

FIRST QUARTER 2019

Condensed consolidated statement of income

(unaudited - millions of Canadian \$)	three months ended March 31	
	2019	2018
Revenues		
Canadian Natural Gas Pipelines	967	884
U.S. Natural Gas Pipelines	1,304	1,091
Mexico Natural Gas Pipelines	152	151
Liquids Pipelines	728	623
Power and Storage	336	675
	3,487	3,424
Income from Equity Investments	155	80
Operating and Other Expenses		
Plant operating costs and other	929	874
Commodity purchases resold	252	597
Property taxes	187	150
Depreciation and amortization	608	535
	1,976	2,156
Financial Charges		
Interest expense	621	548
Allowance for funds used during construction	(139)	(105)
Interest income and other	(163)	(63)
	319	380
Income before Income Taxes	1,347	968
Income Tax Expense		
Current	160	50
Deferred	71	65
	231	115
Net Income	1,116	853
Net income attributable to non-controlling interests	101	94
Net Income Attributable to Controlling Interests and to Common Shares	1,015	759

See accompanying notes to the Condensed consolidated financial statements.

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Condensed consolidated statement of comprehensive income

(unaudited - millions of Canadian \$)	three months ended March 31	
	2019	2018
Net Income	1,116	853
Other Comprehensive (Loss)/Income, Net of Income Taxes		
Foreign currency translation losses and gains on net investment in foreign operations	(370)	432
Change in fair value of net investment hedges	20	(2)
Change in fair value of cash flow hedges	(17)	7
Reclassification to net income of gains and losses on cash flow hedges	3	3
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	3	(2)
Other comprehensive income on equity investments	1	6
Other comprehensive (loss)/income	(360)	444
Comprehensive Income	756	1,297
Comprehensive income attributable to non-controlling interests	61	160
Comprehensive Income Attributable to Controlling Interests and to Common Shares	695	1,137

See accompanying notes to the Condensed consolidated financial statements.

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Condensed consolidated statement of cash flows

(unaudited - millions of Canadian \$)	three months ended March 31	
	2019	2018
Cash Generated from Operations		
Net income	1,116	853
Depreciation and amortization	608	535
Deferred income taxes	71	65
Income from equity investments	(155)	(80)
Distributions received from operating activities of equity investments	277	234
Employee post-retirement benefits funding, net of expense	3	3
Equity allowance for funds used during construction	(94)	(78)
Unrealized (gains)/losses on financial instruments	(32)	188
Other	(22)	(122)
Decrease/(increase) in operating working capital	137	(206)
Net cash provided by operations	1,909	1,392
Investing Activities		
Capital expenditures	(2,022)	(1,702)
Capital projects in development	(164)	(36)
Contributions to equity investments	(145)	(358)
Other distributions from equity investments	120	121
Deferred amounts and other	(26)	110
Net cash used in investing activities	(2,237)	(1,865)
Financing Activities		
Notes payable issued, net	2,852	1,812
Long-term debt issued, net of issue costs	24	93
Long-term debt repaid	(1,708)	(1,226)
Advances from affiliate	60	215
Dividends on common shares	(634)	(551)
Distributions to non-controlling interests	(56)	(69)
Common shares issued	214	192
Partnership units of TC PipeLines, LP issued, net of issue costs	—	49
Net cash provided by financing activities	752	515
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(7)	29
Increase in Cash and Cash Equivalents	417	71
Cash and Cash Equivalents		
Beginning of period	362	1,044
Cash and Cash Equivalents		
End of period	779	1,115

See accompanying notes to the Condensed consolidated financial statements.

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Condensed consolidated balance sheet

(unaudited - millions of Canadian \$)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	779	362
Accounts receivable	2,220	2,548
Inventories	407	431
Assets held for sale	533	543
Other	879	1,180
	4,818	5,064
Plant, Property and Equipment	net of accumulated depreciation of \$26,181 and \$25,834, respectively	66,503
Equity Investments	6,966	7,113
Regulatory Assets	1,557	1,548
Goodwill	13,881	14,178
Loan Receivable from Affiliate	1,336	1,315
Intangible and Other Assets	1,837	1,887
Restricted Investments	1,315	1,207
	99,230	98,815
LIABILITIES		
Current Liabilities		
Notes payable	5,587	2,762
Accounts payable and other	4,697	5,426
Dividends payable	693	633
Due to affiliate	3,677	3,617
Accrued interest	613	646
Current portion of long-term debt	1,757	3,462
	17,024	16,546
Regulatory Liabilities	3,971	3,930
Other Long-Term Liabilities	1,492	1,008
Deferred Income Tax Liabilities	5,994	6,026
Long-Term Debt	35,857	36,509
Junior Subordinated Notes	7,380	7,508
	71,718	71,527
EQUITY		
Common shares, no par value	22,820	22,606
Issued and outstanding:	March 31, 2019 – 891 million shares	
	December 31, 2018 – 887 million shares	
Additional paid-in capital	23	20
Retained earnings	3,935	3,613
Accumulated other comprehensive loss	(926)	(606)
Controlling Interests	25,852	25,633
Non-controlling interests	1,660	1,655
	27,512	27,288
	99,230	98,815

Contingencies and Guarantees (Note 13)**Variable Interest Entities** (Note 15)**Subsequent Event** (Note 16)

See accompanying notes to the Condensed consolidated financial statements.

