



**TC PipeLines, LP**

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# NewsRelease

## **TC PipeLines, LP Reports 2001 Third Quarter Earnings and Declares Quarterly Distribution**

Calgary, Alberta – October 22, 2001 – (Nasdaq NM: TCLPZ) – TC PipeLines, LP (the Partnership) today announced 2001 third quarter net income of US\$11.0 million or US\$0.60 per unit. This represents a 10% increase compared to 2000 third quarter net income of US\$10.0 million or US\$0.55 per unit.

For the nine months ended September 30, 2001, the Partnership reported net income of US\$31.7 million or US\$1.75 per unit, an 18% increase compared to US\$26.9 million or US\$1.50 per unit from the same period last year.

The Partnership's 30% interest in Northern Border Pipeline Company contributed equity income of US\$10.7 million in the third quarter of 2001, compared to US\$10.3 million for the same period last year. During the third quarter of 2001, Northern Border Pipeline incurred lower operations and maintenance expenses (O&M expenses) compared to the third quarter of 2000, due to continuing efforts to manage these costs. This has resulted in a US\$0.9 million increase to third quarter 2001 equity income compared to the same period last year. Approximately one half of the O&M expense savings realized this quarter are expected to recur. The Partnership now expects that Northern Border Pipeline's O&M expense for the year 2001 will be approximately 15% lower than what was incurred in 2000.

In other operating expenses, Northern Border Pipeline recorded higher taxes other than income in the third quarter of 2001, reflecting current estimates for property taxes. This has resulted in a US\$0.6 million decrease in third quarter 2001 equity income compared to the same period last year, partially offsetting the O&M expense savings realized this quarter.

As with the first two quarters of this year, Northern Border Pipeline benefited from lower interest rates in the third quarter of 2001, resulting in a US\$1.1 million increase in equity income compared to the third quarter of 2000.

The overall increase in Northern Border Pipeline equity income in the third quarter of 2001 has been partially offset by the amount of US\$0.9 million, reflecting lower other (i.e. non-operating) income this quarter. In the third quarter of last year, Northern Border Pipeline filed a rate settlement agreement with the Federal Energy Regulatory Commission (FERC), which brought closure to several issues for which Northern Border Pipeline had previously recorded regulatory reserves. As a result, certain of these reserves were brought into other income in the third quarter of 2000. There is no comparable other income in the third quarter of 2001.

Tuscarora Gas Transmission Company continues to generate steady earnings for the Partnership, contributing equity income of US\$0.8 million in the third quarter of 2001. The Partnership acquired its 49% interest in Tuscarora on September 1, 2000 and recorded US\$0.2 million of equity income in the third quarter of 2000, reflecting one month's activity.

The Partnership incurred general and administrative expenses of US\$0.3 million in the third quarter of 2001, compared to US\$0.4 million incurred during the same period last year. The Partnership also incurred US\$0.2 million in financial charges for the third quarter of 2001, which is comprised primarily of interest expense under the Partnership's third party revolving credit facility. The Partnership drew on the revolving credit facility on September 1, 2000 to fund a portion of the Tuscarora acquisition and incurred US\$0.1 million of financial charges in the third quarter of 2000.

The board of directors of TC PipeLines GP, Inc., the general partner of TC PipeLines, LP, today declared the Partnership's third quarter cash distribution in the amount of US\$0.50 per unit. The third quarter cash distribution is payable on November 14, 2001 to unitholders of record as of October 31, 2001.

"In addition to achieving our earnings and cash distribution targets, the Partnership has reached another important milestone during the third quarter," said Ron Turner, President and Chief Executive Officer of the general partner. "We are very pleased that the extension and expansion of the Northern Border pipeline system has been completed and placed into service ahead of schedule. Project 2000 supports the Partnership's business strategy of connecting Canadian natural gas to new and growing natural gas consuming markets like northern Indiana. Project 2000 will enhance the Partnership's earnings by generating steady revenues that are underpinned with long-term contracts."

"Progress is also being made on Tuscarora's proposed expansion," continued Turner. "On September 27, 2001, Tuscarora received a preliminary determination from the FERC, approving the economic and public necessity portion of the application. This is a significant step in the approval process for the expansion."

In April 2001, Tuscarora filed an application with the FERC to expand the capacity of its pipeline system from 127 million cubic feet per day to approximately 220 million cubic feet per day. If approved, the Partnership expects construction to begin in early 2002. Commercial operations are expected to begin in late 2002 with the full incremental 93 million cubic feet per day of contracted volumes flowing by late 2003 when construction is completed. The US\$60 million expansion is supported by firm transportation contracts with terms ranging from ten to fifteen years.

"Despite the slowing of the economy, we believe the Partnership's outlook is very positive due to the stability of the earnings and cash flows generated by Northern Border Pipeline and Tuscarora," said Turner.

TC PipeLines plans to hold a teleconference tomorrow, October 23 commencing at 4:00 p.m. (eastern) to review the Partnership's 2001 third quarter financial results. Those interested in listening to the call can dial (800) 273-9672 .

A live web cast of the conference call will also be available through the Partnership's website at [www.tcpipelineslp.com](http://www.tcpipelineslp.com) in the "Newsroom" section, under "Presentations".

