity method of accounting for its investments in entities over which it is able to exercise significant influence. The Partnership is considered to have a variable interest in Great Lakes, which is accounted for as an equity investment since the Partnership is not the primary beneficiary (Refer to Note 4 for more details).

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

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

The Partnership has reclassified certain amounts relating to its prior period results to conform to its current period presentation. These reclassifications have not changed the results of operations of prior periods.

Use of Estimates

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

Regulation

Our pipeline systems’ accounting policies conform to Accounting Standards Codification (ASC) 980 – ***Regulated Operations***. As a result, our pipeline systems record assets and liabilities that result from the regulated rate-making process that may not be recorded under GAAP for non-regulated entities.

The Partnership’s natural gas pipelines and regulated natural gas storage assets are subject to the authority of the U.S. Federal Energy Regulatory Commission (FERC). The Partnership’s natural gas transmission operations are regulated with respect to construction, operations and the determination of rates. Rate-regulated accounting (RRA) standards may impact the timing of the recognition of certain revenues and expenses in these rate-regulated businesses which may differ from that otherwise expected in non-rate-regulated businesses to appropriately reflect the economic impact of the regulator's decisions regarding revenues and rates. Regulatory assets represent costs that are expected to be recovered in customer rates in future periods and regulatory liabilities represent amounts that are expected to be returned to customers through future rate-setting processes. An asset qualifies for the use of RRA when it meets three criteria:

- a regulator must establish or approve the rates for the regulated services or activities
- the regulated rates must be designed to recover the cost of providing the services or products and
- it is reasonable to assume that rates set at levels to recover the cost can be charged to (and collected from) customers because of the demand for services or products and the level of direct or indirect competition.

The Partnership's businesses that apply RRA currently include natural gas pipelines.

Cash and Cash Equivalents

The Partnership's cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less and are recorded at cost, which approximates fair value.

The Partnership participates in a cash management program with TransCanada Pipeline USA Ltd. (TCPL USA). This program matches short-term cash surpluses and needs of participating affiliates, thus minimizing the total borrowings from outside sources. The regulated entities participating in the cash management program treat monies advanced under the program as a loan, accruing interest and repayable on demand. In addition, the regulated entities shall receive interest on monies advanced to TCPL USA at the rate of interest earned by TCPL USA on its short-term cash investments. The regulated entities shall pay interest on monies advanced from TCPL USA based on the short-term borrowing costs of TCPL USA.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. We review our accounts receivable regularly and record allowances for doubtful accounts using the specific identification method.

Natural Gas Imbalances

Natural gas imbalances occur when the actual amount of natural gas delivered to or received from a pipeline system differs from the amount of natural gas scheduled to be delivered or received. The Partnership values these imbalances due to or from shippers and interconnecting parties at current index prices. Imbalances are settled in kind, subject to the terms of the pipelines' tariff.

Imbalances owed to others are reported on the balance sheets as accounts payable and accrued liabilities and accounts payable to affiliates. The determination of the asset or liability classification is based on the net position of the customer. In addition, the Partnership classifies all imbalances as current as the Partnership expects to settle them within a year.

Inventories

Inventories primarily consist of materials and supplies and are carried at the lower of weighted average cost or net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at original cost. Costs of restoring the land above and around the pipeline are capitalized to pipeline facilities and depreciated over the remaining life of the related pipeline facilities. Repair and maintenance costs are expensed as incurred. Costs that are considered a betterment are capitalized. Pipeline facilities and compression equipment have an estimated useful life of 7 to 53 years and metering and other equipment ranges from 0.3 to 77 years. Depreciation of our subsidiaries' assets is based on rates approved by FERC from the pipelines' last rate proceeding and is calculated on a straight-line composite basis over the assets' estimated useful lives. Under the composite method, assets with similar lives and characteristics are grouped and depreciated as one asset. Amounts included in construction work in progress are not depreciated until transferred into service. During the years ended December 31, 2021 and 2020, the Partnership incurred depreciation expenses of $89 million and $88 million, respectively. Refer to Note 9 for further details regarding our Property, plant and equipment balance.

The Partnership's subsidiaries capitalize a carrying cost on funds invested in the construction of long-lived assets. This carrying cost includes a return on the investment financed by debt and equity allowance for funds used during construction (AFUDC), calculated based on the average cost of debt and equity. Capitalized carrying costs for AFUDC debt and equity are reflected as an increase in the cost of property, plant and equipment on the balance sheets.

Both capitalized AFUDC debt and equity amounts are reported as part of Financial Charges and Other line item in the Consolidated Statements of Operations and broken out further in Note 16. Capitalized AFUDC equity amounts during the years ended December 31, 2021 and 2020 were $19 million and $10 million, respectively. Capitalized AFUDC Debt during the year ended December 31, 2021 was $3.3 million (2020 - $1.3 million). Refer to Note 16.

Impairment of Equity Method Investments

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

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

Impairment of Long-lived Assets

The Partnership reviews long-lived assets, such as property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the assets, an impairment loss is recognized for the excess of the carrying value over the fair value of the assets.

Partners' Equity

Costs incurred in connection with the issuance of units are deducted from the proceeds received.

Revenue Recognition

The Partnership’s revenues are generated from contractual arrangements for committed capacity and from transportation of natural gas which are treated as a bundled performance obligation. Revenues earned from firm contracted capacity arrangements are recognized ratably over the term of the contract regardless of the amount of natural gas that is transported. Transportation revenues for interruptible or volumetric-based services are recognized when the service is performed. The Partnership utilizes the practical expedient of recognizing revenue as invoiced. Revenues are invoiced and paid on a monthly basis. The Partnership’s pipeline systems do not take ownership of the natural gas that is transported for customers. Revenues from contracts with customers are recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

The Partnership's pipeline systems are subject to FERC regulations and, as a result, a portion of revenues collected may be subject to refund if invoiced during an interim period when a rate proceeding is ongoing. Allowances for these potential refunds are recognized using management’s best estimate based on the facts and circumstances of the proceeding. Any allowances that are recognized during the proceeding process are refunded or retained, as applicable, at the time a regulatory decision becomes final. Refer to Note 6 for detailed disclosures regarding the Partnership’s revenues.

Long-Term Debt Transaction Costs and Issuance Costs

Costs related to the issuance of debt are deferred and amortized using the effective interest rate method over the term of the related debt. Consistent with debt discount, long-term debt transaction costs and issuance costs are presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability. The amortization of debt issuance costs is reported as interest expense.

Acquisitions and Goodwill

The Partnership accounts for business acquisitions from third parties using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of net assets acquired is attributed to goodwill.

