

## Fourth Quarter 2017 Conference Call

February 23, 2018



**TC PipeLines, LP  
Fourth Quarter 2017 Conference Call**

**Brandon Anderson, President**

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## Forward Looking Information and Non-GAAP Measures

This presentation may include forward-looking statements regarding future events and the future financial performance of TC PipeLines, LP. Words such as “believes,” “expects,” “intends,” “forecasts,” “projects,” and similar expressions identify forward-looking statements. All forward-looking statements are based on the Partnership’s current beliefs as well as assumptions made by and information currently available to the Partnership. These statements reflect the Partnership’s current views with respect to future events. The Partnership assumes no obligation to update any such forward-looking statement to reflect events or circumstances occurring after the date hereof. Important factors that could cause actual results to materially differ from the Partnership’s current expectations include our ability to identify, negotiate and finance potential business opportunities, market conditions, and other risks inherent in an investment in us as discussed 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, 2017.

We use the non-GAAP financial measures “EBITDA” and “Distributable cash flow” as a supplement to our GAAP financial statements. “EBITDA” is an approximate measure of our operating cash flow during the current earnings period. “Distributable cash flow” provides a measure of distributable cash generated during the current earnings period. These measures are performance measures presented to assist investors in the evaluation of our business performance. We believe these measures provide additional meaningful information in evaluating our financial performance and cash generating capacity. These non-GAAP financial measures are provided as a supplement to GAAP financial results and are not meant to be considered in isolation or as a substitute for financial results prepared in accordance with GAAP. The reconciliations of these measures to the most directly comparable GAAP measure, Net Income, are available on our website under the supplemental schedules published as part of our quarterly earnings releases. These measures do not have any standardized meaning prescribed by GAAP. They are, therefore, considered to be non-GAAP measures and are unlikely to be comparable to similarly titled measures presented by other entities.

## 2017 Fourth Quarter and Annual Highlights

- Net income attributable to controlling interests of \$66 million in the fourth quarter and \$252 million for the year
- Distributable cash flow of \$72 million in the fourth quarter and \$310 million for the year
- Cash distributions paid of \$74 million or \$1.00 per common unit in the fourth quarter and \$284 million for the year
- Declared 2017 fourth quarter cash distribution of \$1.00 per common unit
- Rate case progress and commercial contracting

## Partnership and Market Update

- **Strong market fundamentals result in long-term contracting**
  - Strong WCSB supply driving high utilization rates; long-term firm contracts
    - **Northern Border** revenues substantially contracted through the end of 2020
    - **Great Lakes'** 711,000 Dth/day long-term contract with TransCanada commenced November 1
    - **GTN** revenues supported by long-term firm transportation contracts
      - Successful open seasons resulted in the sale of all available firm capacity beginning mid-2020
      - Coincides with capacity additions on upstream pipelines
    - Certificated capacity at **PNGTS** increased by ~25 percent to 210,000 Dth/day effective December 1 to accommodate new C2C contracts which mature in 2032
- **Continued solid performance from our portfolio of assets in Q4**
  - Consistent fourth quarter financial performance from all of our assets compared to fourth quarter 2016
  - High pipeline utilization rates resulting in increased investment in pipeline integrity/maintenance
    - Adds to future rate base and return

## Partnership Outlook

- **Expect our assets to perform well due to high contract levels, positive market fundamentals and regulatory stability**
- **Continued high rates of utilization may require somewhat higher levels of investment in maintenance compared to recent years**
- **Progressing opportunities for recontracting and expansion on our pipelines and seeking out further benefits from upstream debottlenecking activities**
  - Opportunities to contract remaining interruptible and seasonal capacity on **GTN** and **Northern Border**
  - Potential for **Great Lakes** to benefit from TransCanada's continued efforts to connect WCSB natural gas to markets in the Mid-West and further east
  - **PNGTS** expansion with its Portland XPress Project

