TC PipeLines, LP

2001 QUARTERLY REPORT

SECOND QUARTER REPORT

Financial Highlights

(unaudited) (thousands of dollars, except per unit amounts)	Three months ended June 30 **2001**	 2000	Six months ended June 30 **2001**	 2000
Income Statement				
Net income	**9,793**	8,533	**20,756**	16,877
Net income per unit	**$0.54**	$0.48	**$1.15**	$0.95
Cash Flow				
Cash flow from equity investments	**12,365**	10,035	**21,785**	19,296
Cash distributions paid	**8,550**	8,035	**17,100**	16,071
Cash distributions declared per unit [1]	**$0.50**	$0.45	**$0.975**	$0.90

[1] Cash distributions are paid within 45 days after the end of each quarter.

Message from the President and Chief Executive Officer of the General Partner

Results of Operations

TC PipeLines, LP (the Partnership) reported net income of $9.8 million or $0.54 per unit for the second quarter of 2001, a 15% increase compared to 2000 second quarter net income of $8.5 million or $0.48 per unit.

For the six months ended June 30, 2001, the Partnership reported net income of $20.7 million or $1.15 per unit, an increase of $3.8 million or $0.20 per unit from the same period last year.

The Partnership's 30% interest in Northern Border Pipeline contributed equity income of $9.5 million in the second quarter of 2001, a $0.7 million or 8% increase from the same period last year. Northern Border Pipeline's aggressive cost management program has resulted in a 15% reduction in operations and maintenance expenses in the second quarter of 2001 compared to the same period last year, increasing the Partnership's equity income. Lower interest expense incurred by Northern Border Pipeline, driven by lower interest rates, also contributed to the increased equity income. These increases were partially offset by Northern Border Pipeline's write-off of all receivables outstanding from a telecommunications company that has declared bankruptcy. The telecommunications company had been purchasing excess capacity on the microwave communications system of Northern Border Pipeline.

The Partnership's 49% interest in Tuscarora Gas Transmission Company contributed equity income of $0.9 million in the second quarter of 2001. The Partnership is benefiting from incremental revenues being generated from the Hungry Valley lateral, Tuscarora's 14-mile extension that was placed into service in late January 2001. As the Partnership acquired its interest in Tuscarora in September 2000, there is no comparative equity income from Tuscarora reflected in the Partnership's 2000 second quarter earnings.

The Partnership incurred general and administrative expenses of $0.3 million during the second quarter of 2001, which approximates the expenses incurred for the same period last year. The Partnership also incurred net financial charges of $0.3 million in the second quarter of 2001, which is comprised primarily of interest expense under the Partnership's revolving credit facility.

The Partnership has had a very strong second quarter, with solid results underpinned by two assets that are performing very well. Our outlook for the remainder of the year is very positive, as we expect both Northern Border Pipeline and Tuscarora to continue to generate favorable earnings and cash flows. This expectation is reflected in our recently announced increase in quarterly cash distribution.

Quarterly Cash Distribution for Second Quarter 2001

On July 18, 2001, the board of directors of TC PipeLines GP, Inc., the Partnership's general partner, declared the Partnership's second quarter cash distribution in the amount of $0.50 per unit, a $0.025 per unit increase from the previous quarter's distribution level. This distribution, which amounts to $9.1 million, will be paid on August 14, 2001 to unitholders of record on July 31, 2001.

Northern Border Pipeline's Project 2000

We are very pleased with the progress that Northern Border Pipeline continues to make on Project 2000, the planned expansion and 34-mile extension into northern Indiana. We expect Project 2000 to be completed on or before the targeted in-service date of November 1, 2001 at a cost that is well below the $94 million capital budget, provided there is no delay in construction due to prolonged inclement weather. The new extension has a design capacity of 544 million cubic feet per day, which is fully contracted under long-term transportation agreements.

Tuscarora's Proposed Expansion

As we reported last quarter, Tuscarora filed an application with the Federal Energy Regulatory Commission (FERC) in April 2001 to construct the facilities necessary to expand its system from its current capacity of approximately 124 million cubic feet per day to approximately 220 million cubic feet per day. The projected cost of the expansion is estimated to be approximately $60 million and, if approved and constructed, is expected to be ready for service in late 2002. The certificate application is currently proceeding through the normal FERC process.

On behalf of TC PipeLines, LP,

Ronald J. Turner
President and Chief Executive Officer
TC PipeLines GP, Inc.
August 8, 2001

Information Regarding Forward-Looking Statements

This quarterly report 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.