Goodwill is not amortized and is tested for impairment on an annual basis or more frequently if any indicators of impairment are evident. The Partnership can initially assess qualitative factors to determine whether events or changes in circumstances indicate that the goodwill might be impaired. The factors the Partnership considers include, but are not limited to, macroeconomic conditions, industry and market considerations, cost factors, historical and forecasted financial results, and events specific to that reporting unit. If the Partnership concludes there is not a greater than 50 percent likelihood that the fair value of the reporting unit is greater than its carrying value, the Partnership will then perform the quantitative goodwill impairment test. The Partnership can also elect to proceed directly to the quantitative goodwill impairment test for any of its reporting units. If the quantitative goodwill impairment test is performed, the

Partnership compares the fair value of the reporting unit to its carrying value, including its goodwill. If the carrying value of a reporting unit including its goodwill exceeds its fair value, goodwill impairment is measured at the amount by which the reporting unit's carrying value exceeds its fair value.

We calculate the estimated fair value of the reporting unit using an income approach and market approach. The development of fair value estimates requires significant judgment including estimates of future cash flows, which is dependent on internal forecasts, estimates of the long-term rate of growth for the reporting unit, estimates of the useful life over which cash flows will occur, and a determination of weighted average cost of capital. The estimates used to calculate the fair value of the reporting unit can change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and our assessment as to whether the goodwill in the reporting unit has suffered an impairment.

Fair Value Measurements

For cash and cash equivalents, receivables, accounts payable, certain accrued expenses and short-term debt, the carrying amount approximates fair value due to the short maturities of these instruments. For long-term debt instruments and the interest rate swap agreements, fair value is estimated based upon market values (if applicable) or on the current interest rates available to us for debt with similar terms and remaining maturities. Judgment is required in developing these estimates.

Derivative Financial Instruments and Hedging Activities

The Partnership recognizes all derivative instruments as either assets or liabilities on the balance sheet at their respective fair values. For derivatives designated in hedging relationships, changes in the fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in accumulated other comprehensive income, to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings.

The Partnership only enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). In a cash flow hedging relationship, the change in the fair value of the hedging derivative is reported as a component of other comprehensive income and reclassified into earnings as part of "financial charges and other" line in the Consolidated statement of income in the same period or periods during which the hedged transaction affects earnings or is reclassified immediately to net income when the hedged item is sold or terminated early, or when it becomes probable that the anticipated transaction will not occur.

In some instances, the derivatives do not meet the specific criteria for hedge accounting treatment. In these instances, the changes in fair value are recorded in net income in the period of change.

Asset Retirement Obligation

The Partnership recognizes the fair value of a liability for asset retirement obligations in the period in which it is incurred, when a legal obligation exists, and a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset and the liability is accreted through charges to operating expenses.

The Partnership has determined it has legal obligations associated with its natural gas pipelines and related transmission facilities. The obligations relate primarily to purging and sealing the pipelines if they are abandoned. The Partnership is also required to operate and maintain its natural gas pipeline system and intends to do so as long as supply and demand for natural gas exists, which the Partnership expects for the foreseeable future. Therefore, the Partnership believes its natural gas pipeline system's assets have indeterminate lives and, accordingly, has recorded no asset retirement obligation as of December 31, 2021 and 2020.

Contingencies

The Partnership and its pipeline systems are subject to various legal proceedings in the ordinary course of business. Our accounting for contingencies covers a variety of business activities, including contingencies for legal and environmental liabilities. The Partnership accrues for these contingencies when the assessments indicate it is probable that a liability has been incurred or an asset will not be recovered, and an amount can be reasonably estimated in accordance with ASC 450, *Contingencies*. We base these estimates on currently available facts and the estimates of the ultimate outcome or resolution. Actual results may differ from estimates resulting in an impact, positive or negative, on earnings and cash flow. Contingencies that might result in a gain are not accrued in our consolidated financial statements.

At December 31, 2021, the Partnership is not aware of any contingent liabilities that would have a material adverse effect on the Partnership's financial condition, results of operations or cash flows.

NOTE 3 ACCOUNTING CHANGES

Reference Rate Reform

In response to the expected cessation of the London Interbank Offered Rate (LIBOR), of which certain rate settings may cease to be published at the end of 2021 with full cessation expected by mid-2023, the Financial Accounting Standards Board (FASB) issued new optional guidance in March 2020 that eases the potential burden in accounting for such reference rate reform. The new guidance provides optional expedients for contracts and hedging relationships that are affected by reference rate reform, if certain criteria are met. Each of the expedients can be applied as of January 1, 2020 through December 31, 2022. The Partnership is continuing to identify and analyze existing agreements to determine the effect of reference rate reform on its consolidated financial statements. The Partnership will continue to evaluate the timing and potential impact of adoption of optional expedients when deemed necessary.

NOTE 4 EQUITY INVESTMENTS

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

(millions of dollars)	Ownership Interest at December 31, 2021	Equity Earnings (a) Year ended December 31,		Equity Investments	
		2021	2020	**December 31, 2021**	December 31, 2020
Northern Border	50.00%	**65**	76	**398**	407
Great Lakes	46.45%	**57**	56	**531**	509
Iroquois	49.34%	**43**	38	**307**	154
		165	170	**1,236**	1,070

(a) Equity Earnings represents our share in an investee's earnings and does not include any impairment charge on the equity method investment recorded as a reduction of carrying value of these investments. Accordingly, no impairment charge was recorded by the Partnership on its equity investees for all the periods presented here.

Impairment Considerations

As noted under Note 2, Significant Accounting Matters, our equity investments in Northern Border, Great Lakes, and Iroquois are evaluated whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We performed a qualitative analysis to determine if there was a non-temporary decline in our equity investments' fair value and no triggers were identified. As a result, we continue to believe no impairment exists on our equity investments. There is a risk that adverse changes in our analysis could result in quantitative steps to evaluate our equity method investments.

Distributions from Equity Investments

Distributions received from equity investments in the year ended December 31, 2021 totaled $166 million (December 31, 2020 - $225 million).

During the year ended December 31, 2020, $29 million of the total $225 million distributions received from equity investments (December 31, 2021 - none) was considered return of capital and included in "Investing Activities" in the Partnership’s consolidated statement of cash flows. The return of capital was related to our investment in Iroquois (see further discussion below).

Northern Border

During the year ended December 31, 2021, the Partnership received distributions from Northern Border amounting to $73 million (December 31, 2020 - $91 million).

The Partnership did not have undistributed earnings from Northern Border for the year ended December 31, 2021 and 2020. At December 31, 2021, the Partnership had a $115 million (December 31, 2020 - $115 million) difference between the carrying value of Northern Border and the underlying equity in the net assets primarily resulting from the recognition and inclusion of goodwill in the Partnership’s investment in Northern Border relating to the Partnership’s April 2006 acquisition of an additional 20 percent general partnership interest in Northern Border.

