TC PipeLines, LP

Second Quarter Report 2002

Financial Highlights

(unaudited) (thousands of dollars, except per unit amounts)	Three months ended June 30 **2002**	 2001	Six months ended June 30 **2002**	 2001
Income Statement				
Net income	**12,214**	9,793	**24,136**	20,756
Net income per unit	**$0.67**	$0.54	**$1.33**	$1.15
Cash Flow				
Cash flow from equity investments	**13,452**	12,365	**26,147**	21,785
Cash distributions paid	**9,065**	8,550	**18,130**	17,100
Cash distributions declared per unit [1]	**$0.525**	$0.50	**$1.025**	$0.975

[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

Strong Cash Flow Results in 5% Increase in Quarterly Distribution
TC PipeLines, LP (the Partnership) has had another quarter of solid financial performance, reporting increased operating cash flows and earnings for the second quarter of 2002 compared to the same period last year. As a result, on July 22, the Partnership announced an increase in the second quarter cash distribution, raising the distribution from $0.50 per unit to $0.525 per unit. This is the third time the cash distribution has been raised since the Partnership began operations in May 1999. The second quarter cash distribution will be paid on August 14, 2002 to unitholders of record as of July 31, 2002.

Increased Cash Flow from Operations
In the second quarter of 2002, the Partnership generated $12.9 million of cash flow from operations, compared to $11.8 million in the second quarter of 2001, reflecting increased cash being generated by the Partnership's investments in Northern Border Pipeline Company and Tuscarora Gas Transmission Company. In particular, cash flows from Northern Border Pipeline have increased compared to last year due to the recent Project 2000 expansion as well as an ongoing focus on reducing operations and maintenance expenses. The Partnership's cash flow from operations also increased in the second quarter of 2002 because the Partnership has paid less in financial charges related to debt outstanding.

Focus on Financial Strength
As discussed in our first quarter report, we have continued to focus on strengthening the Partnership's financial position by using cash flow from operations to pay down our debt outstanding. During the second quarter, we repaid $10 million of the amount owing on our revolving credit facility - $2 million more than we had anticipated. Of the $24.5 million initially borrowed on the revolving credit facility in September 2000 to fund our acquisition of the 49% interest in Tuscarora, we have reduced the balance outstanding to $11.5 million.

The Partnership's financial strength is further reflected in our cash distribution coverage ratio, which we estimate to be approximately 1.2 times the current quarterly distribution rate of $0.525 per unit. We believe this coverage ratio, combined with our conservative balance sheet, is consistent with the moderate to low risk profile we strive to maintain for our unitholders.

2002 Second Quarter Earnings
TC PipeLines, LP (the Partnership) reported net income of $12.2 million or $0.67 per unit for the second quarter of 2002, a 24% increase compared to 2001 second quarter net income of $9.8 million or $0.54 per unit.

For the six months ended June 30, 2002, the Partnership earned net income of $24.1 million or $1.33 per unit, a 16% increase compared to the same period last year.

Northern Border Pipeline was the primary source of the Partnership's increased earnings this quarter.

Equity income from Northern Border Pipeline amounted to $11.6 million in the second quarter of 2002, a $2.1 million or 22% increase from the same period last year. This increase is primarily the result of incremental revenues from Project 2000 and lower operations and maintenance expenses. 2002 second quarter equity income is also higher compared to the same period last year due to last year's write-off of uncollectable receivables from a telecommunications company that had purchased excess capacity on Northern Border Pipeline's communication system. In the second quarter of 2002, contracts obligating Enron North America (ENA) to pay for 3.4% of Northern Border Pipeline's annualized capacity continued to be suspended. However, Northern Border Pipeline was able to mitigate the majority of this revenue shortfall in the second quarter by re-selling that capacity on a short-term basis at full rates as allowed under the Northern Border Pipeline tariff, which are equivalent to rates under the previous ENA contracts.

Equity income from Tuscarora amounted to $1.0 million in the second quarter of 2002, approximating 2001 second quarter equity income of $0.9 million.

The Partnership incurred general and administrative expenses of $0.3 million during the second quarter of 2002, which approximates the expenses incurred for the same period last year. The Partnership also incurred net financial charges of $0.1 million in the second quarter of 2002, $0.2 million lower than the same period last year due primarily to lower average debt balances and lower interest rates.