TC PipeLines, LP is a publicly held limited partnership. It owns a 30% interest in Northern Border Pipeline Company, a Texas general partnership, and a 49% interest in Tuscarora Gas Transmission Company, a Nevada general partnership. Northern Border Pipeline owns a 1,249-mile United States interstate pipeline system that transports natural gas from the Montana-Saskatchewan border to markets in the midwestern United States. Tuscarora owns a 229-mile United States interstate pipeline system that transports natural gas from Oregon, where it interconnects with facilities of PG&E National Energy Group, Gas Transmission Northwest, to northern Nevada. TC PipeLines, LP is managed by its general partner, TC PipeLines GP, Inc., a wholly owned subsidiary of TransCanada PipeLines Limited. Subsidiaries of TransCanada also hold common and subordinated units of the Partnership. Common units of TC PipeLines, LP are quoted on the Nasdaq Stock Market and trade under the symbol "TCLPZ". For more information about TC PipeLines, LP, visit the Partnership's website at [www.tcpipelineslp.com](http://www.tcpipelineslp.com).

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Media Inquiries:	Glenn Herchak / Kurt Kadatz	(403) 920-7848
Unitholder and Analyst Inquiries:	Theresa Jang Toll-free	(403) 920-2050 (877) 290-2772

This news release includes forward-looking statements regarding future events and the future financial performance of TC PipeLines, LP. All forward-looking statements are based on the Partnership's beliefs as well as assumptions made by and information currently available to the Partnership. When used herein, words such as "believes", "expects", "intends", "forecasts", "projects", and similar expressions, identify forward-looking statements within the meaning of the Securities Litigation Reform Act. These statements reflect the Partnership's current views with respect to future events and are subject to various risks, uncertainties and assumptions including regulatory decisions, particularly those of the Federal Energy Regulatory Commission, cost of acquisitions, future demand for natural gas, overcapacity in the industry, and prevailing economic conditions, particularly conditions of the capital and equity markets, and other risks discussed in detail in the Partnership's filings with the Securities and Exchange Commission, including the Partnership's Annual Report on Form 10-K for the year ended December 31, 2000. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statement. Except as required by applicable securities laws, TC PipeLines, LP does not intend to update these forward-looking statements.

## TC PipeLines, LP Financial Highlights

(unaudited) (in thousands except per unit amounts)	Third Quarter		Year-to-Date	
	2001	2000	2001	2000
Equity Income from Investment in Northern Border Pipeline Company <sup>[1]</sup>	10,662	10,288	30,918	27,735
Equity Income from Investment in Tuscarora Gas Transmission Company <sup>[2]</sup>	841	226	2,620	226
General and Administrative Expenses	(326)	(448)	(982)	(1,018)
Financial Charges	(205)	(86)	(828)	(86)
Net Income	10,972	9,980	31,728	26,857
Net Income per Unit <sup>[3]</sup>	\$0.60	\$0.55	\$1.75	\$1.50
Average Units Outstanding	17,500	17,500	17,500	17,500
Distributions Received from Equity Investments				
Northern Border Pipeline Company	10,478	10,155	31,439	29,451
Tuscarora Gas Transmission Company	826	1,499	1,650	1,499
Cash Flows from Operating Activities	10,996	11,534	31,232	30,168

<sup>[1]</sup> TC PipeLines holds a 30% general partner interest in Northern Border Pipeline. Summarized operating and financial information of Northern Border Pipeline for the three and nine months ended September 30, 2001 and 2000 is as follows:

### Northern Border Pipeline Company

(unaudited)	Third Quarter		Year-to-Date	
	2001	2000	2001	2000
<u>Operating Results</u>				
Gas Delivered (million cubic feet)	203,192	212,670	619,470	636,036
Average Throughput (million cubic feet per day)	2,277	2,377	2,336	2,391
<u>Financial Results (in millions)</u>				
Operating Revenue	77.9	78.3	231.9	231.8
Operating Expenses				
Operations and Maintenance	7.2	10.0	24.7	30.0
Depreciation and Amortization	14.2	14.3	42.9	43.6
Taxes other than Income	8.4	6.4	19.2	21.7
Total Operating Expenses	29.8	30.7	86.8	95.3
Operating Income	48.1	47.6	145.1	136.5
Interest Expense, Net	(12.7)	(16.4)	(41.5)	(49.1)
Other Income	0.2	3.1	(0.5)	5.0
Net Income	35.6	34.3	103.1	92.4
<u>Capital Expenditures (in millions)</u>				
Maintenance	1.5	2.4	4.8	3.9
Growth	34.0	1.0	46.3	3.3

<sup>[2]</sup> TC PipeLines has held a 49% general partner interest in Tuscarora Gas Transmission Company since September 1, 2000. Summarized operating and financial information of Tuscarora for the three and nine months ended September 30, 2001 and 2000 is as follows:

<u>Tuscarora Gas Transmission Company</u> (unaudited)	Third Quarter		Year-to-Date	
	2001	2000	2001	2000
<u>Operating Results</u>				
Gas Delivered (million cubic feet)	3,434	4,846	15,334	16,373
Average Throughput (million cubic feet per day)	37	53	56	60
<u>Financial Results</u> (in millions)				
Operating Revenue	5.3	4.8	15.8	14.5
Operating Expenses				
Operations, Maintenance & Administrative	0.4	0.4	1.1	1.1
Depreciation and Amortization	1.2	1.1	3.5	3.3
Taxes other than Income	0.3	0.3	0.8	0.7
Total Operating Expenses	1.9	1.8	5.4	5.1
Operating Income	3.4	3.0	10.4	9.4
Interest Expense, Net	(1.5)	(1.5)	(4.7)	(4.5)
Other Income	-	0.1	0.3	0.2
Net Income	1.9	1.6	6.0	5.1
<u>Capital Expenditures</u> (in millions)				
Maintenance	-	0.1	0.1	0.1
Growth	1.8	1.9	5.1	2.5

<sup>[3]</sup> Net income per unit is computed by dividing net income, after deduction of the general partners' allocation, by the number of common and subordinated units outstanding.