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

(millions of dollars)	**December 31, 2021**	December 31, 2020
ASSETS		
Cash and cash equivalents	**26**	31
Other current assets	**38**	38
Property, plant and equipment, net	**961**	977
Other assets	**11**	12
	1,036	1,058
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**45**	52
Deferred credits and other	**45**	42
Long-term debt, net [(a)]	**380**	380
Partners' equity		
Partners' capital	**566**	584
	1,036	1,058

	Year ended December 31,	
(millions of dollars)	**2021**	2020
Transmission revenues	**280**	308
Operating expenses	**(75)**	(77)
Depreciation	**(64)**	(62)
Financial charges and other	**(12)**	(18)
Net income	**129**	151

(a) Includes current maturities of nil as of December 31, 2021 for Northern Border's 7.50% Senior Notes (December 31, 2020 - $250 million), net of unamortized debt issuance costs and debt discounts. On September 15, 2021, Northern Border refinanced its 7.50% Senior Notes by issuing $250 million of Series A Senior Notes with an interest rate of 2.97% maturing September 15, 2031. At December 31, 2021, Northern Border was in compliance with all of its financial covenants.

Great Lakes, a *variable interest entity*

The Partnership is considered to have a variable interest in Great Lakes, which is accounted for as an equity investment as we are not its primary beneficiary. A variable interest entity is a legal entity that either does not have sufficient equity at risk to finance its activities without additional subordinated financial support, is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains or losses of the entity.

The Partnership made an equity contribution to Great Lakes of $14 million during the twelve months ended December 31, 2021 (December 31, 2020 - $10 million). This amount represents the Partnership's 46.45 percent share of a $31 million (December 31, 2020 - $21 million) cash call from Great Lakes to make a scheduled debt repayment.

During the year ended December 31, 2021, the Partnership received distributions from Great Lakes amounting to $50 million (December 31, 2020 - $48 million).

The Partnership did not have undistributed earnings from Great Lakes for the year ended December 31, 2021 and 2020. At December 31, 2021, the equity method goodwill related to Great Lakes amounted to $260 million (December 31, 2020 - $260 million). The equity method goodwill relates to the Partnership's February 2007 acquisition of a 46.45 percent general partner interest in Great Lakes and is the difference between the carrying value of our investment in Great Lakes and the underlying equity in Great Lakes' net assets.

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

(millions of dollars)	**December 31, 2021**	December 31, 2020
ASSETS		
Current assets	**89**	66
Property, plant and equipment, net	**726**	716
	815	782
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**51**	38
Net long-term debt, including current maturities [(a)]	**167**	198
Other long term liabilities	**12**	9
Partners' equity	**585**	537
	815	782

	Year ended December 31,	
(millions of dollars)	**2021**	2020
Transmission revenues	**253**	239
Operating expenses	**(80)**	(70)
Depreciation	**(37)**	(33)
Financial charges and other	**(13)**	(15)
Net income	**123**	121

(a) Includes current maturities of $21 million as of December 31, 2021 (December 31, 2020 - $31 million). At December 31, 2021, Great Lakes was in compliance with all of its financial covenants.

Iroquois

During the year ended December 31, 2021, the Partnership received total distributions from Iroquois amounting to $43 million. During the year ended December 31, 2020, the Partnership received total distributions from Iroquois amounting to $86 million, which includes the Partnership's 49.34 percent share of the Iroquois unrestricted cash distribution amounting to approximately $5 million, and a $24 million one-time, non-recurring distribution from Iroquois related to reimbursement proceeds generated from a terminated project that was guaranteed by the customer, which were reported as a return of investment in the Partnership's consolidated statement of cash flows.

The Partnership made equity contributions to Iroquois of $152 million during the year ended December 31, 2021 (December 31, 2020 - $2 million). This amount represents the Partnership's 49.34 percent share of $308 million cash calls from Iroquois to cover costs of their capital project. Of the total $152 million contributed, $148 million is a one-time, non-recurring equity contribution that was declared on December 13, 2021 and was paid on December 23, 2021, for expenditures related to the ExC Project, GHG mitigation projects, and other capital expenditures.

The Partnership did not have undistributed earnings from Iroquois for the year ended December 31, 2021 and 2020. At December 31, 2021 and 2020, the Partnership had a $38 million and $39 million difference, respectively, between the carrying value of Iroquois and the underlying equity in the net assets primarily from TC Energy's carrying value due to the fair value assessment of Iroquois' assets at the time of its acquisition of interests from third parties (refer to Note 2 - Acquisitions and Goodwill for our accounting policy on acquisitions from TC Energy).

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

(millions of dollars)	**December 31, 2021**	December 31, 2020
ASSETS		
Cash and cash equivalents	**335**	25
Other current assets	**38**	36
Property, plant and equipment, net	**494**	506
Other assets	**23**	20
	890	587
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	**17**	20
Long-term debt, net [(a)]	**310**	314
Other non-current liabilities	**21**	21
Partners' equity	**542**	232
	890	587

	Year ended December 31,	
(millions of dollars)	**2021**	2020
Transmission revenues	**190**	183
Operating expenses	**(62)**	(59)
Depreciation	**(30)**	(30)
Financial charges and other	**(11)**	(15)
Net income	**87**	79

(a) Includes current maturities of $3 million as of December 31, 2021 (December 31, 2020 - $5 million). At December 31, 2021, Iroquois was in compliance with all of its financial covenants.

NOTE 5 RATE-REGULATED BUSINESSES

The Partnership's businesses that apply RRA currently include natural gas pipelines. Regulatory Assets and Liabilities represent future revenues that are expected to be recovered from or refunded to customers based on decisions and approvals by the applicable regulatory authorities. Depending on whether they are current or long-term in nature, Regulatory Assets are included on the balance sheets as either Other Current Assets or Regulatory Assets; Regulatory Liabilities are included in Accounts Payable and Accrued Interest or Regulatory Liabilities.

GTN

On September 29, 2021, GTN filed a rate settlement (2021 Settlement) with the Federal Energy Regulatory Commission (FERC) that satisfies the obligations from the 2015 and 2018 rate settlements that GTN filed for rates to become effective no later than January 1, 2022. The 2021 Settlement, approved by FERC on November 18, 2021, extends GTN's existing maximum transportation rates at their current levels. GTN's annual depreciation rates remain unchanged. The 2021 Settlement contains a moratorium until December 31, 2023. Additionally, the 2021 Settlement provides for a regulatory asset structure to capture any carbon/greenhouse gas related taxes incurred by GTN in the states of Oregon and Washington. GTN will be required to file for new rates to become effective no later than April 1, 2024.