Update on Northern Border Pipeline Capacity held by ENA

As mentioned above, Northern Border Pipeline was able to mitigate almost all of the potential revenue shortfall arising from the ENA contracts in the second quarter. On a go forward basis, ENA has agreed to terminate, effective July 1, 2002, contracts representing approximately one half of its Northern Border Pipeline capacity, thereby enabling Northern Border Pipeline to re-market the capacity on a long-term basis. For the remaining 1.7% of capacity still held by ENA, ENA must either effect a permanent release or assume or reject that capacity by October 31, 2002.

I am pleased to report that Northern Border Pipeline was able to re-sell, in a relatively short time period, almost all of the capacity from the terminated ENA contracts to a third party at full rates for a term ending on October 31, 2003. This has reaffirmed for us the high value placed on Northern Border Pipeline's capacity by shippers and we view this as an encouraging sign as Northern Border Pipeline enters into negotiations with shippers to re-contract the approximate 42% of capacity that is due for renewal at the end of 2003. Further, the re-selling of this capacity results in reducing the Partnership's financial exposure to ENA for the remaining six months of 2002 to approximately $0.5 million, which Northern Border Pipeline will continue work toward reducing further by re-selling the associated capacity on a short-term basis.

On behalf of TC PipeLines, LP,

Ronald J. Turner
President and Chief Executive Officer
TC PipeLines GP, Inc.
August 14, 2002

Cautionary Statement Regarding Forward Looking Information

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. Words such as "believes", "expects", "intends", "forecasts", "projects", and similar expressions, identify forward-looking statements within the meaning of the Private 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, majority control of the Northern Border Pipeline management committee by affiliates of Enron Corp., which has filed for bankruptcy protection, the failure of a shipper on either one of the Partnership's pipelines to perform its contractual obligations, including Sierra Pacific Power Company, the shipper of 94% of Tuscarora's capacity, 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 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, 2001. 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.

Statement of Income

(unaudited) (thousands of dollars, except per unit amounts)	Three months ended June 30 2002	 2001	Six months ended June 30 2002	 2001
Equity Income from Investment in Northern Border Pipeline Company	**11,552**	9,489	**22,853**	20,256
Equity Income from Investment in Tuscarora Gas Transmission Company	**1,027**	868	**2,113**	1,779
General and Administrative Expenses	**(304)**	(299)	**(681)**	(656)
Financial Charges	**(61)**	(265)	**(149)**	(623)
Net Income	**12,214**	9,793	**24,136**	20,756
Net Income Allocation				
Common units	**9,832**	7,935	**19,493**	16,882
Subordinated units	**1,881**	1,517	**3,728**	3,228
General partner	**501**	341	**915**	646
	12,214	9,793	**24,136**	20,756
Net Income per Unit	**$0.67**	$0.54	**$1.33**	$1.15
Units Outstanding (thousands)	**17,500**	17,500	**17,500**	17,500

Statement of Comprehensive Income

(unaudited) (thousands of dollars)	Three months ended June 30 2002	 2001	Six months ended June 30 2002	 2001
Net Income	**12,214**	9,793	**24,136**	20,756
Other Comprehensive Income				
Transition adjustment from adoption of SFAS No. 133	**-**	-	**-**	3,104
Change associated with current period hedging transactions	**(866)**	1,550	**(698)**	2,282
Total Comprehensive Income	**11,348**	11,343	**23,438**	26,142

See accompanying Notes to Condensed Financial Statements.

Balance Sheet

(thousands of dollars)	June 30, 2002 (unaudited)	December 31, 2001
Assets		
Current Assets		
Cash	**6,268**	9,194
Investment in Northern Border Pipeline Company	**248,454**	250,078
Investment in Tuscarora Gas Transmission Company	**29,042**	29,297
Deferred Amounts	**170**	119
	283,934	288,688
Liabilities and Partners' Equity		
Current Liabilities		
Accounts payable	**395**	426
Accrued interest	**27**	58
	422	484
Long-Term Debt	**11,500**	21,500
Partners' Equity		
Common units	**223,737**	218,935
Subordinated units	**40,148**	39,229
General partner	**5,817**	5,532
Other comprehensive income	**2,310**	3,008
	272,012	266,704
	283,934	288,688

Statement of Cash Flows

(unaudited) (thousands of dollars)	Six months ended June 30 2002	 2001
Cash Generated from Operations		
Net income	**24,136**	20,756
Add/(Deduct):		
Distributions received in excess of/(less than) equity income	**1,181**	(250)
Increase in operating working capital	**(62)**	(270)
	25,255	20,236
Investing Activities		
Deferred amounts	**(51)**	(45)
Financing Activities		
Distributions paid	**(18,130)**	(17,100)
Repayment of long-term debt	**(10,000)**	-
	(28,130)	(17,100)
(Decrease)/Increase in Cash	**(2,926)**	3,091
Cash, Beginning of Period	**9,194**	1,566
Cash, End of Period	**6,268**	4,657

