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# Quarterly Report

## TC PipeLines, LP

Three Months Ended March 31, 2000

### FINANCIAL HIGHLIGHTS

	Three months ended March 31, 2000
<i>(thousands of dollars, except per unit amounts)</i>	
Equity income	8,623
Net income	8,344
Net income per unit	\$0.47
Cash distributions per unit	\$0.45
Units outstanding (thousands)	
Common units	14,691
Subordinated units	2,809
	<hr/> 17,500



**TC PipeLines, LP**

203, 110 Turnpike Road  
Westborough, Massachusetts 01581

**MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE GENERAL PARTNER**

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**Results of Operations**

For the first quarter of 2000, TC PipeLines, LP (TC PipeLines or the Partnership) reported net income of \$8.3 million or \$0.47 per unit. The Partnership's 30% general partner interest in Northern Border Pipeline Company (Northern Border Pipeline) generated equity income in the amount of \$8.6 million for the same period.

As expected, Northern Border Pipeline's net income for the first quarter of 2000 decreased by approximately 5% when compared to net income for the same period last year. The rate base on which Northern Border Pipeline earns its return was lower on average in the first quarter of 2000 due to an increase in Northern Border Pipeline's depreciation rate, as stipulated in its 1995 rate case settlement. Despite the decrease in Northern Border Pipeline's net income when compared to the first quarter of 1999, operating cash flow in the first quarter of 2000 increased when compared to the same period last year due to the non-cash nature of depreciation expense.

**Cash Distributions**

On April 17, 2000, the board of directors of TC PipeLines GP, Inc., the general partner of TC PipeLines, declared TC PipeLines' first quarter cash distribution in the amount of \$0.45 per unit. This distribution, which amounts to \$8.0 million, will be paid on May 15, 2000 to unitholders of record on April 28, 2000. This is the fourth consecutive period in which the Partnership has met its targeted cash distribution level.

**Project 2000**

On March 17, 2000, TC PipeLines announced that the Federal Energy Regulatory Commission (FERC) had voted to approve Northern Border Pipeline's application for Project 2000, the proposed expansion and 34.4 mile extension of Northern Border's pipeline system into northern Indiana. We are pleased to report that Northern Border Pipeline has now accepted the FERC certificate and executed firm service agreements with the project customers. When completed, Project 2000 is expected to add approximately \$94 million to Northern Border Pipeline's rate base and will extend the pipeline system's reach into a new and growing natural gas consuming market.

**Business Development**

I would like to take this opportunity to bring you up to date on our ongoing evaluation of potential acquisition candidates. Since the Partnership commenced operations in May 1999, we have been working diligently to identify and evaluate acquisition candidates. Over the course of this past year we have completed in-depth analyses of several potential candidates with the goal of

identifying those that we believe would fit within TC PipeLines' strategic plan and add value to our unitholders. Since the beginning of this year, we have made significant progress in this area and are now focusing our efforts on one particular acquisition candidate. While we can make no assurances that we will be able to complete this acquisition, our goal continues to be the completion of an accretive acquisition in the near term.

On behalf of TC PipeLines, LP,



Garry P. Mihaichuk  
President and Chief Executive Officer  
TC PipeLines GP, Inc.  
May 10, 2000

#### **Information Regarding Forward-Looking Statements**

Certain statements in this message are forward-looking and relate to, among other things, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate," "believe," "estimate," "expect," "plan," "target," or similar words suggesting future outcomes. By their nature, such statements are subject to various risks and uncertainties that could cause TC PipeLines, LP's actual results and experience to differ materially from the anticipated results. Such risks and uncertainties include, but are not limited to: regulatory decisions, particularly those of the Federal Energy Regulatory Commission; future demand for natural gas; cost of acquisitions, including related debt service payments; tariff and transportation charges to be collected by Northern Border Pipeline for transportation services on the Northern Border pipeline system; overcapacity in the industry; and prevailing economic conditions, particularly conditions of the capital and equity markets. TC PipeLines, LP cannot give any assurance that the Partnership will be able to complete any future acquisitions on economically and operationally acceptable terms and that any future acquisitions will not be dilutive to earnings and operating surplus. For further information on additional risks and uncertainties, you are advised to consult TC PipeLines, LP's 1999 Form 10-K under the heading "Forward-Looking Information."