NOTE 6 REVENUES

Disaggregation of Revenues

For the years ended December 31, 2021 and 2020, effectively all of the Partnership's revenues were from capacity arrangements and transportation contracts with customers as discussed in more detail below.

Revenue Recognition

The Partnership's performance obligations in its contracts with customers consist primarily of capacity arrangements and natural gas transportation contracts.

The Partnership's revenues are generated from contractual arrangements for committed capacity and from transportation of natural gas. These are treated as a bundled performance obligation. Revenues earned from firm contracted capacity arrangements are recognized ratably over the term of the contract regardless of the amount of natural gas that is transported. Transportation revenues for interruptible or volumetric-based services are recognized when the service is performed. The Partnership utilizes the practical expedient of recognizing revenue as invoiced. Revenues are invoiced and paid monthly. The Partnership's pipeline systems do not take ownership of the natural gas that is transported for customers. Revenues from contracts with customers are recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

The Partnership's pipeline systems are subject to FERC regulations and, as a result, a portion of revenues collected may be subject to refund if invoiced during an interim period when a rate proceeding is ongoing. Allowances for these potential refunds are recognized using management's best estimate based on the facts and circumstances of the proceeding. Any allowances that are recognized during the proceeding process are refunded or retained, as applicable, at the time a regulatory decision becomes final. As of December 31, 2021 and 2020, there are no refund provisions reflected in these financial statements.

Contract Balances

All of the Partnership's contract balances pertain to receivables from contracts with customers amounting to $36 million at December 31, 2021 (December 31, 2020 - $36 million) and are recorded as trade accounts receivable and reported as "Accounts receivable and other" in the Partnership's consolidated balance sheet (Refer to Note 15, "Accounts Receivable and Other").

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

Right to invoice practical expedient

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

NOTE 7 GOODWILL

On a quarterly basis during 2021, we evaluated changes within our business and the external environment including considerations regarding whether such changes are permanent, to determine whether a triggering event had occurred. This analysis included the quarterly assessment of the impact of COVID-19 on our North Baja and Tuscarora reporting units. Through our quarterly analysis, no triggering events were identified.

The following factors were considered as part of our annual qualitative analysis specific to the Partnership's Tuscarora and North Baja reporting units:

- we evaluated the multiples and discount rate assumptions within the current economic environment and compared to the last quantitative model. The multiples and discount rate ranges identified for the current year were comparative to those used in the last quantitative model and reflective of the long-term outlook for Tuscarora and North Baja, in line with their underlying asset lives;
- at least 90 percent of Tuscarora's and North Baja's revenue is tied to long-term take-or-pay, fixed-price contracts which have a low correlation to short-term changes in demand;
- Tuscarora and North Baja have not experienced any material customer defaults to date and hold collateral, as appropriate, in support of their contracts;

- Tuscarora's expansion project, Tuscarora XPress and North Baja's expansion project, North Baja XPress, are materially on track, and we do not anticipate any significant changes in outlook or delay or inability to proceed due to financing requirements; and
- Tuscarora and North Baja's businesses are broadly considered essential in the United States given the important role their infrastructures play in delivering energy to the market areas they serve.

At December 31, 2021 the Partnership's Goodwill of $71 million (December 31, 2020 - $71 million) related to the Tuscarora ($23 million) and North Baja ($48 million) acquisitions. Adverse changes to our key considerations could, however, result in future impairments on our goodwill.

As part of the annual goodwill impairment assessment at December 31, 2021, the Partnership evaluated qualitative factors impacting the fair value of the underlying reporting unit. It was determined that it was more likely than not that the fair value of the reporting unit exceeded its carrying amount, including goodwill.

NOTE 8 DEBT

(millions of dollars)	**December 31, 2021**	Weighted Average Interest Rate for the Twelve Months ended December 31		December 31, 2020	Weighted Average Interest Rate for the Year Ended December 31, 2020	
TC PipeLines, LP						
2013 Term Loan Facility due 2022	**—**	1.26%	(c)	450	1.87%	
4.65% Unsecured Senior Notes due 2021	**—**	—		350	4.65%	(a)
4.375% Unsecured Senior Notes due 2025	**350**	4.375%	(a)	350	4.375%	(a)
3.90% Unsecured Senior Notes due 2027	**500**	3.90%	(a)	500	3.90%	(a)
GTN						
3.12% Series A Senior Notes due 2030	**175**	3.12%	(a)	175	3.12%	(a)
5.69% Unsecured Senior Notes due 2035	**150**	5.69%	(a)	150	5.69%	(a)
PNGTS						
Revolving Credit Facility due 2023	**—**	1.23%	(d)	25	1.88%	
2.84% Series A Senior Notes due 2030	**125**	2.84%	(a)	125	2.84%	(a)
2.68% Series B Senior Notes due 2031	**125**	2.68%	(a)	—	—	
Tuscarora						
Unsecured Term Loan due 2024	**36**	1.79%		23	2.13%	
North Baja						
Unsecured Term Loan due 2021	**—**	1.18%	(e)	50	1.70%	
Total	**1,461**			2,198		
Less: unamortized debt issuance costs and debt discount	**5**			7		
Less: current portion [b]	**2**			423		
Total long-term debt, net	**1,454**			1,768		

(a) Fixed interest rate

(b) At December 31, 2021, this amount included $2 million of Tuscarora's $36 million Unsecured Term Loan due in August 2022. At December 31, 2020, this amount included TC PipeLines, LP's $350 million 4.65% Unsecured Senior Notes due in June 2021, Tuscarora's $23 million Unsecured Term Loan due in August 2021 and North Baja's $50 million Unsecured Term Loan due in December 2021.

(c) TC PipeLines, LP 2013 Term Loan Facility repaid on November 8, 2021. Weighted average of interest is through November 7, 2021.

(d) PNGTS Revolving Credit Facility repaid on October 29, 2021. Weighted average of interest is through October 28, 2021.

(e) North Baja Unsecured Term Loan repaid on December 20, 2021. Weighted average of interest is through December 19, 2021.

TC PipeLines, LP

The Partnership’s $500 million senior facility under a revolving credit agreement dated November 10, 2016, as amended (Senior Credit Facility) was terminated effective March 4, 2021. This facility was not utilized in 2021 and there were no outstanding borrowings on this facility for the year ended December 31, 2020.

On March 15, 2021, the Partnership's $350 million 4.65% Unsecured Senior Notes were repaid in full from the proceeds of a $200 million equity contribution from TC Energy and cash on hand of $150 million.