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. Other comprehensive income recorded by TC PipeLines arises through its equity investments in Northern Border Pipeline Company (Northern Border Pipeline) and Tuscarora Gas Transmission Company (Tuscarora) and relates to cash flow hedges transacted by Northern Border Pipeline and Tuscarora. 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, 2002 and 2001, the financial position as at June 30, 2002 and December 31, 2001 and cash flows for the six months ended June 30, 2002 and 2001.

The results of operations for the three and six months ended June 30, 2002 and 2001 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, 2001.

Note 2 Investment in Northern Border Pipeline Company

The Partnership owns a 30% general partner interest in Northern Border Pipeline, a partnership which 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. The remaining 70% partnership interest in Northern Border Pipeline is held by Northern Border Partners, L.P., a publicly traded limited partnership that is not affiliated with the Partnership. The general partners of Northern Border Partners, L.P. are controlled by affiliates of Enron Corp. (Enron), which hold a 1.65% general partner interest, and The Williams Companies, Inc. (Williams), which holds the remaining 0.35% general partner interest. As a result, TC PipeLines has one member and controls 30% of the voting power of the Northern Border Pipeline management committee, Enron has two members and controls 57.75% of the voting power, and Williams has the one remaining member and 12.25% of the voting power of the Northern Border Pipeline management committee. The Northern Border pipeline system is operated by Northern Plains Natural Gas Company, a wholly owned subsidiary of Enron. Northern Border Pipeline is regulated by the Federal Energy Regulatory Commission (FERC).

The Northern Border pipeline system serves more than 50 firm transportation shippers with diverse operating and financial profiles. Enron North America (ENA), an affiliate of Enron that has filed for Chapter 11 bankruptcy protection, is a party to a shipper contract obligating ENA to pay demand charges for approximately 1.7% of Northern Border Pipeline's capacity. ENA must effect a permanent release of the contract capacity or assume or reject the contract by October 31, 2002. Northern Border Pipeline has estimated its financial exposure for the last six months of 2002 to be approximately $1.7 million of revenues, with TC PipeLines' share equating to approximately $0.5 million.

TC PipeLines uses the equity method of accounting for its investment in Northern Border Pipeline. TC PipeLines' equity income for the three and six months ended June 30, 2002 and 2001 represents 30% of the net income of Northern Border Pipeline for the same periods. Retained earnings of TC PipeLines at June 30, 2002 and December 31, 2001 include undistributed earnings from Northern Border Pipeline of $4.5 million and $5.7 million, respectively. 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, 2002 and 2001 and as at June 30, 2002 and December 31, 2001.

(millions of dollars)	Three months ended June 30 **2002**	2001	Six months ended June 30 **2002**	2001
Northern Border Pipeline Income Statement				
Revenues	**80.2**	77.0	**158.3**	154.0
Costs and expenses	**(13.7)**	(16.0)	**(27.4)**	(28.2)
Depreciation	**(14.5)**	(14.3)	**(29.0)**	(28.7)
Financial charges	**(13.8)**	(13.7)	**(26.8)**	(28.8)
Other income/(expense)	**0.3**	(1.4)	**1.1**	(0.8)
Net income	**38.5**	31.6	**76.2**	67.5

Northern Border Pipeline has recorded other comprehensive income of $(2.9) million and $5.2 million, for the three months ended June 30, 2002 and 2001, respectively and $(1.6) million and $18.0 million (including transition adjustment of $10.3 million) for the six months ended June 30, 2002 and 2001, respectively.