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Condensed consolidated statement of equity

(unaudited - millions of Canadian \$)	three months ended March 31	
	2019	2018
Common Shares		
Balance at beginning of period	22,606	21,761
Proceeds from shares issued	214	192
Balance at end of period	22,820	21,953
Additional Paid-In Capital		
Balance at beginning of period	20	—
Issuance of stock options	3	4
Dilution from TC PipeLines, LP units issued	—	7
Balance at end of period	23	11
Retained Earnings		
Balance at beginning of period	3,613	2,387
Net income attributable to controlling interests	1,015	759
Common share dividends	(693)	(614)
Adjustment related to income tax effects of asset drop-downs to TC PipeLines, LP	—	95
Balance at end of period	3,935	2,627
Accumulated Other Comprehensive Loss		
Balance at beginning of period	(606)	(1,731)
Other comprehensive (loss)/income attributable to controlling interests	(320)	378
Balance at end of period	(926)	(1,353)
Equity Attributable to Controlling Interests	25,852	23,238
Equity Attributable to Non-Controlling Interests		
Balance at beginning of period	1,655	1,852
Net income attributable to non-controlling interests	101	94
Other comprehensive (loss)/income attributable to non-controlling interests	(40)	66
Issuance of TC PipeLines, LP units		
Proceeds, net of issue costs	—	49
Decrease in TCPL's ownership of TC PipeLines, LP	—	(9)
Distributions declared to non-controlling interests	(56)	(71)
Balance at end of period	1,660	1,981
Total Equity	27,512	25,219

See accompanying notes to the Condensed consolidated financial statements.

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Notes to Condensed consolidated financial statements (unaudited)

1. Basis of presentation

These Condensed consolidated financial statements of TransCanada PipeLines Limited (TCPL or the Company) have been prepared by management in accordance with U.S. GAAP. The accounting policies applied are consistent with those outlined in TCPL's annual audited Consolidated financial statements for the year ended December 31, 2018, except as described in Note 2, Accounting changes. Capitalized and abbreviated terms that are used but not otherwise defined herein are identified in the 2018 audited Consolidated financial statements. As of first quarter 2019, the previously disclosed Energy segment has been renamed the Power and Storage segment.

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

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

USE OF ESTIMATES AND JUDGMENTS

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

2. Accounting changes

CHANGES IN ACCOUNTING POLICIES FOR 2019

Leases

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

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

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

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

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

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

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

Fair value measurement

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

FUTURE ACCOUNTING CHANGES**Measurement of credit losses on financial instruments**

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

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Defined benefit plans

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

Implementation costs of cloud computing arrangements

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

Consolidation

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

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3. Segmented information

three months ended March 31, 2019 (unaudited - millions of Canadian \$)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage¹	Corporate²	Total
Revenues	967	1,304	152	728	336	—	3,487
Intersegment revenues	—	42	—	—	5	(47) ³	—
	967	1,346	152	728	341	(47)	3,487
Income/(loss) from equity investments	1	76	6	14	72	(14) ⁴	155
Plant operating costs and other	(343)	(362)	(12)	(166)	(88)	42 ³	(929)
Commodity purchases resold	—	—	—	—	(252)	—	(252)
Property taxes	(69)	(88)	—	(28)	(2)	—	(187)
Depreciation and amortization	(287)	(180)	(30)	(88)	(23)	—	(608)
Segmented Earnings/(Loss)	269	792	116	460	48	(19)	1,666
Interest expense							(621)
Allowance for funds used during construction							139
Interest income and other ⁴							163
Income before income taxes							1,347
Income tax expense							(231)
Net Income							1,116
Net income attributable to non-controlling interests							(101)
Net Income Attributable to Controlling Interests and to Common Shares							1,015

1 Previously referred to as Energy.

2 Includes intersegment eliminations.

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

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

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three months ended March 31, 2018 (unaudited - millions of Canadian \$)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage¹	Corporate²	Total
Revenues	884	1,091	151	623	675	—	3,424
Intersegment revenues	—	25	—	—	42	(67) ³	—
	884	1,116	151	623	717	(67)	3,424
Income/(loss) from equity investments	3	67	11	15	63	(79) ⁴	80
Plant operating costs and other	(323)	(324)	(2)	(191)	(99)	65 ³	(874)
Commodity purchases resold	—	—	—	—	(597)	—	(597)
Property taxes	(70)	(55)	—	(23)	(2)	—	(150)
Depreciation and amortization	(241)	(156)	(23)	(83)	(32)	—	(535)
Segmented Earnings/(Loss)	253	648	137	341	50	(81)	1,348
Interest expense							(548)
Allowance for funds used during construction							105
Interest income and other ⁴							63
Income before income taxes							968
Income tax expense							(115)
Net Income							853
Net income attributable to non-controlling interests							(94)
Net Income Attributable to Controlling Interests and to Common Shares							759