On November 8, 2021 the Partnership repaid the $450 million 2013 Term Loan Facility in full, including accrued interest, for a total of $450.1 million, and additionally terminated the related interest rate swaps hedging the 2013 Term Loan Facility with a fair value liability of $12 million. Funding for both the repayment of the 2013 Term Loan Facility and the termination of the related interest rate swaps was provided by TCPL USA's cash management program. Prior to hedging activities, the LIBOR interest rate on the 2013 Term Loan Facility was 1.20 percent at November 8, 2021 (December 31, 2020 - 1.40 percent).

In response to the expected cessation of the LIBOR, of which certain rate settings will cease to be published at the end of 2021 with full cessation by mid-2023, the FASB issued new optional guidance in March 2020 that eases the potential burden in accounting for such reference rate reform. The new guidance provides optional expedients for contracts and hedging relationships that are affected by reference rate reform if certain criteria are met. Each of the expedients can be applied as of January 1, 2020 through December 31, 2022. For eligible hedging relationships existing as of January 1, 2020 and prospectively, the Partnership has applied an optional expedient allowing an entity to assume that the hedged forecasted transaction in a cash flow hedge is probable of occurring. The Partnership continues to monitor developments and is addressing necessary system and contractual changes while assessing the adoption of the standard market proposed reference rates. This includes testing system solutions and analyzing existing agreements to determine the effect of reference rate reform on its consolidated financial statements. The LIBOR tenors that will cease to be published at the end of 2021, are not expected to have a material impact on the consolidated financial statements. The Partnership will continue to evaluate the timing and potential impact of adoption for other optional expedients when deemed necessary.

GTN

On June 1, 2020, GTN entered into a Note Purchase and Private Shelf Agreement (GTN Private Shelf Facility)whereby GTN issued $175 million of 10-year Series A Senior Notes (GTN Series A Notes) with a coupon rate of 3.12% per annum and entered into a 3-year private shelf agreement for an additional $75 million of Senior Notes. The Series A Notes do not require any principal payments until maturity on June 1, 2030. GTN expects to draw the remaining $75 million on the GTN Private Shelf Facility by the end of 2023, the estimated completion date of GTN XPress.

GTN's Series A Notes contain a covenant that limits total debt to no greater than 65 percent of total capitalization and GTN's Unsecured Senior Notes contain a covenant that limits total debt to no greater than 70 percent of GTN’s total capitalization. GTN’s total debt to total capitalization ratio at December 31, 2021 was 33.1 percent. As of December 31, 2021, GTN was in compliance with all its financial covenants.

PNGTS

On October 8, 2020, PNGTS entered into a Note Purchase and Private Shelf Agreement, whereby PNGTS issued $125 million of 10-year Series A Senior Notes with a coupon of 2.84% per annum and entered into a 3-year private shelf agreement (PNGTS Private Shelf Facility) for an additional $125 million of Senior Notes (PNGTS Series A Notes). The Series A Notes do not require any principal payments until maturity on October 8, 2030.

On October 29, 2021, PNGTS issued the remaining $125 million available under the PNGTS Private Shelf Facility as 10-year Series B Senior Notes, with a coupon of 2.68 percent maturing October 29, 2031. Proceeds were used to pay down the outstanding $93 million balance of the PNGTS Revolving Credit Facility. Remaining proceeds were used for corporate purposes including funding of its remaining capital expansion projects. As of December 31, 2021 $125 million was available on the Revolving Credit Facility for future borrowings. The LIBOR-based variable interest rate on Revolving Credit Facility at October 28, 2021 was 1.21 percent (December 31, 2020 – 1.28 percent). The weighted average interest rate for the years ended December 31, 2021 and December 31, 2020, was 1.23 percent and 1.88 percent, respectively.

PNGTS's Series A and Series B Notes contain a covenant that limits total debt to no greater than 65 percent of PNGTS’ total capitalization and PNGTS' Revolving Credit Facility requires PNGTS to maintain a leverage ratio of no greater than 5.00 to 1.00. The ratio of debt to capitalization was 49 percent and the leverage ratio was 2.98 to 1.00 as of

December 31, 2021. As of December 31, 2021, PNGTS was in compliance with all its financial covenants. The LIBOR-based interest rate was 1.21 percent at October 28, 2021. (December 31, 2020 - 1.28 percent).

Tuscarora

On August 3, 2021, Tuscarora's $23 million variable rate Unsecured Term Loan (Unsecured Term Loan) was amended to increase the facility to $36 million and to extend the maturity date to August 1, 2024. The Unsecured Term Loan requires $2 million annual principal payment beginning in August 2022. Tuscarora's Unsecured Term Loan contains a covenant that requires Tuscarora to maintain a debt service coverage ratio (cash available from operations divided by the sum of interest expense and principal payments) of greater than or equal to 3.00 to 1.00. As of December 31, 2021, the ratio was 31.31 to 1.00. As of December 31, 2021, Tuscarora was in compliance with all its financial covenants. The LIBOR-based interest rate applicable to Tuscarora’s Unsecured Term Loan was 1.35 percent at December 31, 2021 (December 31, 2020 - 2.15 percent).

North Baja

North Baja paid off its $50 million outstanding balance on its unsecured variable interest term loan facility (Term Loan Facility) on December 20, 2021. The LIBOR-based interest rate applicable to North Baja's Term Loan Facility was 1.16 percent at December 20, 2021 (December 31, 2020 - 1.23 percent).

Partnership

At December 31, 2021, the Partnership was in compliance with all debt and credit facility terms and conditions including its financial covenants and its other covenants including restrictions on entering into mergers, consolidations, sales of assets, and granting of liens. The Partnership was also in compliance with the related provisions of the Fourth Amended and Restated Agreement of Limited Partnership (Partnership Agreement), including restrictions on incurring additional debt and distributions to unitholders.

The principal repayments required of the Partnership on its debt at December 31, 2021 are as follows:

(millions of dollars)	**Principal Payments**
2022	2
2023	—
2024	34
2025	350
2026	—
Thereafter	1,075
	1,461

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

The following table includes property, plant and equipment of our consolidated entities:

	2021			2020		
December 31 *(millions of dollars)*	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Pipeline	**1,923**	**(1,001)**	**922**	1,910	(982)	928
Compression	**1,120**	**(256)**	**864**	730	(210)	520
Metering and other [(a)]	**246**	**(74)**	**172**	208	(58)	150
Construction in progress	**77**	**—**	**77**	149	—	149
	3,366	**(1,331)**	**2,035**	2,997	(1,250)	1,747

(a) Includes the commercial system purchase described under Note 13 related to our consolidated entities amounting to the 2020 purchase of $26 million and does not include our portion of the capital expenditure related to our equity investment in Great Lakes, amounting to $12 million.

