TC PipeLines, LP

FIRST QUARTER 2006

Quarterly Report

Results-at-a-Glance

(unaudited) (millions of dollars except per unit amounts)	Three months ended March 31 **2006**	 2005
Income Statement		
Net income	**12.4**	13.4
Net income per unit	**$0.67**	$0.72
Cash Flow		
Cash generated from operations	**12.3**	13.2
Return of capital	**2.5**	4.1
Cash distributions paid	**10.7**	10.7

(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 4, 2006, 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, 2006. 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.

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Statement of Income

(unaudited) (millions of dollars except per unit amounts)	Three months ended March 31 **2006**	 2005
Equity income from investment in Northern Border Pipeline	**11.2**	12.2
Equity income from investment in Tuscarora	**2.0**	2.0
General and administrative expenses	**(0.6)**	(0.5)
Financial charges and other	**(0.2)**	(0.3)
Net income	**12.4**	13.4
Net income allocation		
Common units	**11.7**	12.7
General partner	**0.7**	0.7
	12.4	13.4
Net income per unit	**$0.67**	$0.72
Units outstanding (millions)	**17.5**	17.5

Statement of Comprehensive Income

(unaudited) (millions of dollars)	Three months ended March 31 **2006**	 2005
Net income	**12.4**	13.4
Other comprehensive income		
Change associated with current period hedging transactions of investees	**(0.1)**	(0.1)
Total comprehensive income	**12.3**	13.3

See accompanying notes to the condensed financial statements.

Balance Sheet

(millions of dollars)	**March 31 2006** (unaudited)	December 31 2005
ASSETS		
Current assets		
Cash and short-term investments	**1.8**	2.3
Investment in Northern Border Pipeline	**276.7**	274.5
Investment in Tuscarora	**38.7**	38.9
	317.2	315.7
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities		
Accrued liabilities	**0.5**	0.6
Current portion of long-term debt	**13.5**	13.5
	14.0	14.1
Partners' equity		
Common units	**296.1**	294.4
General partner	**6.5**	6.5
Accumulated other comprehensive income	**0.6**	0.7
	303.2	301.6
	317.2	315.7

See accompanying notes to the condensed financial statements.

Statement of Cash Flows

(unaudited) (millions of dollars)	Three months ended March 31 **2006**	 2005
Cash Generated From Operations		
Net income	**12.4**	13.4
Add / (deduct):		
Decrease in operating working capital	**(0.1)**	(0.2)
	12.3	13.2
Investing Activities		
Return of capital from Northern Border Pipeline	**2.3**	4.0
Return of capital from Tuscarora	**0.2**	0.1
Investment in Northern Border Pipeline	**(4.6)**	-
	(2.1)	4.1
Financing Activities		
Distributions paid	**(10.7)**	(10.7)
Long-term debt paid	**-**	(6.5)
	(10.7)	(17.2)
Decrease in cash and short-term investments	**(0.5)**	0.1
Cash and short-term investments		
Beginning of period	**2.3**	2.5
Cash and short-term investments		
End of period	**1.8**	2.6
Supplementary Cash Flow Information		
Interest payments made	**0.2**	0.3

Statement of Changes in Partners' Equity

(unaudited)	**Common Units**		**General Partner**	**Accumulated Other Comprehensive Income**	**Partners' Equity**	
	(millions of units)	*(millions of dollars)*	*(millions of dollars)*	*(millions of dollars)*	*(millions of units)*	*(millions of dollars)*
Partners' equity at December 31, 2005	17.5	294.4	6.5	0.7	17.5	301.6
Net income	-	11.7	0.7	-	-	12.4
Distributions paid	-	(10.0)	(0.7)	-	-	(10.7)
Other comprehensive income	-	-	-	(0.1)	-	(0.1)
Partners' equity at March 31, 2006	**17.5**	**296.1**	**6.5**	**0.6**	**17.5**	**303.2**

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. TC PipeLines 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 (U.S.) - 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). Amounts are stated in U.S. dollars. 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. 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, 2006 and 2005, the financial position as at March 31, 2006 and December 31, 2005, cash flows for the three months ended March 31, 2006 and 2005, and statement of partners' equity at March 31, 2006.