1 Previously referred to as Energy.

2 Includes intersegment eliminations.

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

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

TOTAL ASSETS BY SEGMENT

(unaudited - millions of Canadian \$)	March 31, 2019	December 31, 2018
Canadian Natural Gas Pipelines	19,287	18,407
U.S. Natural Gas Pipelines	43,532	44,115
Mexico Natural Gas Pipelines	6,858	7,058
Liquids Pipelines	17,025	17,352
Power and Storage	8,331	8,475
Corporate	4,197	3,408
	99,230	98,815

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4. Revenues

DISAGGREGATION OF REVENUES

The following tables summarize total Revenues for the three months ended March 31, 2019 and 2018:

three months ended March 31, 2019 (unaudited - millions of Canadian \$)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Total
Revenues from contracts with customers						
Capacity arrangements and transportation	967	1,100	151	593	—	2,811
Power generation	—	—	—	—	343	343
Natural gas storage and other	—	180	1	1	28	210
	967	1,280	152	594	371	3,364
Other revenues ¹	—	24	—	134	(35)	123
	967	1,304	152	728	336	3,487

- 1 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. These arrangements are not in the scope of the revenue guidance. Refer to Note 7, Leases, and Note 12, Risk management and financial instruments, for further information on income from lease arrangements and financial instruments, respectively.

three months ended March 31, 2018 (unaudited - millions of Canadian \$)	Canadian Natural Gas Pipelines	U.S. Natural Gas Pipelines	Mexico Natural Gas Pipelines	Liquids Pipelines	Power and Storage	Total
Revenues from contracts with customers						
Capacity arrangements and transportation	884	884	150	534	—	2,452
Power generation	—	—	—	—	590	590
Natural gas storage and other	—	192	1	1	30	224
	884	1,076	151	535	620	3,266
Other revenues ¹	—	15	—	88	55	158
	884	1,091	151	623	675	3,424

- 1 Other revenues include income from the Company's marketing activities, financial instruments and lease arrangements. These arrangements are not in the scope of the revenue guidance. Refer to Note 12, Risk management and financial instruments, for further information on income from financial instruments.

CONTRACT BALANCES

(unaudited - millions of Canadian \$)	March 31, 2019	December 31, 2018
Receivables from contracts with customers	1,382	1,684
Contract assets ¹	249	159
Long-term contract assets ²	11	21
Contract liabilities ³	39	11
Long-term contract liabilities ⁴	119	121

- 1 Recorded as part of Other current assets on the Condensed consolidated balance sheet.
2 Recorded as part of Intangibles and other assets on the Condensed consolidated balance sheet.
3 Comprised of deferred revenue recorded in Accounts payable and other on the Condensed consolidated balance sheet. During the three months ended March 31, 2019, \$6 million of revenue was recognized that was included in contract liabilities at the beginning of the period.
4 Comprised of deferred revenue recorded in Other long-term liabilities on the Condensed consolidated balance sheet.

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

FUTURE REVENUES FROM REMAINING PERFORMANCE OBLIGATIONS

Capacity Arrangements and Transportation

As at March 31, 2019, future revenues from long-term pipeline capacity arrangements and transportation contracts extending through 2045 are approximately \$32.3 billion, of which approximately \$5.4 billion is expected to be recognized during the remainder of 2019.

Power Generation

The Company has long-term power generation contracts extending through 2030. Revenues from power generation contracts have a variable component related to market prices that are subject to factors outside the Company's influence. These revenues are considered to be fully constrained and are recognized on a monthly basis when the Company satisfies the performance obligation.

Natural Gas Storage and Other

As at March 31, 2019, future revenues from long-term natural gas storage and other contracts extending through 2033 are approximately \$1.7 billion, of which approximately \$366 million is expected to be recognized during the remainder of 2019.

5. Income taxes

Effective Tax Rates

The effective income tax rates for the three-month periods ended March 31, 2019 and 2018 were 17 per cent and 12 per cent, respectively. The higher effective tax rate in 2019 was primarily the result of lower foreign tax rate differentials partially offset by lower flow-through tax in Canadian rate-regulated pipelines.

Further to U.S. Tax Reform, the U.S. Treasury and the U.S. Internal Revenue Service issued proposed regulations in November and December of 2018 which provided administrative guidance and clarified certain aspects of the new laws with respect to interest deductibility, base erosion and anti-abuse tax, the new dividend received deduction and anti-hybrid rules. The proposed regulations are complex and comprehensive, and considerable uncertainty continues to exist pending release of the final regulations which is expected to occur later in 2019. As these proposed regulations have not been enacted as at March 31, 2019, their impact has not been reflected in income tax expense. If the proposed regulations are enacted as currently drafted, the resulting income tax expense should not have a material impact on the Company's financial statements.