**STATEMENT OF INCOME***(unaudited)**(thousands of dollars, except per unit amount)***Three months ended  
March 31, 2000**

<b>Equity Income from Investment in Northern Border Pipeline Company</b>	<b>8,623</b>
<b>General and Administrative Expenses</b>	<b>279</b>
<b>Net Income</b>	<b>8,344</b>
<b>Net Income Allocation</b>	
Common units	6,864
Subordinated units	1,313
General partner	167
	<b>8,344</b>
<b>Net Income per Unit</b>	<b>\$0.47</b>
<b>Units Outstanding (thousands)</b>	<b>17,500</b>

**BALANCE SHEET***(thousands of dollars)***March 31, 2000***(unaudited)*

December 31, 1999

**Assets**

Cash	1,654	795
Investment in Northern Border Pipeline Company	249,812	250,450
	<b>251,466</b>	251,245

**Liabilities and Partners' Capital****Current Liabilities**

Accounts payable	320	407
	<b>320</b>	407

**Partners' Capital**

Common units	208,827	208,573
Subordinated units	37,296	37,248
General partner	5,023	5,017
	<b>251,146</b>	250,838
	<b>251,466</b>	251,245

See accompanying Notes to Condensed Financial Statements.

**STATEMENT OF CASH FLOWS***(unaudited)**(thousands of dollars)***Three months ended  
March 31, 2000****Cash Generated from Operations**

Net income	8,344
Add/(Deduct):	
Distributions received in excess of equity income	638
Increase in operating working capital	(87)
	<u>8,895</u>
<b>Financing Activities</b>	
Distributions paid	(8,036)
	<u>(8,036)</u>
<b>Increase in Cash</b>	<b>859</b>
<b>Cash, Beginning of period</b>	<b>795</b>
<b>Cash, End of period</b>	<b>1,654</b>

*See accompanying Notes to Condensed Financial Statements.***NOTES TO CONDENSED FINANCIAL STATEMENTS** (unaudited)

For the Three Months Ended March 31, 2000

**Note 1 Basis of Presentation**

TC PipeLines, LP, a Delaware limited partnership, and its subsidiary limited partnership, TC PipeLines Intermediate Limited Partnership, a Delaware limited partnership, are collectively referred to herein as TC PipeLines or the Partnership.

The financial statements have been prepared by management in accordance with United States generally accepted accounting principles. Amounts are stated in United States dollars.

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these financial statements requires the use of estimates and assumptions which have been made using careful judgment. In the opinion of management, these financial statements have been properly prepared within reasonable limits of materiality and include all adjustments (consisting primarily of normal recurring accruals) necessary to present fairly the financial position of the Partnership as at March 31, 2000 and December 31, 1999 and the results of operations and cash flows for the three months ended March 31, 2000.

The results of operations for the three months ended March 31, 2000 are not necessarily indicative of the results that may be expected for a full fiscal year.

**Note 2 Formation of Partnership**

The Partnership commenced operations on May 28, 1999 when it issued 14,500,000 common units (11,500,000 to the public and 2,800,000 to an affiliate of the general partner) for net proceeds of \$274.6 million, after

deducting underwriters' fees of \$15.0 million. These proceeds, along with 3,200,000 subordinated units, a 2% general partner interest and incentive distribution rights, were issued to TransCanada Border PipeLine Ltd. and TransCan Northern Ltd. (collectively, the predecessor companies), affiliates of the general partner, to acquire the predecessor companies' 30% general partner interest in Northern Border Pipeline Company.