NOTE 10 PARTNERS' EQUITY

Class B units issued to TC Energy

The Class B units entitle TC Energy to an annual distribution based on 30 percent of GTN's annual distributable cash flow as follows: (i) 30 percent of GTN's distributable cash flow, less $20 million through calendar year 2019, (ii) 30 percent of GTN's distributable cash flow, less $20 million, multiplied by 43.75% for calendar year 2020 and (iii) 30 percent of GTN's distributable cash flow, less $20 million, multiplied by 25% thereafter (Class B Distribution). Additionally, for any calendar year for which the cash distributions payable on the Partnership's common units are less than $3.94 per common unit, the Class B Distribution will be reduced by the same percentage as the percentage by which distributions payable on the common units are reduced below $3.94 per common unit (Class B Reduction). In first quarter 2018, a Class B Reduction of 35 percent was implemented following the Partnership's common unit distribution reduction of 35 percent. The Class B Reduction will continue to apply for any calendar year for which distributions payable in respect of common units for such calendar year are less than $3.94 per common unit. The Class B units contain no mandatory or optional redemption features and are also non-convertible, non-exchangeable, non-voting and rank equally with common units upon liquidation.

For both the years ended December 31, 2021 and December 31, 2020, there were no Class B distributions as the threshold had not been exceeded, therefore no distributions were declared related to the Class B units.

For the year ended December 31, 2019, the Class B Distribution was $8 million and was declared and paid in the first quarter of 2020.

Common unit issuance

On March 11, 2021, the Partnership issued 6,595,436 common units (at an average price of $30.32 per common unit) in return for a $200 million equity contribution from TC Energy. On March 15, 2021, the proceeds from the equity contribution, in addition to the Partnership's cash on hand, were used to redeem its $350 million 4.65% Unsecured Senior Notes due June 2021.

Capital contribution from parent to Iroquois

On December 13, 2021, the Partnership declared and then issued on December 23, 2021, 4,801,709 common units (at an average price of $30.83 per common unit) in return for a $148 million equity contribution from TC Energy. The proceeds from the capital contribution were distributed to Iroquois for expenditures related to capital projects.

Partnership

On January 19, 2021, the board of directors of our General Partner declared the Partnership's fourth quarter 2020 cash distribution in the amount of $0.65 per common unit and was paid on February 12, 2021 to unitholders of record as of January 29, 2021. The declared distribution totaled $47 million and is payable in the following manner: $46 million to common unitholders (including $4 million to the General Partner as a holder of 5,797,106 common units and $7 million to another subsidiary of TC Energy as holder of 11,287,725 common units) and $1 million to the General Partner for its two percent general partner interest. The General Partner did not receive any distributions in respect of its IDRs for the fourth quarter 2020.

NOTE 11 CHANGE IN OPERATING WORKING CAPITAL

	Year ended, December 31,	
(millions of dollars)	**2021**	2020
Change in accounts receivable and other [(a)]	**3**	1
Change in imbalance receivable	**(7)**	—
Change in inventories	**—**	(1)
Change in other current assets	**(1)**	—
Change in accounts payable and accrued liabilities [(a)]	**7**	5
Change in accounts payable to affiliates	**2**	(1)
Change in accrued interest	**(2)**	—
Change in operating working capital	**2**	4

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

NOTE 12 TRANSACTIONS WITH MAJOR CUSTOMERS

For the year ended December 31, 2021 and 2020 no customer accounted for more than 10 percent of our consolidated revenue and trade accounts receivable.

NOTE 13 RELATED PARTY TRANSACTIONS

The Partnership does not have any employees. The management and operating functions are provided by its general partner, TC PipeLines GP, LLC (formerly known as "TC PipeLines GP, Inc."). (the General Partner). The General Partner does not receive a management fee in connection with its management of the Partnership. The Partnership reimburses the General Partner for all costs of services provided, including the costs of employee, officer and director compensation and benefits, and all other expenses necessary or appropriate to conduct the business of, and allocable to the Partnership. Such costs include (i) overhead costs (such as office space and equipment) and (ii) out-of-pocket expenses related to the provision of such services. The Partnership Agreement provides that the General Partner will determine the costs that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Total costs charged to the Partnership by the General Partner was $1 million for the year ended December 31, 2021 (2020 - $4 million).

As operator of our pipelines, except Iroquois and a certain portion of the PNGTS facilities, jointly owned with Maritimes and Northeast Pipeline LLC (MNE) (the Joint Facilities), TC Energy's subsidiaries provide capital and operating services to our pipeline systems. TC Energy's subsidiaries incur costs on behalf of our pipeline systems, including, but not limited to, employee salary and benefit costs, and property and liability insurance costs. These costs are reimbursed by our pipeline systems. Iroquois does not receive any capital and operating services from TC Energy (Refer to Note 4, "Equity Investments"). The Iroquois pipeline system is operated by Iroquois Pipeline Operating Company, a wholly owned subsidiary of Iroquois. The Joint Facilities are operated by MNOC. Therefore, Iroquois and the Joint Facilities do not receive capital and operating services from TC Energy.

Capital and operating costs charged to our pipeline systems, except for Iroquois, for the twelve months ended December 31, 2021 and 2020 by TC Energy's subsidiaries and amounts payable to TC Energy's subsidiaries at December 31, 2021 and 2020 are summarized in the following tables:

	Year ended, December 31,	
(millions of dollars)	**2021**	**2020**
Capital and operating costs charged by TC Energy's subsidiaries to:		
Great Lakes [(a)]	**40**	66
Northern Border [(a)]	**39**	39
PNGTS [(a)]	**6**	6
GTN	**53**	68
Bison	**1**	2
North Baja	**5**	7
Tuscarora	**5**	6
Impact on the Partnership's net income [(b)]:		
Great Lakes	**17**	16
Northern Border	**16**	16
PNGTS	**3**	3
GTN	**31**	29
Bison	**1**	2
North Baja	**3**	3
Tuscarora	**3**	3

(millions of dollars)	December 31, 2021	2020
Net amounts payable to TC Energy's subsidiaries are as follows:		
Great Lakes [(a)]	**4**	3
Northern Border [(a)]	**4**	2
PNGTS [(a)]	**1**	1
GTN	**7**	4
Bison	**—**	—
North Baja	**1**	—
Tuscarora	**1**	1

(a) Represents 100 percent of the costs.
(b) Represents the Partnership's proportionate share-based ownership percentage of these pipelines.