Statement of Income

(unaudited) (thousands of dollars, except per unit amounts)	Three months ended June 30 **2001**	 2000	Six months ended June 30 **2001**	 2000
Equity Income from Investment in Northern Border Pipeline Company	**9,489**	8,824	**20,256**	17,447
Equity Income from Investment in Tuscarora Gas Transmission Company	**868**	-	**1,779**	-
General and Administrative Expenses	**(299)**	(291)	**(656)**	(570)
Financial Charges	**(265)**	-	**(623)**	-
Net Income	**9,793**	8,533	**20,756**	16,877
Net Income Allocation				
Common units	**7,935**	7,020	**16,882**	13,884
Subordinated units	**1,517**	1,342	**3,228**	2,655
General partner	**341**	171	**646**	338
	9,793	8,533	**20,756**	16,877
Net Income per Unit	**$0.54**	$0.48	**$1.15**	$0.95
Units Outstanding (thousands)	**17,500**	17,500	**17,500**	17,500

Balance Sheet

(thousands of dollars)	**June 30, 2001 (unaudited)**	December 31, 2000
Assets		
Current Assets		
Cash	**4,657**	1,566
Investment in Northern Border Pipeline Company	**252,779**	248,098
Investment in Tuscarora Gas Transmission Company	**28,836**	27,881
Deferred Amounts	**45**	-
	286,317	277,545
Liabilities and Partners' Capital		
Current Liabilities		
Accounts payable	**276**	499
Accrued interest	**94**	141
	370	640
Long-Term Debt	**21,500**	21,500
Partners' Capital		
Common units	**215,179**	212,253
Subordinated units	**38,512**	37,951
General partner	**5,370**	5,201
Accumulated other comprehensive income	**5,386**	-
	264,447	255,405
	286,317	277,545

See accompanying Notes to Condensed Financial Statements.

Statement of Cash Flows

(unaudited) (thousands of dollars)	Six months ended June 30 **2001**	 2000
Cash Generated from Operations		
Net income	**20,756**	16,877
Add/(Deduct):		
Equity income (in excess of) /less than distributions received	**(250)**	1,849
Increase in operating working capital	**(270)**	(92)
	20,236	18,634
Investing Activities		
Deferred amounts	**(45)**	(45)
	(45)	(45)
Financing Activities		
Distributions paid	**(17,100)**	(16,071)
	(17,100)	(16,071)
Increase in Cash	**3,091**	2,518
Cash, Beginning of Period	**1,566**	795
Cash, End of Period	**4,657**	3,313

See accompanying Notes to Condensed Financial Statements.

Notes to Condensed Financial Statements
(unaudited)

Note 1 Basis of Presentation

TC PipeLines, LP, and its subsidiary limited partnerships, TC PipeLines Intermediate Limited Partnership, and TC Tuscarora Intermediate Limited Partnership, all Delaware limited partnerships, are collectively referred to herein as TC PipeLines or the Partnership. The Partnership commenced operations on May 28, 1999.

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 results of operations for the three and six months ended June 30, 2001 and 2000, the financial position as at June 30, 2001 and December 31, 2000, and the cash flows for the six months ended June 30, 2001 and 2000.

The results of operations for the three and six months ended June 30, 2001 and 2000 are not necessarily indicative of the results that may be expected for a full fiscal year. The interim financial statements should be read in conjunction with the Partnership's financial statements and notes included in TC PipeLines' Annual Report on Form 10-K for the year ended December 31, 2000.

Note 2 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 1,214-mile interstate natural gas pipeline system extending from the Montana-Saskatchewan border near Port of Morgan, Montana, to a terminus near Manhattan, Illinois. Northern Border Pipeline is regulated by the Federal Energy Regulatory Commission (FERC).

TC PipeLines uses the equity method of accounting for its investment in Northern Border Pipeline. TC PipeLines' equity income for each of the three and six months ended June 30, 2001 and 2000 represents 30% of the net income of Northern Border Pipeline for the same periods. The following sets out summarized financial information representing 100% of the operations of Northern Border Pipeline for the three and six months ended June 30, 2001 and 2000 and as at June 30, 2001 and December 31, 2000.

(unaudited)	Three months ended June 30		Six months ended June 30	
(millions of dollars)	**2001**	2000	**2001**	2000
Northern Border Pipeline Income Statement				
Revenues	**77.0**	77.3	**154.0**	153.6
Costs and expenses	**(16.0)**	(18.5)	**(28.3)**	(35.3)
Depreciation	**(14.3)**	(14.5)	**(28.7)**	(29.4)
Financial charges	**(13.7)**	(16.4)	**(28.8)**	(32.7)
Other income/(expense)	**(1.4)**	1.5	**(0.7)**	1.9
Net income	**31.6**	29.4	**67.5**	58.1

Northern Border Pipeline has recorded other comprehensive income of $5.2 million and $18.0 million for the three and six months ended June 30, 2001.