On June 25, 1999, the underwriters exercised a portion of their over-allotment option under the terms of the underwriting agreement and purchased 390,694 additional common units for net proceeds of \$7.5 million. The Partnership used those proceeds to redeem 390,694 subordinated units from the general partner.

The common units and the subordinated units represent limited partner interests in the Partnership. During the period which subordinated units are outstanding (the subordination period), to the extent there is sufficient available cash, the holders of common units are entitled to receive a minimum quarterly distribution (MQD), plus any arrearages on the common units, before any distribution is made to the holders of subordinated units. The holders of subordinated units will have the right to receive the MQD only after the common units have received the MQD plus any arrearages in payment of the MQD. The subordinated units are not entitled to arrearages. Upon expiration of the subordination period, which will generally not occur before June 30, 2004, the subordinated units will convert into common units on a one-for-one basis and will then participate pro rata with the other common units in distributions of available cash.

The holder of the general partner interest is entitled to receive 2% of total cash distributions until the MQD has been achieved, at which time it will have the right to receive incentive distributions. Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash after the MQD has been achieved.

### Note 3 Investment in Northern Border Pipeline Company

The Partnership owns a 30% general partner interest in Northern Border Pipeline Company (Northern Border Pipeline), a partnership which owns a natural gas pipeline extending from the Montana-Saskatchewan border near Port of Morgan, Montana, to a terminus near Manhattan, Illinois. Northern Border Pipeline is subject to regulation by the Federal Energy Regulatory Commission. Northern Border Pipeline's accounting policies conform to United States generally accepted accounting principles, as applied in the case of regulated entities.

The Partnership uses the equity method of accounting for its investment in Northern Border Pipeline, over which it is able to exercise significant influence. TC PipeLines' equity income for the three months ended March 31, 2000 represents 30% of the net income of Northern Border Pipeline for the same period.

The following sets out summarized financial information for Northern Border Pipeline for the three months ended March 31, 2000 and as at March 31, 2000 and December 31, 1999. TC PipeLines has held its general partner interest since May 28, 1999.

*(unaudited)*

*(millions of dollars)*

**Three months ended  
March 31, 2000**

#### Northern Border Pipeline Income Statement

Revenues	76.2
Costs and expenses	(16.8)
Depreciation	(14.8)
Financial charges and other	(15.9)
Net income	28.7

<i>(millions of dollars)</i>	<b>March 31, 2000</b> <i>(unaudited)</i>	December 31, 1999
<b>Northern Border Pipeline Balance Sheet</b>		
Cash and cash equivalents	<b>39.4</b>	17.3
Other current assets	<b>38.4</b>	33.8
Plant, property and equipment, net	<b>1,713.6</b>	1,731.4
Other assets	<b>14.0</b>	14.2
Current liabilities	<b>(113.1)</b>	(116.7)
Reserves and deferred credits	<b>(10.5)</b>	(10.7)
Long-term debt	<b>(849.1)</b>	(834.5)
Partners' capital	<b>832.7</b>	834.8

**Note 4 Credit Facility**

On May 28, 1999, the Partnership entered into a \$40 million unsecured two-year revolving credit facility with TransCanada PipeLine USA Ltd., an affiliate of the general partner. At March 31, 2000, the Partnership had no amount outstanding under this credit facility.

**Note 5 Net Income per Unit**

Net income per unit is computed by dividing net income, after deduction of the general partner's allocation, by the number of common and subordinated units outstanding.

**Common units of TC PipeLines, LP are quoted on the Nasdaq National Market and trade under the symbol "TCLPZ". Visit TC PipeLines, LP's Internet site at [www.tcpipelineslp.com](http://www.tcpipelineslp.com).**

**TC PipeLines, LP welcomes questions from unitholders and potential investors. Please telephone: Investor Relations at 1-877-290-2772 (toll-free) or Theresa Jang at (403) 290-7485. Media Contact: Glenn Herchak at (403) 267-6299.**