Cash Management Program

Following the Merger, the Partnership became part of TransCanada PipeLine USA Ltd.'s (TCPL USA), a wholly-owned subsidiary of TC Energy, cash management program. As a result, all of the Partnership's cash including Great Lakes, with the exception of cash generated by PNGTS, Iroquois and Northern Border, is now managed by TCPL USA. This program matches short-term cash surpluses and needs of participating related parties, thus minimizing total borrowings from outside sources. Monies advanced under the program are considered loans, accruing interest and repayable on demand. The Partnership receives interest on monies advanced to TCPL USA at the rate of interest earned by TCPL USA on its short-term cash investments. The Partnership pays interest on monies advanced from TCPL USA based on TCPL USA's short-term borrowing costs. For the year ended December 31, 2021 the interest associated with this arrangement was immaterial. At December 31, 2021 the Partnership had a demand loan payable to TC Energy of $441 million.

Great Lakes

Great Lakes earns significant transportation revenues from TC Energy and its affiliates, some of which are provided at discounted rates and some at maximum recourse rates. For the year ended December 31, 2021, Great Lakes earned 66 percent of its transportation revenues from TC Energy (December 31, 2020 - 73 percent).

At December 31, 2021, $17 million was included in Great Lakes' receivables with regard to the transportation contracts with TC Energy (December 31, 2020 - $17 million).

Great Lakes has a long-term transportation agreement with Canadian Mainline, a related party, that commenced on November 1, 2017 for a ten-year period that allows TC Energy to transport up to 0.711 billion of cubic feet of natural gas per day. This contract, which contains volume reduction options up to full contract quantity beginning in year three, was a direct benefit from TC Energy's long-term fixed price service on its Canadian Mainline that was launched in 2017. Per the contractual agreement and amendments, the Canadian Mainline has elected to to exercise their reduction rights and reduced the contracted volume of the agreement to 0.346 billion of cubic feet of natural gas per day effective November 1, 2022. As of March 7, 2022, no further revisions to this contract have been made.

As of December 31, 2021, Great Lakes has long-term transportation capacity contracts with ANR Pipeline Company (ANR), valued at $137 million over a term of 16 years that are expected to begin in late 2022. This contract value incorporates a capacity reduction that took place on November 1, 2021. These contracts are subject to certain conditions and provisions, including a reduction option up to the full contract quantity, at any time before October 1, 2022. Any remaining unsubscribed capacity on Great Lakes will be available for contracting in response to developing marketing conditions.

Commercial System Purchase

On August 1, 2020, GTN, Great Lakes, Tuscarora and North Baja entered into a purchase agreement with a TC Energy affiliate to purchase an internally developed customer-facing commercial natural gas transmission IT application that maintains and manages customer contracts, natural gas capacity release, customer nominations, metering and billings. The total value of the transaction was $51 million and the Partnership's proportionate share of the cost was $38 million. Prior to the transaction close, GTN, Great Lakes, Tuscarora and North Baja paid the affiliate for the use of this system and the costs are included in the "Impact on Partnership's income" tabular summary above. Refer to Note 9 for additional information.

NOTE 14 FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

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

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

Fair Value of Financial Instruments

The carrying value of "cash and cash equivalents", "demand loan receivable," "accounts receivable and other," "accounts payable and accrued liabilities," "demand loan payable to affiliates," "accounts payable to affiliates," and "accrued interest" approximate their fair values because of the short maturity or duration of these instruments, or because the instruments bear a variable rate of interest or a rate that approximates current rates. The fair value of the Partnership's debt is estimated by discounting the future cash flows of each instrument at estimated current borrowing rates. The fair value of interest rate derivatives is calculated using the income approach, which uses period-end market rates and applies a discounted cash flow valuation model.

The Partnership has classified the fair value of natural gas imbalance receivable as a Level 2 of the fair value hierarchy for fair value disclosure purposes, as the valuation approach includes quoted prices in the market index and observable volumes for the imbalance.

Long-term debt is recorded at amortized cost and classified as Level 2 of the fair value hierarchy for fair value disclosure purposes. Interest rate derivative assets and liabilities are classified as Level 2 for all periods presented where the fair value is determined by using valuation techniques that refer to observable market data or estimated market prices. The estimated fair value of the Partnership's debt as at December 31, 2021 and December 31, 2020 was $1,599 million and $2,388 million, respectively.

Market risk is the risk that changes in market interest rates may result in fluctuations in the fair values or cash flows of financial instruments. The Partnership's floating rate debt is subject to LIBOR benchmark interest rate risk. The Partnership uses derivatives to manage its exposure to interest rate risk. We regularly assess the impact of interest rate fluctuations on future cash flows and evaluate hedging opportunities to mitigate our interest rate risk.

The Partnership's interest rate swaps mature on October 2, 2022. The interest rate swaps were structured such that the cash flows of the derivative instruments match the variable rate of interest on the 2013 Term Loan Facility. The fixed weighted average interest rate on these instruments is 3.26 percent.

On November 8, 2021 the Partnership repaid the 2013 Term Loan Facility in full, and additionally terminated the related interest rate swaps hedging the 2013 Term Loan Facility with a fair value liability of $12 million.

At December 31, 2021, the fair value of the interest rate swaps accounted for as cash flow hedges was nil (both on a gross and net basis) (December 31, 2020 - liability of $15 million), the net change of which is recognized in other comprehensive income. For the year ended December 31, 2021, the net realized loss related to the interest rate swaps was $15 million and was included in "financial charges and other" (December 31, 2020 - $7 million) (Refer to Note 16).

The Partnership has no master netting agreements; however, it has derivative contracts containing provisions with rights of offset. The Partnership has elected to present the fair value of derivative instruments with the right to offset on a gross basis in the consolidated balance sheet. Had the Partnership elected to present these instruments on a net basis, there would be no effect on the consolidated balance sheet as of December 31, 2021 and December 31, 2020.

NOTE 15 ACCOUNTS RECEIVABLE AND OTHER

	Year ended December 31,	
(millions of dollars)	**2021**	2020
Trade accounts receivables, net of immaterial allowance for doubtful accounts	**36**	36
Other	**—**	3
	36	39

NOTE 16 FINANCIAL CHARGES AND OTHER

	Year ended December 31,	
(millions of dollars)	**2021**	2020
Interest expense [(a)]	**64**	78
Net realized loss (gain) related to the interest rate swaps	**15**	7
AFUDC - Equity	**(19)**	(10)
Other income (including AFUDC - Debt)	**(4)**	(2)
	56	73

(a) Includes amortization of debt issuance costs and discount costs, amounting to approximately $2 million each year ended December 31, 2021 and 2020.