## Fourth Quarter 2017 Financial Results

*(unaudited, millions of dollars except per common unit amounts)*

	Three months ended		Twelve months ended	
	31-Dec		31-Dec	
	2017	2016	2017	2016
Net income attributable to controlling interests	66	61 <sup>(a)</sup>	252	248 <sup>(a)</sup>
Net income per common unit – <i>basic and diluted</i> <sup>(b)</sup>	\$0.77	\$0.70 <sup>(c)</sup>	\$3.16	\$3.21 <sup>(c)</sup>
Cash distributions paid	(74)	(66)	(284)	(250)
Class B distributions paid	-	-	(22)	(12)
Cash distributions declared per common unit	\$1.00	\$0.94	\$3.94	\$3.71
EBITDA <sup>(d)</sup>	117	108 <sup>(a)</sup>	445	433 <sup>(a)</sup>
Distributable cash flow <sup>(d)</sup>	72	68 <sup>(a)</sup>	310	313 <sup>(a)</sup>
Weighted average common units outstanding <i>(millions)</i> <sup>(e)</sup>	70.0	67.0	69.2	65.7
Common units outstanding, end of period <i>(millions)</i> <sup>(e)</sup>	70.6	67.4	70.6	67.4

(a) Recast information to consolidate PNGTS for all periods presented as a result of the additional 11.81 percent interest in PNGTS that was acquired from TransCanada on June 1, 2017, increasing the Partnership's ownership in PNGTS to 61.71 percent (2017 Acquisition). Prior to this transaction, the Partnership owned a 49.9 percent interest in PNGTS that was acquired from TransCanada on January 1, 2016.

(b) Net income per common unit is computed by dividing net income attributable to controlling interests, after deduction of net income attributed to PNGTS' former parent and amounts attributable to the General Partner and Class B units, by the weighted average number of common units outstanding.

(c) Net income per common unit prior to recast.

(d) Distributable cash flow and EBITDA are non-GAAP financial measures. The reconciliations of these measures to the most directly comparable GAAP measure, Net Income, are available on our website under the supplemental schedules published as part of our fourth quarter earnings release.

(e) Under the ATM program, the Partnership issued 953,430 and 3,118,592 units during the three and twelve months ended December 31, 2017, respectively.

## Fourth Quarter 2017 Financial Results

(unaudited, millions of dollars)

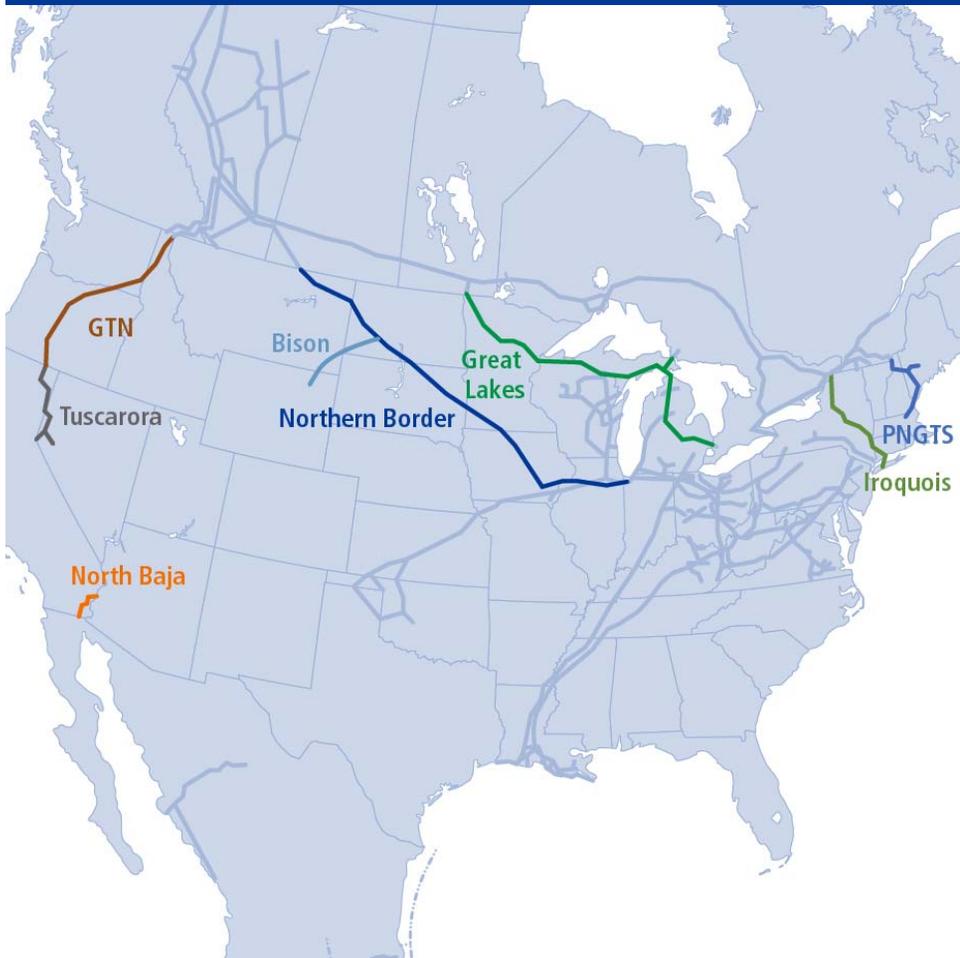
	Three months ended		Twelve months ended	
	31-Dec		31-Dec	
	2017	2016 <sup>(a)</sup>	2017	2016 <sup>(a)</sup>
Transmission revenues	109	111	422	426
Equity earnings	37	22	124	97
Operating, maintenance and administrative	(29)	(25)	(103)	(92)
Depreciation	(24)	(25)	(97)	(96)
Financial charges and other	(23)	(18)	(82)	(71)
<b>Net income</b>	<b>70</b>	<b>65</b>	<b>264</b>	<b>264</b>
Income taxes	-	-	(1)	(1)
<b>Net income attributable to non-controlling interests</b>	<b>4</b>	<b>4</b>	<b>11</b>	<b>15</b>
<b>Net income attributable to controlling interests</b>	<b>66</b>	<b>61</b>	<b>252</b>	<b>248</b>

