



focus	discipline	RESULTS
-------	------------	---------

2003 SECOND QUARTER REPORT

FINANCIAL PERFORMANCE

<i>(unaudited)</i>	Three months ended June 30		Six months ended June 30	
<i>(millions of dollars, except per unit amounts)</i>	2003	2002	2003	2002
Income Statement				
Net income	12.0	12.2	23.9	24.1
Net income per unit	\$0.66	\$0.67	\$1.32	\$1.33
Cash Flow				
Cash generated from operations	10.9	12.9	24.4	25.2
Cash distributions paid	9.6	9.1	19.2	18.1
Cash distributions declared per unit ⁽¹⁾	\$0.55	\$0.525	\$1.075	\$1.025
Units outstanding <i>(millions)</i>	17.5	17.5	17.5	17.5

⁽¹⁾ Cash distributions are paid within 45 days after the end of each quarter.

We refer you to the Partnership's quarterly report on Form 10-Q, as filed with the Securities and Exchange Commission on August 14, 2003, which contains management's discussion and analysis of the Partnership's financial condition and results of operations as at and for the three and six months ended June 30, 2003. The Form 10-Q can be accessed electronically on the Partnership's website at www.tcpipelineslp.com/investor/reports.htm. Copies of the Form 10-Q may be obtained from the Partnership free of charge.

Investor Relations

Theresa Jang
 Controller
 TC PipeLines GP, Inc.
 110 Turnpike Road, Suite 203
 Westborough, Massachusetts 01581

Toll Free: (877) 290-2772
 Fax Line: (403) 920-2457
 E-mail: investor_relations@tcpipelineslp.com

www.tcpipelineslp.com

STATEMENT OF INCOME

<i>(unaudited)</i> <i>(millions of dollars, except per unit amounts)</i>	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
Equity Income from Investment in Northern Border Pipeline	11.3	11.6	22.3	22.9
Equity Income from Investment in Tuscarora	1.2	1.0	2.5	2.1
General and Administrative Expenses	(0.4)	(0.3)	(0.8)	(0.7)
Financial Charges	(0.1)	(0.1)	(0.1)	(0.2)
Net Income	12.0	12.2	23.9	24.1
Net Income Allocation				
Common units	10.3	9.8	20.6	19.5
Subordinated units	1.3	1.9	2.5	3.7
General partner	0.4	0.5	0.8	0.9
	12.0	12.2	23.9	24.1
Net Income per Unit	\$0.66	\$0.67	\$1.32	\$1.33
Units Outstanding <i>(millions)</i>	17.5	17.5	17.5	17.5

STATEMENT OF COMPREHENSIVE INCOME

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
Net Income	12.0	12.2	23.9	24.1
Other Comprehensive Income				
Change associated with current period hedging transactions	(0.2)	(0.9)	(0.3)	(0.7)
Total Comprehensive Income	11.8	11.3	23.6	23.4

See accompanying Notes to Condensed Financial Statements.

BALANCE SHEET

(millions of dollars)

June 30, 2003 December 31, 2002
(unaudited) (audited)

Assets

Current Assets		
Cash	2.3	6.4
Investment in Northern Border Pipeline	242.7	242.9
Investment in Tuscarora	39.5	36.7
	<u>284.5</u>	<u>286.0</u>

Liabilities and Partners' Equity

Current Liabilities		
Accounts payable	0.5	0.6
Long-Term Debt	5.5	11.5
Partners' Equity		
Common units	243.1	238.9
Subordinated units	27.5	27.0
General partner	6.1	5.9
Other comprehensive income	1.8	2.1
	<u>278.5</u>	<u>273.9</u>
	<u>284.5</u>	<u>286.0</u>

STATEMENT OF CASH FLOWS

(unaudited)

(millions of dollars)

Six months ended June 30

2003 2002

Cash Generated from Operations

Net income	23.9	24.1
Add/(Deduct):		
Distributions received in excess of equity income	0.6	1.2
Increase in operating working capital	(0.1)	(0.1)
	<u>24.4</u>	<u>25.2</u>