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6. Assets held for sale

Coolidge Generating Station

In December 2018, TCPL entered into an agreement to sell its Coolidge generating station in Arizona to SWG Coolidge Holdings, LLC (SWG). Salt River Project Agriculture Improvement and Power District (SRP), the PPA counterparty, subsequently exercised its contractual right of first refusal on a sale to a third party. On March 20, 2019, TCPL terminated the agreement with SWG after entering into an agreement with SRP to sell the Coolidge generating station for approximately US\$465 million, subject to timing of the close and related adjustments.

The sale will result in an estimated gain of approximately \$70 million (\$55 million after tax) including the release of an estimated \$10 million of foreign currency translation gains. The gain will be recognized upon closing of the sale transaction, which is expected to occur mid-2019.

At March 31, 2019, the related assets and liabilities in the Power and Storage segment were classified as held for sale as follows:

(unaudited - millions of Canadian \$)	
Assets held for sale	
Accounts receivable	6
Other current assets	1
Plant, property and equipment	526
Total assets held for sale	533
Liabilities related to assets held for sale	
Other long-term liabilities	(3)
Total liabilities related to assets held for sale¹	(3)

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

7. Leases

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

Lessee Accounting Policy

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

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

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Lessor Accounting Policy

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

Impact of New Lease Guidance on Date of Adoption

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

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

As a Lessee

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

Operating lease cost is as follows:

(unaudited - millions of Canadian \$)	three months ended March 31, 2019
Operating lease cost ¹	28
Sublease income	(2)
Net operating lease cost	26

¹ Includes short-term leases and variable lease costs.

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

(unaudited - millions of Canadian \$)	three months ended March 31, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	19
Weighted average remaining lease term	10.8 years
Weighted average discount rate	3.56%

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Maturities of operating lease liabilities on a prospective 12-month basis and where they are disclosed on the Condensed consolidated balance sheet as at March 31, 2019 are as follows:

(unaudited - millions of Canadian \$)	
2020	72
2021	69
2022	64
2023	58
2024	57
Thereafter	355
Total operating lease payments	675
Imputed interest	(110)
Operating lease liabilities recorded on the Condensed consolidated balance sheet	565
Reported as follows:	
Accounts payable and other	55
Other long-term liabilities	510
	565

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

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

As at March 31, 2019, the carrying value of the ROU assets recorded under operating leases was \$570 million and is included in Plant, property and equipment on the Condensed consolidated balance sheet.

As a Lessor

Coolidge, Grandview and Bécancour power plants in the Power and Storage segment and the Northern Courier pipeline in the Liquids Pipelines segment are accounted for as operating leases. As Coolidge is classified as Assets held for sale, it is not included in the following lease disclosures. The Company has long-term PPAs for the sale of power for the Power and Storage lease assets which expire between 2024 and 2026. Northern Courier pipeline transports bitumen and diluent between the Fort Hills mine site and Suncor Energy's terminal, with a contract expiring in 2042.

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

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

Operating lease income recorded by the Company for the three months ended March 31, 2019 was \$55 million.

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Future lease payments to be received under operating leases as at March 31, 2019 are as follows:

(unaudited - millions of Canadian \$)	Future lease payments
Remainder of 2019	183
2020	226
2021	223
2022	218
2023	224
Thereafter	1,940
	3,014

The cost and accumulated depreciation for facilities accounted for as operating leases was \$2,023 million and \$338 million, respectively, at March 31, 2019 (December 31, 2018 – \$2,007 million and \$324 million, respectively).

8. Long-term debt

LONG-TERM DEBT REPAYED

The Company retired long-term debt in the three months ended March 31, 2019 as follows:

(unaudited - millions of Canadian \$, unless otherwise noted)				
Company	Retirement date	Type	Amount	Interest rate
TRANSCANADA PIPELINES LIMITED				
	March 2019	Debentures	100	10.50%
	January 2019	Senior Unsecured Notes	US 750	7.125%
	January 2019	Senior Unsecured Notes	US 400	3.125%

CAPITALIZED INTEREST

In the three months ended March 31, 2019, TCPL capitalized interest related to capital projects of \$37 million (2018 – \$26 million).

9. Common shares

On January 31, 2019, the Company issued 3.8 million common shares to TransCanada for proceeds of \$214 million, resulting in 891 million shares outstanding at March 31, 2019 (December 31, 2018 – 887 million).