(millions of dollars)	**June 30, 2002**	December 31, 2001 (audited)
Northern Border Pipeline Balance Sheet		
Assets		
Cash and cash equivalents	**5.5**	11.0
Other current assets	**36.7**	36.3
Plant, property and equipment, net	**1,660.1**	1,685.7
Other assets	**23.8**	18.9
	1,726.1	1,751.9
Liabilities and Partners' Equity		
Current liabilities	**125.5**	399.0
Reserves and deferred credits	**5.4**	5.6
Long-term debt, net of current maturities	**767.1**	513.7
Partners' equity		
Partners' capital	**820.6**	824.4
Accumulated other comprehensive income	**7.5**	9.2
	1,726.1	1,751.9

Note 3 Investment in Tuscarora Gas Transmission Company

The Partnership owns a 49% general partner interest in Tuscarora, a partnership that 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. The remaining general partner interests in Tuscarora are held 50% by Sierra Pacific Resources and 1% by TransCanada PipeLines Limited, the parent of the Partnership's general partner. The Tuscarora pipeline system is operated by Tuscarora Gas Operating Company, a wholly owned subsidiary of Sierra Pacific Resources. Sierra Pacific Power Company, a subsidiary of Sierra Pacific Resources, is Tuscarora's largest shipper, accounting for 94% of Tuscarora's available capacity. 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, 2002 and 2001 represents 49% of the net income of Tuscarora for the same periods. Retained earnings of TC PipeLines at June 30, 2002 and December 31, 2001 include undistributed earnings from Tuscarora of $0.6 million and $0.6 million, respectively. The following sets out summarized financial information representing 100% of the operations of Tuscarora for the three and six months ended June 30, 2002 and 2001 and as at June 30, 2002 and December 31, 2001.

Notes to Condensed Financial Statements (continued)
(unaudited)

(millions of dollars)	Three months ended June 30 2002	Three months ended June 30 2001	Six months ended June 30 2002	Six months ended June 30 2001
Tuscarora Income Statement				
Revenues	**5.6**	5.3	**11.2**	10.5
Costs and expenses	**(0.7)**	(0.6)	**(1.3)**	(1.2)
Depreciation	**(1.2)**	(1.2)	**(2.4)**	(2.3)
Financial charges	**(1.5)**	(1.6)	**(3.0)**	(3.1)
Other income	**0.2**	0.1	**0.3**	0.2
Net income	**2.4**	2.0	**4.8**	4.1

Tuscarora has recorded other comprehensive income of less than $0.1 million and nil for the three months ended June 30, 2002 and 2001, respectively, and $(0.4) million and nil for the six months ended June 30, 2002 and 2001, respectively.

(millions of dollars)	June 30, 2002	December 31, 2001 (audited)
Tuscarora Balance Sheet		
Assets		
Cash and cash equivalents	**1.2**	1.1
Other current assets	**2.1**	2.1
Plant, property and equipment, net	**129.4**	121.3
Other assets	**1.4**	1.6
	134.1	126.1
Liabilities and Partners' Equity		
Current liabilities	**7.8**	7.7
Long-term debt, net of current maturities	**88.0**	80.0
Partners' equity		
Partners' capital	**38.2**	37.9
Accumulated other comprehensive income	**0.1**	0.5
	134.1	126.1

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. At June 30, 2002 and December 31, 2001, the Partnership had borrowings of $11.5 million and $21.5 million, respectively, outstanding under the Revolving Credit Facility. The fair value of the Revolving Credit Facility approximates its carrying value because the interest rate is a floating rate. The interest rate on the Revolving Credit Facility averaged 2.8% and 5.5% for the three months ended June 30, 2002 and 2001, respectively, 2.8% and 6.3% for the six months ended June 30, 2002 and 2001, respectively, and was 2.9% and 3.0% at June 30, 2002 and December 31, 2001, respectively.

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 the Partnership 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, 2002 and December 31, 2001 the Partnership had no amount outstanding under the TransCanada Credit Facility.

Notes to Condensed Financial Statements (concluded)
(unaudited)

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)	**2002**	2001	**2002**	2001
Net income	**12,214**	9,793	**24,136**	20,756
Net income allocated to general partner	**(245)**	(197)	**(483)**	(416)
Adjustment to reflect incentive distribution income allocation	**(256)**	(144)	**(432)**	(230)
	(501)	(341)	**(915)**	(646)
Net income allocable to units	**11,713**	9,452	**23,221**	20,110
Weighted average units outstanding (thousands)	**17,500**	17,500	**17,500**	17,500
Net income per unit	**$0.67**	$0.54	**$1.33**	$1.15

Note 6 Distributions

On July 22, 2002, the Partnership declared a cash distribution of $0.525 per unit for the quarter ended June 30, 2002. The distribution is payable on August 14, 2002 to unitholders of record as of July 31, 2002.

Note 7 Subsequent Event

On August 1, 2002, 936,435 subordinated units, representing one third of the outstanding subordinated units held by the general partner, were converted into an equal number of common units as provided for in the amended and restated partnership agreement of TC PipeLines.

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