(a) Financial information was recast to consolidate PNGTS for all periods presented. Prior to the recast associated with the 2017 Acquisition, our net income attributable to controlling interests was \$60 million and \$244 million for the three and twelve months ended December 31, 2016, respectively, reflecting our 49.9 percent ownership in PNGTS. After the recast, net income attributable to controlling interests was \$61 million and \$248 million for the three and twelve months ended December 31, 2016, respectively, reflecting our 61.7 percent ownership in PNGTS. Net income attributable to PNGTS' former parent of \$1 million and \$4 million, reflecting the 11.81 percent interest not then owned by the Partnership, for the three and twelve months ended December 31, 2016, respectively, reconciles the net income as previously reported with that after the recast.

## Solid Financial Position

- **Investment grade credit ratings**
  - Solid capital structure
  - Indicative of quality assets within portfolio
- **Liquidity and flexibility**
  - Credit facility of \$500 million; \$330 million available as at February 23, 2018
  - Right to request increase in credit facility by \$500 million
- **Solid distribution coverage**

## TC PipeLines – Well Positioned for Growth



### Stable cash flow from pipeline asset base

- Reliable and resilient infrastructure

### Disciplined investment approach

- Focused on optimizing the value of existing portfolio
- Execution of business opportunities within our footprint

### Potential dropdowns from TransCanada

- Dropdown acquisition of 49.3% interest in Iroquois and 11.8% interest in PNGTS from TransCanada was completed on June 1, 2017
- TransCanada views TC PipeLines as a core element of its strategy and a meaningful financing option as it executes its large capital growth program

## TC PipeLines, LP - Investment Proposition



### Track Record of Stable and Growing Cash Distributions

- 18 consecutive years of distribution increases
- 6% increase in quarterly distribution in July, 2017



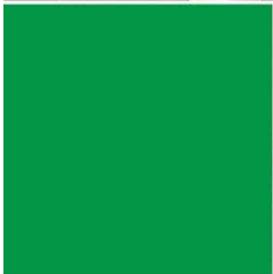
### Low-Risk Energy Infrastructure Assets

- Diverse portfolio of FERC-regulated interstate natural gas pipelines
- Substantially backed by long-term, ship-or-pay contracts with strong counterparties
- Investment grade credit ratings



### Growth Opportunities

- MLP of industry leader TransCanada Corporation
- Dropdowns from TransCanada and organic expansion opportunities could provide future growth



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