(millions of dollars)	**June 30, 2001 (unaudited)**	December 31, 2000
Northern Border Pipeline Balance Sheet		
Assets		
Cash and cash equivalents	**16.0**	29.0
Other current assets	**31.8**	38.1
Plant, property and equipment, net	**1,674.7**	1,687.0
Other assets	**21.7**	14.4
	1,744.2	1,768.5
Liabilities and Partners' Equity		
Current liabilities	**554.4**	114.3
Reserves and deferred credits	**5.0**	4.9
Long-term debt	**342.2**	822.3
Partners' Equity		
Partners' capital	**824.6**	827.0
Accumulated other comprehensive income	**18.0**	-
	1,744.2	1,768.5

Note 3 Investment in Tuscarora Gas Transmission Company

On September 1, 2000, TC PipeLines acquired a 49% general partner interest in Tuscarora Gas Transmission Company (Tuscarora). Tuscarora owns a 229-mile interstate natural gas pipeline system extending from Oregon, where it interconnects with facilities of PG&E National Energy Group, Gas Transmission Northwest, to northern Nevada. Tuscarora is regulated by the FERC.

The Partnership uses the equity method of accounting for its investment in Tuscarora. TC PipeLines' equity income for the three and six months ended June 30, 2001 represents 49% of the net income of Tuscarora for the same periods. The following sets out summarized financial information representing 100% of the operations of Tuscarora for the three and six months ended June 30, 2001 and as at June 30, 2001 and December 31, 2000.

(unaudited) (millions of dollars)	Three months ended **June 30, 2001**	Six months ended **June 30, 2001**
Tuscarora Income Statement		
Revenues	**5.3**	**10.5**
Costs and expenses	**(0.6)**	**(1.2)**
Depreciation	**(1.2)**	**(2.3)**
Financial charges	**(1.6)**	**(3.1)**
Other income	**0.1**	**0.2**
Net income	**2.0**	**4.1**

(millions of dollars)	**June 30, 2001 (unaudited)**	December 31, 2000
Tuscarora Balance Sheet		
Assets		
Cash and cash equivalents	**4.5**	7.1
Other current assets	**2.7**	3.2
Plant, property and equipment, net	**116.5**	115.7
Other assets	**2.2**	2.5
	125.9	128.5
Liabilities and Partners' Capital		
Current liabilities	**5.4**	8.9
Reserves and deferred credits	**14.1**	12.0
Long-term debt	**82.1**	84.2
Partners' capital	**24.3**	23.4
	125.9	128.5

Note 4 Credit Facilities and Long-Term Debt

On August 22, 2000, the Partnership entered into an unsecured three-year credit facility (Revolving Credit Facility) with Bank One, NA, as agent, under which the Partnership may borrow up to an aggregate principal amount of $30 million. Loans under the Revolving Credit Facility bear interest at a floating rate. The Revolving Credit Facility matures on August 31, 2003. Amounts borrowed may be repaid in part or in full prior to that time without penalty. The Revolving Credit Facility may be used to finance capital expenditures and for other general purposes. On September 1, 2000, the Partnership borrowed $24.5 million under the Revolving Credit Facility to fund a portion of the purchase price of the 49% general partner interest in Tuscarora. At June 30, 2001, the Partnership had borrowings of $21.5 million outstanding under the Revolving Credit Facility at an interest rate of 4.935%. The fair value of the Revolving Credit Facility approximates its carrying value.

On May 28, 2001, the Partnership renewed its $40 million unsecured two-year revolving credit facility (TransCanada Credit Facility) with TransCanada PipeLine USA Ltd., an affiliate of the general partner. The TransCanada Credit Facility bears interest at London Interbank Offered Rate plus 1.25%. The purpose of the TransCanada Credit Facility is to provide borrowings to fund capital expenditures, to fund capital contributions to Northern Border Pipeline, Tuscarora, and any other entity in which it directly or indirectly acquires an interest, to fund working capital and for other general business purposes, including temporary funding of cash distributions to partners, if necessary. At June 30, 2001, the Partnership had no amount outstanding under the TransCanada 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 weighted average number of common and subordinated units outstanding. The general partner's allocation is equal to an amount based upon the general partner's 2% interest, adjusted to reflect an amount equal to incentive distributions. Net income per unit was determined as follows:

	Three months ended June 30		Six months ended June 30	
(thousands of dollars, except per unit amounts)	**2001**	2000	**2001**	2000
Net income	**9,793**	8,533	**20,756**	16,877
Net income allocated to general partner	**(197)**	(171)	**(416)**	(338)
Adjustment to reflect incentive distribution income allocation	**(144)**	-	**(230)**	-
	(341)	(171)	**(646)**	(338)
Net income allocable to units	**9,452**	8,362	**20,110**	16,539
Weighted average units outstanding (thousands)	**17,500**	17,500	**17,500**	17,500
Net income per unit	**$0.54**	$0.48	**$1.15**	$0.95

Note 6 Distributions

On July 18, 2001 the Partnership declared a cash distribution of $0.50 per unit for the quarter ended June 30, 2001. The distribution is payable on August 14, 2001 to unitholders of record at July 31, 2001.

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