Investing Activities

Investment in Tuscarora	<u>(3.3)</u>	-
-------------------------	--------------	---

Financing Activities

Distributions paid	(19.2)	(18.1)
Reduction of long-term debt	(6.0)	(10.0)
	<u>(25.2)</u>	<u>(28.1)</u>

Decrease in Cash	(4.1)	(2.9)
Cash, Beginning of Period	6.4	9.2
Cash, End of Period	<u>2.3</u>	<u>6.3</u>

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 accounting principles generally accepted in the United States. 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 of normal recurring accruals) necessary to present fairly the results of operations for the three and six months ended June 30, 2003 and 2002, the financial position as at June 30, 2003 and December 31, 2002 and cash flows for the six months ended June 30, 2003 and 2002.

The results of operations for the three and six months ended June 30, 2003 and 2002 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, 2002.

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. The 2% general partnership interest in Northern Border Partners, L.P. is controlled by affiliates of Enron Corp. (Enron), which hold a 1.65% general partner interest, and TransCanada PipeLines Limited (TransCanada), which is a subsidiary of TransCanada Corporation, parent of TC PipeLines' general partner, which holds the remaining 0.35% general partner interest. 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).

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, 2003 and 2002 represents 30% of the net income of Northern Border Pipeline for the same periods. Retained earnings of TC PipeLines at June 30, 2003 and December 31, 2002 include undistributed earnings from Northern Border Pipeline of \$1.1 million and \$1.3 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, 2003 and 2002 and as at June 30, 2003 and December 31, 2002.

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
Northern Border Pipeline Income Statement				
Revenues	80.7	80.2	160.6	158.3
Costs and expenses	(17.4)	(13.7)	(34.1)	(27.4)
Depreciation	(14.4)	(14.5)	(28.9)	(29.0)
Financial charges	(11.6)	(13.8)	(23.4)	(26.8)
Other income	0.3	0.3	0.2	1.1
Net income	37.6	38.5	74.4	76.2

Northern Border Pipeline has recorded other comprehensive income of \$(0.4) million and \$(2.9) million for the three months ended June 30, 2003 and 2002, respectively, and \$(0.8) million and \$(1.6) million for the six months ended June 30, 2003 and 2002, respectively.

(millions of dollars)

June 30, 2003
(unaudited)

December 31, 2002
(audited)

Northern Border Pipeline Balance Sheet

Assets

Cash and cash equivalents	27.9	25.4
Other current assets	35.4	40.8
Plant, property and equipment, net	1,609.4	1,636.0
Other assets	40.2	37.8
	<u>1,712.9</u>	<u>1,740.0</u>

Liabilities and Partners' Equity

Current liabilities	109.4	130.9
Reserves and deferred credits	6.0	15.4
Long-term debt, net of current maturities	788.3	783.9
Partners' Equity		
Partners' capital	803.2	803.0
Accumulated other comprehensive income	6.0	6.8
	<u>1,712.9</u>	<u>1,740.0</u>

Note 3 Investment in Tuscarora Gas Transmission Company

The Partnership owns a 49% general partner interest in Tuscarora, a partnership that owns a 240-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. 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 approximately 68% 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, 2003 and 2002 represents 49% of the net income of Tuscarora for the same periods. Retained earnings of TC PipeLines at June 30, 2003 and December 31, 2002 include undistributed earnings from Tuscarora of \$0.2 million and \$0.8 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, 2003 and 2002 and as at June 30, 2003 and December 31, 2002.