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

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

three months ended March 31, 2019			
(unaudited - millions of Canadian \$)	Before Tax Amount	Income Tax Recovery/ (Expense)	Net of Tax Amount
Foreign currency translation losses on net investment in foreign operations	(364)	(6)	(370)
Change in fair value of net investment hedges	27	(7)	20
Change in fair value of cash flow hedges	(22)	5	(17)
Reclassification to net income of gains and losses on cash flow hedges	4	(1)	3
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	4	(1)	3
Other comprehensive income on equity investments	1	—	1
Other Comprehensive Loss	(350)	(10)	(360)

three months ended March 31, 2018			
(unaudited - millions of Canadian \$)	Before Tax Amount	Income Tax Recovery/ (Expense)	Net of Tax Amount
Foreign currency translation gains on net investment in foreign operations	416	16	432
Change in fair value of net investment hedges	(3)	1	(2)
Change in fair value of cash flow hedges	6	1	7
Reclassification to net income of gains and losses on cash flow hedges	4	(1)	3
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	4	(6)	(2)
Other comprehensive income on equity investments	7	(1)	6
Other Comprehensive Income	434	10	444

The changes in AOCI by component are as follows:

three months ended March 31, 2019					
(unaudited - millions of Canadian \$)	Currency Translation Adjustments	Cash Flow Hedges	Pension and OPEB Plan Adjustments	Equity Investments	Total¹
AOCI balance at January 1, 2019	107	(23)	(314)	(376)	(606)
Other comprehensive loss before reclassifications ²	(315)	(12)	—	(1)	(328)
Amounts reclassified from AOCI ^{3,4}	—	2	3	3	8
Net current period other comprehensive (loss)/income	(315)	(10)	3	2	(320)
AOCI balance at March 31, 2019	(208)	(33)	(311)	(374)	(926)

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

2 Other comprehensive loss before reclassifications on currency translation adjustments and cash flow hedges are net of non-controlling interests losses of \$35 million and \$5 million, respectively.

3 Losses related to cash flow hedges reported in AOCI and expected to be reclassified to net income in the next 12 months are estimated to be \$16 million (\$12 million, net of tax) at March 31, 2019. These estimates assume constant commodity prices, interest rates and foreign exchange rates over time, however, the amounts reclassified will vary based on the actual value of these factors at the date of settlement.

4 Amounts reclassified from AOCI on cash flow hedges and equity investments are net of non-controlling interests gains of \$1 million and nil, respectively.

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

(unaudited - millions of Canadian \$)	Amounts Reclassified From AOCI		Affected line item in the Condensed consolidated statement of income
	three months ended March 31		
	2019	2018	
Cash flow hedges			
Commodities	—	1	Revenues (Power and Storage)
Interest	(3)	(5)	Interest expense
	(3)	(4)	Total before tax
	1	1	Income tax expense
	(2)	(3)	Net of tax ^{1,3}
Pension and other post-retirement benefit plan adjustments			
Amortization of actuarial losses	(4)	(4)	Plant operating costs and other ²
	1	6	Income tax expense
	(3)	2	Net of tax ¹
Equity investments			
Equity income	(3)	(7)	Income from equity investments
	—	1	Income tax expense
	(3)	(6)	Net of tax ^{1,3}

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 further information.

3 Amounts reclassified from AOCI on cash flow hedges and equity investments are net of non-controlling interests gains of \$1 million and nil, respectively, for the three months ended March 31, 2019 (2018 – nil and nil).

11. Employee post-retirement benefits

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

(unaudited - millions of Canadian \$)	three months ended March 31			
	Pension benefit plans		Other post-retirement benefit plans	
	2019	2018	2019	2018
Service cost ¹	33	30	1	1
Other components of net benefit cost ¹				
Interest cost	35	33	4	3
Expected return on plan assets	(58)	(55)	(4)	(4)
Amortization of actuarial losses	3	4	1	—
Amortization of regulatory asset	3	5	—	—
	(17)	(13)	1	(1)
Net Benefit Cost	16	17	2	—

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

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12. Risk management and financial instruments

RISK MANAGEMENT OVERVIEW

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

COUNTERPARTY CREDIT RISK

TCPL's maximum counterparty credit exposure with respect to financial instruments at March 31, 2019, without taking into account security held, consisted of cash and cash equivalents, accounts receivable, available-for-sale assets, derivative assets and a loan receivable.

The Company monitors its counterparties and regularly reviews its accounts receivable. The Company records an allowance for doubtful accounts as necessary using the specific identification method. At March 31, 2019, there were no significant credit losses, no significant credit risk concentration and no significant amounts past due or impaired.

LOAN RECEIVABLE FROM AFFILIATE

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

At March 31, 2019, the Company's Condensed consolidated balance sheet included a MXN\$19.4 billion or \$1.3 billion (December 31, 2018 – MXN\$18.9 billion or \$1.3 billion) loan receivable from the Sur de Texas joint venture which represents TCPL's proportionate share of long-term debt financing requirements related to the joint venture. Interest income and other included interest income of \$35 million for the three months ended March 31, 2019 (2018 – \$27 million) from this joint venture with a corresponding proportionate share of interest expense recorded in Income from equity investments.

NET INVESTMENT IN FOREIGN OPERATIONS

The Company hedges its net investment in foreign operations (on an after-tax basis) with U.S. dollar-denominated debt, cross-currency swaps and foreign exchange options.