NOTE 17 OTHER LIABILITIES

	Year ended December 31,	
(millions of dollars)	**2021**	2020
Regulatory liabilities	**40**	38
Other liabilities	**1**	9
	41	47

The Partnership collects estimated future removal costs related to its transmission and gathering facilities in its current rates (also known as "negative salvage") and recognizes regulatory liabilities in this respect on the balance sheet. The regulatory liabilities balance is primarily comprised of negative salvage. Estimated costs associated with the future removal of transmission and gathering facilities are collected through depreciation as allowed by FERC. These amounts do not represent asset retirement obligations as defined by FASB Accounting Standards Codification (ASC) 410, ***Accounting for Asset Retirement Obligations***. (Refer to Note 2)

NOTE 18

SUBSEQUENT EVENTS

Management of the Partnership has reviewed subsequent events through March 7, 2022, the date the consolidated financial statements were issued, and concluded there were no events or transactions during this period that would require recognition or disclosure in the consolidated financial statements other than what is disclosed here and/or those already disclosed in the preceding notes.

Distributions

Northern Border declared its December 2021 distribution of $15.5 million on January 12, 2022, which the Partnership received its 50 percent share or $7.8 million on January 31, 2022.

Norther Border declared its January 2022 distribution of $20.1 million on February 23, 2022, which the Partnership received its 50 percent share or $10.1 million on February 28, 2022.

Great Lakes declared its fourth quarter 2021 distribution of $29.2 million on January 25, 2022, which the Partnership received its 46.45 percent share or $13.6 million on January 31, 2022.

PNGTS declared its fourth quarter 2021 distribution of $20.8 million on January 19, 2022, which $8 million was paid to its non-controlling interest owner on January 31, 2022.

Iroquois declared its fourth quarter 2021 distribution of $22.4 million on February 8, 2022, and the Partnership expects to receive its 49.34 percent share or $11.0 million on March 24, 2022.

North Baja declared its fourth quarter 2021 distribution of $6.6 million on January 18, 2022, which the Partnership received on January 31, 2022.

Tuscarora declared its fourth quarter 2021 distribution of $2.7 million on January 18, 2022, which the Partnership received on January 31, 2022.

GTN declared its fourth quarter 2021 distribution of $19.9 million on January 18, 2022, which the Partnership received on January 31, 2022.

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

This report includes certain forward-looking statements. Forward-looking statements are identified by words and phrases such as: "anticipate," "assume," "estimate," "expect," "project," "intend," "plan," "believe," "forecast," "should," "predict," "could," "will," "may," and other terms and expressions of similar meaning. The absence of these words, however, does not mean that the statements are not forward-looking. These statements are based on management's beliefs and assumptions and on currently available information and include, but are not limited to, statements regarding anticipated financial performance, future capital expenditures, liquidity, market or competitive conditions, regulations, organic or strategic growth opportunities, contract renewals and ability to market open capacity, business prospects and outcome of regulatory proceedings. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. All forward-looking statements are made only as of the date made and except as required by applicable law, we undertake no obligation to update any forward-looking statements to reflect new information, subsequent events or other changes.

RESULTS OF OPERATIONS

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

(millions of dollars)	Year ended December 31, **2021**	**2020**	**$ Change** [(a)]	**% Change** [(a)]
Transmission revenues	**382**	399	(17)	(4)
Equity earnings	**165**	170	(5)	(3)
Operating, maintenance and administrative costs	**(94)**	(100)	6	6
Depreciation and amortization	**(89)**	(89)	—	—
Financial charges and other	**(56)**	(73)	17	23
Net income before taxes	**308**	307	1	—
Income taxes	**(4)**	(6)	2	33
Net income	**304**	301	3	1
Net income attributable to non-controlling interests	**(24)**	(17)	(7)	(41)
Net income attributable to controlling interests	**280**	284	(4)	(1)

(a) Positive number represents a favorable change; bracketed or negative number represents an unfavorable change.

Twelve Months Ended December 31, 2021 Compared to the Same Period in 2020

The Partnership's net income attributable to controlling interests in the twelve months ended December 31, 2021 was comparable to the same period in 2020, mainly due to the following:

Transmission revenues - Revenue decreased $17 million largely due to:

- lower revenue on Bison as a result of the expiration of all its active contracts beginning January 2021; partially offset by
- higher revenue from PNGTS as a result of new revenues from its Portland XPress Phase III project, which went in service in November 2020 and discretionary revenues due to the colder weather conditions experienced in early 2021 compared to 2020

Equity Earnings - Equity earnings decreased $5 million primarily due to:

- lower equity earnings from our investment in Northern Border primarily as a result of lower contracted volumes sold at above recourse rates when compared to the previous year period; partially offset by
- higher equity earnings from our investment in Iroquois due to its higher long-term firm reserved service revenues compared to the same period in 2020

Operating, maintenance and administrative (OM&A) costs - OM&A costs decreased $6 million primarily due to:

- non-recurring costs incurred related to the completion of the Merger; partially offset by
- decrease in TC Energy's allocated costs related to personnel

Depreciation and amortization - Depreciation and amortization costs were comparable to the prior period primarily due to:

- maintenance capital expenditures at GTN and PNGTS' Portland XPress Phase III project; offset by
- negative salvage allowance recorded for PNGTS during third quarter 2020

Financial charges and other - Financial charges and other decreased $17 million primarily due to:

- higher AFUDC primarily due to continued spending on our expansion projects and higher maintenance capital spending; and
- lower interest costs

LIQUIDITY AND CAPITAL RESOURCES

The Partnership strives to maintain financial strength and flexibility in all parts of the economic cycle. Our principal sources of liquidity and cash flows currently include distributions received from our equity investments and operating cash flows from our subsidiaries and access to TC Energy's cash management program, which matches short-term cash surpluses and needs of participating related parties, thus minimizing total borrowings from outside sources.

We continue to be financially disciplined by using our available cash to fund ongoing operating expenses and capital expenditures and maintaining debt at prudent levels and we believe we are well positioned to fund our obligations as required.

We believe our (1) overall cash position, (2) operating cash-flows and (3) access to cash through TC Energy's cash management program are sufficient to fund our short-term liquidity requirements, ongoing capital expenditures, required debt repayments and other financing needs such as capital contribution requests from our equity investments.

SIGNATURES

The Partnership has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 7th day of March 2022.

TC PIPELINES, LP
(A Delaware Limited Partnership)
by its General Partner, TC PipeLines GP, LLC.

By: /s/ Nathaniel A. Brown
Nathaniel A. Brown
President
TC PipeLines GP, LLC.

By: /s/ Burton D. Cole
Burton D. Cole
Controller and Treasurer
TC PipeLines GP, LLC.