(unaudited)

(millions of dollars)

Three months ended June 30

Six months ended June 30

2003

2002

2003

2002

Tuscarora Income Statement

Revenues	7.3	5.6	14.7	11.2
Costs and expenses	(1.3)	(0.7)	(2.5)	(1.3)
Depreciation	(1.6)	(1.2)	(3.2)	(2.4)
Financial charges	(1.7)	(1.5)	(3.3)	(3.0)
Other income	-	0.2	-	0.3
Net income	<u>2.7</u>	<u>2.4</u>	<u>5.7</u>	<u>4.8</u>

Tuscarora has recorded other comprehensive income of less than \$(0.1) million for each of the three month periods ended June 30, 2003 and June 30, 2002, and less than \$(0.1) million and \$(0.4) million for the six month periods ended June 30, 2003 and 2002, respectively.

(millions of dollars)

June 30, 2003
(unaudited)

December 31, 2002
(audited)

Tuscarora Balance Sheet

Assets

Cash and cash equivalents	0.5	0.6
Other current assets	2.5	4.3
Plant, property and equipment, net	145.8	148.4
Other assets	1.2	1.2
	150.0	154.5

Liabilities and Partners' Equity

Current liabilities	6.2	14.6
Long-term debt	83.1	85.3
Partners' Equity		
Partners' capital	60.7	54.2
Accumulated other comprehensive income	-	0.4
	150.0	154.5

Note 4 Credit Facilities and Long-Term Debt

On September 30, 2002, the Partnership renewed its unsecured credit facility (Revolving Credit Facility) with Bank One, NA, as administrative agent of the credit facility. Under the renewed Revolving Credit Facility, the Partnership may borrow up to an aggregate principal amount of \$20.0 million. Loans under the Revolving Credit Facility bear interest at a floating rate. The Revolving Credit Facility matures on July 31, 2004. 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 business purposes. At June 30, 2003 and December 31, 2002, the Partnership had borrowings of \$5.5 million and \$11.5 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 2.7% and 2.8% for the three months ended June 30, 2003 and 2002, respectively, 2.7% and 2.8% for the six months ended June 30, 2003 and 2002, respectively, and was 2.6% and 2.7% at June 30, 2003 and December 31, 2002.

On May 28, 2003, the Partnership renewed its \$40.0 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 unitholders and the General Partner, if necessary. At June 30, 2003 and December 31, 2002 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:

(unaudited) (millions of dollars, except per unit amounts)	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
Net income	12.0	12.2	23.9	24.1
Net income allocated to General Partner				
General Partner interest	(0.2)	(0.2)	(0.4)	(0.5)
Incentive distribution income allocation	(0.2)	(0.3)	(0.4)	(0.4)
	(0.4)	(0.5)	(0.8)	(0.9)
Net income allocable to units	11.6	11.7	23.1	23.2
Weighted average units outstanding (millions)	17.5	17.5	17.5	17.5
Basic and diluted net income per unit	\$0.66	\$0.67	\$1.32	\$1.33

Note 6 Subordinated Unit Conversion

On August 1, 2003, 936,435 subordinated units, representing one-third of the originally issued subordinated units held by the General Partner, upon satisfaction of the tests set forth in the partnership agreement, automatically converted into an equal number of common units as provided for in the partnership agreement of TC PipeLines.

Note 7 Distributions

On July 22, 2003, the Board of Directors of the General Partner declared a cash distribution of \$0.55 per unit for the three months ended June 30, 2003. The distribution totaling approximately \$10.1 million is payable on August 14, 2003 in the following manner: \$8.6 million to the holders of common units as of the close of business on July 31, 2003, \$1.0 million to the General Partner as holder of the subordinated units, \$0.3 million to the General Partner as holder of incentive distribution rights and \$0.2 million to the General Partner in respect of its 2% general partner interest.

Note 8 Accounting Pronouncements

SFAS No. 143, "Accounting for Asset Retirement Obligations," became effective for the Partnership on January 1, 2003. As the Partnership does not directly own any long-lived assets, no asset retirement obligation has been recorded on its balance sheet.

SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" amends and clarifies accounting for derivative instruments and for hedging activities under SFAS No. 133. As at June 30, 2003, TC PipeLines does not engage in any hedging activities and is not affected by the changes resulting from this standard.