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

(unaudited - millions of Canadian \$, unless otherwise noted)	March 31, 2019		December 31, 2018	
	Fair value ^{1,2}	Notional amount	Fair value ^{1,2}	Notional amount
U.S. dollar cross-currency swaps (maturing 2019) ³	(12)	US 100	(43)	US 300
U.S. dollar foreign exchange options (maturing 2019 to 2020)	(13)	US 2,500	(47)	US 2,500
	(25)	US 2,600	(90)	US 2,800

1 Fair value equals carrying value.

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

3 In the three months ended March 31, 2019, Net income includes net realized gains of nil (2018 – \$1 million) related to the interest component of cross-currency swap settlements which are reported within Interest expense on the Company's Condensed consolidated statement of income.

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

(unaudited - millions of Canadian \$, unless otherwise noted)	March 31, 2019	December 31, 2018
Notional amount	30,800 (US 23,100)	31,000 (US 22,700)
Fair value	32,900 (US 24,600)	31,700 (US 23,200)

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FINANCIAL INSTRUMENTS**Non-derivative financial instruments****Fair value of non-derivative financial instruments**

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

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

Balance sheet presentation of non-derivative financial instruments

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

(unaudited - millions of Canadian \$)	March 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt including current portion ^{1,2}	(37,614)	(41,737)	(39,971)	(42,284)
Junior subordinated notes	(7,380)	(7,006)	(7,508)	(6,665)
	(44,994)	(48,743)	(47,479)	(48,949)

- 1 Long-term debt is recorded at amortized cost except for US\$450 million (December 31, 2018 – US\$750 million) that is attributed to hedged risk and recorded at fair value.
- 2 Net income for the three months ended March 31, 2019 includes unrealized losses of \$3 million (2018 – gains of \$5 million) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships on US\$450 million of long-term debt at March 31, 2019 (December 31, 2018 – US\$750 million). There were no other unrealized gains or losses from fair value adjustments to the non-derivative financial instruments.

Available-for-sale assets summary

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

(unaudited - millions of Canadian \$)	March 31, 2019		December 31, 2018	
	LMCI restricted investments	Other restricted investments ¹	LMCI restricted investments	Other restricted investments ¹
Fair values of fixed income securities ²				
Maturing within 1 year	—	24	—	22
Maturing within 1-5 years	—	94	—	110
Maturing within 5-10 years	156	—	140	—
Maturing after 10 years	1,053	—	952	—
	1,209	118	1,092	132

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

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(unaudited - millions of Canadian \$)	March 31, 2019		March 31, 2018	
	LMCI restricted investments ¹	Other restricted investments ²	LMCI restricted investments ¹	Other restricted investments ²
Net unrealized gains in the period				
three months ended	51	1	2	1

- 1 Gains and losses arising from changes in the fair value of LMCI restricted investments impact the subsequent amounts to be collected through tolls to cover future pipeline abandonment costs. As a result, the Company records these gains and losses as regulatory assets or liabilities.
- 2 Gains and losses on other restricted investments are included in Interest income and other on the Condensed consolidated statement of income.

Derivative instruments

Fair value of derivative instruments

The fair value of foreign exchange and interest rate derivatives has been calculated using the income approach which uses period-end market rates and applies a discounted cash flow valuation model. The fair value of commodity derivatives has been calculated using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques have been used. The fair value of options has been calculated using the Black-Scholes pricing model. Credit risk has been taken into consideration when calculating the fair value of derivative instruments. Unrealized gains and losses on derivative instruments are not necessarily representative of the amounts that will be realized on settlement.

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

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Balance sheet presentation of derivative instruments

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

at March 31, 2019 (unaudited - millions of Canadian \$)	Cash Flow Hedges	Fair Value Hedges	Net Investment Hedges	Held for Trading	Total Fair Value of Derivative Instruments¹
Other current assets					
Commodities ²	—	—	—	294	294
Foreign exchange	—	—	14	3	17
Interest rate	2	—	—	—	2
	2	—	14	297	313
Intangible and other assets					
Commodities ²	—	—	—	28	28
Foreign exchange	—	—	1	—	1
Interest rate	4	2	—	—	6
	4	2	1	28	35
Total Derivative Assets	6	2	15	325	348
Accounts payable and other					
Commodities ²	(4)	—	—	(273)	(277)
Foreign exchange	—	—	(39)	(71)	(110)
Interest rate	—	(2)	—	—	(2)
	(4)	(2)	(39)	(344)	(389)
Other long-term liabilities					
Commodities ²	(1)	—	—	(23)	(24)
Foreign exchange	—	—	(1)	—	(1)
Interest rate	(24)	—	—	—	(24)
	(25)	—	(1)	(23)	(49)
Total Derivative Liabilities	(29)	(2)	(40)	(367)	(438)
Total Derivatives	(23)	—	(25)	(42)	(90)

