
FIRST QUARTER 2005

Quarterly Report

Results-at-a-Glance

(unaudited)

(millions of dollars except per unit amounts)

Three months ended March 31

2005**2004****Income Statement**

Net income	13.4	13.7
Net income per unit	\$0.72	\$0.75

Cash Flow

Cash generated from operations	13.2	13.4
Cash distributions paid	10.7	10.1
Cash distributions declared per unit ⁽¹⁾	\$0.575	\$0.55

⁽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 May 10, 2005, which contains management's discussion and analysis of the Partnership's financial condition and results of operations as at and for the three months ended March 31, 2005. The Form 10-Q can be accessed electronically on the Partnership's website at www.tcpipelineslp.com/investor/reports.html

Copies of the Form 10-Q may be obtained from the Partnership free of charge.

Investor Relations

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Statement of Income

(unaudited) (millions of dollars except per unit amounts)	Three months ended March 31	
	2005	2004
Equity income from investment in Northern Border Pipeline	12.2	12.5
Equity income from investment in Tuscarora	2.0	1.8
General and administrative expenses	(0.5)	(0.5)
Financial charges and other	(0.3)	(0.1)
Net income	13.4	13.7
Net income allocation		
Common units	12.7	12.4
Subordinated units	-	0.7
General partner	0.7	0.6
	13.4	13.7
Net income per unit	\$0.72	\$0.75
Units outstanding (millions)	17.5	17.5

Statement of Comprehensive Income

(unaudited) (millions of dollars)	Three months ended March 31	
	2005	2004
Net income	13.4	13.7
Other comprehensive income		
Change associated with current period hedging transactions of investees	(0.1)	(0.1)
Total comprehensive income	13.3	13.6

See accompanying notes to the condensed financial statements.

Statement of Cash Flows

(unaudited) (millions of dollars)	Three months ended March 31	
	2005	2004
Cash Generated From Operations		
Net income	13.4	13.7
Add / (deduct):		
Distributions received in excess of equity income	-	(0.4)
Decrease / increase in operating working capital	(0.2)	0.1
	13.2	13.4
Investing Activities		
Return of capital from Northern Border Pipeline	4.0	2.0
Return of capital from Tuscarora	0.1	-
Investment in Northern Border Pipeline	-	(19.5)
	4.1	(17.5)
Financing Activities		
Distributions paid	(10.7)	(10.1)
Long-term debt issued	-	9.0
Long-term debt paid	(6.5)	-
	(17.2)	(1.1)
Increase / decrease in cash and short-term investments	0.1	(5.2)
Cash and short-term investments		
Beginning of period	2.5	7.5
Cash and short-term investments		
End of period	2.6	2.3

See accompanying notes to the condensed financial statements.

Balance Sheet

(millions of dollars)	March 31, 2005 (unaudited)	December 31, 2004 (audited)
ASSETS		
Current assets		
Cash	2.6	2.5
Investment in Northern Border Pipeline	286.0	290.1
Investment in Tuscarora	39.4	39.5
	<u>328.0</u>	<u>332.1</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities		
Accrued liabilities	0.5	0.7
Current portion of long-term debt	30.0	6.5
	<u>30.5</u>	<u>7.2</u>
Long-term debt	-	30.0
Partners' equity		
Common units	290.0	287.4
General partner	6.4	6.3
Other comprehensive income	1.1	1.2
	<u>297.5</u>	<u>294.9</u>
	<u>328.0</u>	<u>332.1</u>

See accompanying notes to the 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 was formed by TransCanada PipeLines Limited, a subsidiary of TransCanada Corporation (collectively referred to herein as TransCanada), to acquire, own and participate in the management of United States-based pipeline assets. The Partnership commenced operations on May 28, 1999.

The financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles (U.S. GAAP). 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 months ended March 31, 2005 and 2004, the financial position as at March 31, 2005 and December 31, 2004 and cash flows for the three months ended March 31, 2005 and 2004.

The results of operations for the three months ended March 31, 2005 and 2004 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, 2004.

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. (Northern Border Partners), a publicly traded limited partnership. The 2% general partnership interest in Northern Border Partners is controlled by affiliates of ONEOK, Inc. (ONEOK), which hold a 1.65% general partner interest, and TransCanada, 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 (Northern Plains), a wholly owned subsidiary of ONEOK. Northern Border Pipeline is regulated by the Federal Energy Regulatory Commission (FERC).

The Partnership uses the equity method of accounting for its investment in Northern Border Pipeline. TC PipeLines' equity income for the three months ended March 31, 2005 and 2004 includes 30% of the net income of Northern Border Pipeline for the same periods. There were no undistributed earnings from Northern Border Pipeline as at March 31, 2005 and December 31, 2004.

The following table sets out summarized financial information representing 100% of the operations of Northern Border Pipeline for the three months ended March 31, 2005 and 2004 and as at

March 31, 2005 and December 31, 2004. TC Pipelines has held its general partner interest since May 28, 1999.

Northern Border Pipeline Income Statement

(unaudited) (millions of dollars)	Three months ended March 31	
	2005	2004
Revenues	82.8	83.3
Costs and expenses	(17.4)	(17.0)
Depreciation	(14.4)	(14.5)
Financial charges	(10.6)	(10.2)
Other income	0.2	0.1
Net Income	40.6	41.7

Northern Border Pipeline has amortized \$0.4 million for each of the three months ended March 31, 2005 and 2004, respectively related to terminated interest rate swap agreements as a reduction to financial charges from accumulated other income.