1 Fair value equals carrying value.

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

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at December 31, 2018 (unaudited - millions of Canadian \$)	Cash Flow Hedges	Fair Value Hedges	Net Investment Hedges	Held for Trading	Total Fair Value of Derivative Instruments¹
Other current assets					
Commodities ²	1	—	—	716	717
Foreign exchange	—	—	16	1	17
Interest rate	3	—	—	—	3
	4	—	16	717	737
Intangible and other assets					
Commodities ²	1	—	—	50	51
Foreign exchange	—	—	1	—	1
Interest rate	8	1	—	—	9
	9	1	1	50	61
Total Derivative Assets	13	1	17	767	798
Accounts payable and other					
Commodities ²	(4)	—	—	(622)	(626)
Foreign exchange	—	—	(105)	(188)	(293)
Interest rate	—	(3)	—	—	(3)
	(4)	(3)	(105)	(810)	(922)
Other long-term liabilities					
Commodities ²	—	—	—	(28)	(28)
Foreign exchange	—	—	(2)	—	(2)
Interest rate	(11)	(1)	—	—	(12)
	(11)	(1)	(2)	(28)	(42)
Total Derivative Liabilities	(15)	(4)	(107)	(838)	(964)
Total Derivatives	(2)	(3)	(90)	(71)	(166)

1 Fair value equals carrying value.

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

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

Derivatives in fair value hedging relationships

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

(unaudited - millions of Canadian \$)	Carrying amount		Fair value hedging adjustments¹	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Current portion of long-term debt	(332)	(748)	2	3
Long-term debt	(269)	(273)	(2)	—
	(601)	(1,021)	—	3

1 At March 31, 2019 and December 31, 2018, adjustments for discontinued hedging relationships included in these balances were nil.

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Notional and Maturity Summary

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

at March 31, 2019					
(unaudited)	Power	Natural Gas	Liquids	Foreign Exchange	Interest Rate
Purchases ¹	17,374	34	63	—	—
Sales ¹	14,243	43	82	—	—
Millions of U.S. dollars	—	—	—	3,900	1,400
Maturity dates	2019-2024	2019-2027	2019-2020	2019-2020	2019-2030

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

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

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

Unrealized and realized (losses)/gains on derivative instruments

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

(unaudited - millions of Canadian \$)	three months ended March 31	
	2019	2018
Derivative Instruments Held for Trading¹		
Amount of unrealized (losses)/gains in the period		
Commodities ²	(88)	(109)
Foreign exchange	120	(79)
Amount of realized gains/(losses) in the period		
Commodities	107	110
Foreign exchange	(29)	15
Derivative Instruments in Hedging Relationships		
Amount of realized (losses)/gains in the period		
Commodities	(7)	3
Interest rate	—	1

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

2 In the three months ended March 31, 2019 and 2018, there were no gains or losses included in Net income relating to discontinued cash flow hedges where it was probable that the anticipated transaction would not occur.

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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 are as follows:

(unaudited - millions of Canadian \$)	three months ended March 31	
	2019	2018
Change in fair value of derivative instruments recognized in OCI (effective portion) ¹		
Commodities	(3)	(3)
Interest rate	(19)	9
	(22)	6

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

Effect of fair value and cash flow hedging relationships

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

(unaudited - millions of Canadian \$)	three months ended March 31			
	Revenues (Power and Storage)		Interest Expense	
	2019	2018	2019	2018
Total Amount Presented in the Condensed Consolidated Statement of Income	336	675	(621)	(548)
Fair Value Hedges				
Interest rate contracts				
Hedged items	—	—	(6)	(20)
Derivatives designated as hedging instruments	—	—	(1)	—
Cash Flow Hedges				
Reclassification of gains/(losses) on derivative instruments from AOCI to net income ^{1,2}				
Interest rate contracts	—	—	4	5
Commodity contracts	—	(1)	—	—

1 Refer to Note 10, Other comprehensive (loss)/income and accumulated other comprehensive loss, for the components of OCI related to derivatives in cash flow hedging relationships including the portion attributable to non-controlling interests.

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

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Offsetting of derivative instruments

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

at March 31, 2019 (unaudited - millions of Canadian \$)	Gross derivative instruments	Amounts available for offset¹	Net amounts
Derivative instrument assets			
Commodities	322	(267)	55
Foreign exchange	18	(18)	—
Interest rate	8	(3)	5
	348	(288)	60
Derivative instrument liabilities			
Commodities	(301)	267	(34)
Foreign exchange	(111)	18	(93)
Interest rate	(26)	3	(23)
	(438)	288	(150)

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

at December 31, 2018 (unaudited - millions of Canadian \$)	Gross derivative instruments	Amounts available for offset¹	Net amounts
Derivative instrument assets			
Commodities	768	(626)	142
Foreign exchange	18	(18)	—
Interest rate	12	(4)	8
	798	(648)	150
Derivative instrument liabilities			
Commodities	(654)	626	(28)
Foreign exchange	(295)	18	(277)
Interest rate	(15)	4	(11)
	(964)	648	(316)

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

With respect to the derivative instruments presented above, the Company provided cash collateral of \$118 million and letters of credit of \$37 million as at March 31, 2019 (December 31, 2018 – \$143 million and \$22 million) to its counterparties. At March 31, 2019, the Company held no cash collateral and \$1 million in letters of credit (December 31, 2018 – nil and \$1 million) from counterparties on asset exposures.