Northern Border Pipeline Balance Sheet

(millions of dollars)	March 31, 2005	December 31, 2004
	(unaudited)	(audited)
Assets		
Cash and cash equivalents	26.1	20.3
Other current assets	37.0	39.0
Plant, property and equipment, net	1,534.3	1,543.8
Other assets	21.3	20.2
	1,618.7	1,623.3
Liabilities and Partners' Equity		
Current liabilities	57.6	47.8
Reserves and deferred credits	4.5	4.5
Long-term debt	603.3	603.9
Partners' equity		
Partners' capital	949.9	963.3
Accumulated other comprehensive income	3.4	3.8
	1,618.7	1,623.3

Note 3 Investment in Tuscarora Gas Transmission Company

The Partnership owns a 49% general partner interest in Tuscarora, a general partnership which owns a 240-mile United States interstate pipeline system that transports natural gas from Oregon, where it interconnects to TransCanada's Gas Transmission Northwest Corporation system (GTN), 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 (Sierra Pacific Power) a wholly-owned subsidiary of Sierra Pacific Resources is Tuscarora's largest shipper, accounting for approximately 69% of total available capacity through 2017. On September 1, 2000, the Partnership acquired its interest in Tuscarora from a subsidiary of TransCanada. As a result of the acquisition allocation, an annual amortization of \$0.4 million has been included in the Partnership's

equity income from Tuscarora. The amortization period ends in 2025. 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 months ended March 31, 2005 and 2004 includes 49% of the net income of Tuscarora for the same periods. There were no undistributed earnings from Tuscarora as at March 31, 2005 and December 31, 2004.

The following table sets out summarized financial information representing 100% of the operations of Tuscarora for the three months ended March 31, 2005 and 2004 and as at March 31, 2005 and December 31, 2004. TC PipeLines has held its general partner interest since September 1, 2000.

Tuscarora Income Statement

(unaudited) (millions of dollars)	Three months ended March 31	
	2005	2004
Revenues	8.3	8.3
Costs and expenses	(1.1)	(1.2)
Depreciation	(1.5)	(1.6)
Financial charges	(1.5)	(1.5)
Net Income	4.2	4.0

Tuscarora Balance Sheet

(millions of dollars)	March 31, 2005	December 31, 2005
	(unaudited)	(audited)
Assets		
Cash and cash equivalents	6.7	3.6
Other current assets	3.0	3.0
Plant, property and equipment, net	135.5	136.9
Other assets	1.4	1.4
	146.6	144.9
Liabilities and Partners' Equity		
Current liabilities	8.5	6.9
Long-term debt	75.9	75.9
Partners' equity		
Partners' capital	62.1	62.0
Accumulated other comprehensive income	0.1	0.1
	146.6	144.9

Note 4 Credit Facilities and Long-Term Debt

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 may bear interest, at the option of the Partnership at a one-, two-, three-, or six-month London Interbank Offered Rate (LIBOR) 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. On February 22, 2005, the Partnership repaid in full its \$6.5 million outstanding balance on the TransCanada Credit Facility. At March 31, 2005 and December 31, 2004, the Partnership had nil and \$6.5 million borrowings outstanding, respectively, under the TransCanada Credit Facility. The interest rate on the TransCanada Credit Facility at December 31, 2004 was 3.75%.

On March 8, 2004 the Partnership renewed its \$30.0 million unsecured credit facility (Revolving Credit Facility) with Bank One, NA, as administrative agent. Loans under the Revolving Credit Facility may bear interest, at the option of the Partnership, at a one-, two-, three-, or six-month LIBOR plus 1.25% or at a floating rate based on the higher of the federal funds effective rate plus 0.5% and the prime rate. The Revolving Credit Facility matures on February 28, 2006. Amounts borrowed may be repaid in part or in full prior to that time without penalty. The Revolving Credit Facility may be used 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. The Revolving Credit Facility requires that the Partnership's total debt, as of the last day of any fiscal quarter, to be no more than the lesser of (i) 35% of capitalization as at the last day of such fiscal quarter, or (ii) 2.5 times the consolidated adjusted EBITDA (net income plus interest expense, income taxes and depreciation and amortization) for the period consisting of such fiscal quarter and the three preceding fiscal quarters. The Partnership had \$30.0 million outstanding under the Revolving Credit Facility at March 31, 2005 and December 31, 2004. The interest rate on the Revolving Credit Facility averaged 3.81% and 2.39% for March 31, 2005 and 2004, respectively and at March 31, 2005 and December 31, 2004, the interest rate was 3.99% and 3.72%, respectively.

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 March 31	
	2005	2004
Net income	13.4	13.7
Net income allocated to general partner		
General partner interest	(0.2)	(0.3)
Incentive distribution income allocation	(0.5)	(0.3)
	(0.7)	(0.6)
Net income allocable to units	12.7	13.1
Weighted average units outstanding (<i>millions</i>)	17.5	17.5
Net Income per unit	\$0.72	\$0.75

Note 6 Distributions

On April 19, 2005, the Board of Directors of the general partner declared the Partnership's 2005 first quarter cash distribution. The first quarter cash distribution is payable on May 13, 2005 to unitholders of record as of April 29, 2005. The total cash distribution of \$10.7 million will be paid in the following manner: \$10.0 million to common unitholders (including \$1.2 million to the general partner as holder of 2,035,106 common units), \$0.5 million to the general partner as holder of the incentive distribution rights, and \$0.2 million to the general partner in respect of its 2% general partner interest.

Note 7 Subsequent Events

Northern Border Pipeline declared a distribution of approximately \$52.4 million on April 27, 2005. The Partnership received its 30% share (\$15.7 million) on May 2, 2005.

Tuscarora declared a distribution of approximately \$4.5 million on April 12, 2005. The Partnership received its 49% share (\$2.2 million) on April 29, 2005.