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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, 2019, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was \$4 million (December 31, 2018 – \$6 million), for which the Company has provided no collateral in the normal course of business. If the credit-risk-related contingent features in these agreements were triggered on March 31, 2019, the Company would have been required to provide collateral of \$4 million (December 31, 2018 – \$6 million) to its counterparties. Collateral may also need to be provided should the fair value of derivative instruments exceed pre-defined contractual exposure limit thresholds.

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

FAIR VALUE HIERARCHY

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

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

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

at March 31, 2019 (unaudited - millions of Canadian \$)	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II)¹	Significant unobservable inputs (Level III)¹	Total
Derivative instrument assets				
Commodities	235	86	1	322
Foreign exchange	—	18	—	18
Interest rate	—	8	—	8
Derivative instrument liabilities				
Commodities	(229)	(67)	(5)	(301)
Foreign exchange	—	(111)	—	(111)
Interest rate	—	(26)	—	(26)
	6	(92)	(4)	(90)

¹ There were no transfers from Level II to Level III for the three months ended March 31, 2019.

at December 31, 2018 (unaudited - millions of Canadian \$)	Quoted prices in active markets (Level I)	Significant other observable inputs (Level II)¹	Significant unobservable inputs (Level III)¹	Total
Derivative instrument assets				
Commodities	581	187	—	768
Foreign exchange	—	18	—	18
Interest rate	—	12	—	12
Derivative instrument liabilities				
Commodities	(555)	(95)	(4)	(654)
Foreign exchange	—	(295)	—	(295)
Interest rate	—	(15)	—	(15)
	26	(188)	(4)	(166)

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

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

(unaudited - millions of Canadian \$)	three months ended March 31	
	2019	2018
Balance at beginning of period	(4)	(7)
Total losses included in Net income	—	(2)
Settlements	—	(9)
Balance at end of period¹	(4)	(18)

¹ For the three months ended March 31, 2019, Revenues included unrealized gains of less than \$1 million attributed to derivatives in the Level III category that were still held at March 31, 2019 (2018 – unrealized losses of \$11 million).

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13. Contingencies and guarantees

CONTINGENCIES

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

GUARANTEES

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

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

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

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

(unaudited - millions of Canadian \$)	Term	at March 31, 2019		at December 31, 2018	
		Potential exposure ¹	Carrying value	Potential exposure ¹	Carrying value
Sur de Texas	ranging to 2020	174	1	183	1
Bruce Power	ranging to 2021	88	—	88	—
Other jointly-owned entities	ranging to 2059	102	11	104	11
		364	12	375	12

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

14. Related party transactions

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

The following amounts are included in Due to affiliate:

(millions of Canadian \$)	Maturity Date	2019		2018	
		Outstanding March 31	Effective Interest Rate	Outstanding December 31	Effective Interest Rate
Credit Facility ¹	Demand	3,677	3.95%	3,617	3.95%

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

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In the three months ended March 31, 2019, Interest expense included \$35 million of interest charges as a result of inter-affiliate borrowing (March 31, 2018 – \$21 million).

At March 31, 2019, Accounts payable and other included \$7 million due to TransCanada (December 31, 2018 – \$19 million). In the three months ended March 31, 2019, the Company made interest payments of \$36 million to TransCanada (March 31, 2018 – \$21 million).

15. Variable interest entities

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

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

Consolidated VIEs

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

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

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(unaudited - millions of Canadian \$)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	69	45
Accounts receivable	69	79
Inventories	26	24
Other	9	13
	173	161
Plant, Property and Equipment	2,949	3,026
Equity Investments	847	965
Goodwill	444	453
Intangible and Other Assets	3	8
	4,416	4,613
LIABILITIES		
Current Liabilities		
Accounts payable and other	79	88
Accrued interest	31	24
Current portion of long-term debt	76	79
	186	191
Regulatory Liabilities	42	43
Other Long-Term Liabilities	4	3
Deferred Income Tax Liabilities	12	13
Long-Term Debt	3,003	3,125
	3,247	3,375

Non-Consolidated VIEs

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

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

(unaudited - millions of Canadian \$)	March 31, 2019	December 31, 2018
Balance sheet		
Equity investments	4,487	4,575
Off-balance sheet		
Potential exposure to guarantees	168	170
Maximum exposure to loss	4,655	4,745

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16. Subsequent Event

Long-term debt issuance

On April 10, 2019, TCPL issued \$1.0 billion of Medium Term Notes, due in October 2049, bearing interest at a fixed rate of 4.34 per cent.