The results of operations for the three months ended March 31, 2006 and 2005 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, 2005.

Note 2 Investment in Northern Border Pipeline
At March 31, 2006, the Partnership owned a 30% general partner interest in Northern Border Pipeline, a Texas general partnership which owns a 1,249-mile United States interstate pipeline system that transports natural gas from the U.S. - Canadian border near Port of Morgan, Montana to a terminus near North Hayden, Indiana for its customers. Northern Border Pipeline's pipeline system connects with multiple pipelines providing shippers access to the various natural gas markets served by those pipelines. The remaining 70% partnership interest in Northern Border Pipeline was held by Northern Border Partners, L.P. (Northern Border Partners), a publicly traded limited partnership. The 2% general partnership interest in Northern Border Partners was controlled by affiliates of ONEOK, Inc. (ONEOK), which held a 1.65% interest, and TransCanada, parent of TC PipeLines' general partner, which held the remaining 0.35% general partner interest. The Northern Border Pipeline system is operated by Northern Plains Natural Gas Company, LLC (Northern Plains), a wholly owned subsidiary of ONEOK. Northern Border Pipeline is regulated by the Federal Energy Regulatory Commission (FERC).

In April 2006, the Partnership completed the acquisition of a 20% general partnership interest in Northern Border Pipeline. The Partnership and Northern Border Partners each now hold a 50% interest in Northern Border Pipeline. The 2% general partnership interest in Northern Border Partners is now controlled by ONEOK. A subsidiary of TransCanada will become the operator of Northern

Border Pipeline in April 2007. Additional information about the acquisition is included in this section under Note. 8 Subsequent Events.

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, 2006 and 2005 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, 2006 and December 31, 2005.

The following table sets out summarized financial information representing 100% of the operations of Northern Border Pipeline for the three months ended March 31, 2006 and 2005 and as at March 31, 2006 and December 31, 2005. 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 **2006**	 2005
Revenues	**79.8**	82.8
Costs and expenses	**(17.5)**	(17.4)
Depreciation	**(14.6)**	(14.4)
Financial charges	**(10.7)**	(10.6)
Other income	**0.4**	0.2
Net income	**37.4**	40.6

Northern Border Pipeline amortized approximately $0.4 million for each of the three months ended March 31, 2006 and 2005, respectively, related to terminated interest rate swap agreements as a reduction to financial charges from accumulated other comprehensive income.

Certain reclassifications were made to Northern Border Pipeline's 2005 financial statements to conform to the current year presentation.

Northern Border Pipeline Balance Sheet

(millions of dollars)	**March 31 2006** (unaudited)	December 31 2005
Assets		
Cash and cash equivalents	**15.0**	22.0
Other current assets	**34.4**	45.7
Plant, property and equipment, net	**1,511.5**	1,516.1
Other assets	**22.6**	20.9
	1,583.5	1,604.7
Liabilities and Partners' Equity		
Current liabilities	**52.7**	56.0
Reserves and deferred credits	**5.1**	4.8
Long-term debt	**608.4**	628.9
Partners' equity		
Partners' capital	**915.4**	912.7
Accumulated other comprehensive income	**1.9**	2.3
	1,583.5	1,604.7

Note 3 Investment in Tuscarora

The Partnership owns a 49% general partner interest in Tuscarora, a Nevada 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 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, 2006 and 2005 includes 49% of the net income of Tuscarora for the same periods. There were no undistributed earnings from Tuscarora as at March 31, 2006 and December 31, 2005. The following table sets out summarized financial information representing 100% of the

operations of Tuscarora for the three months ended March 31, 2006 and 2005 and as at March 31, 2006 and December 31, 2005. TC PipeLines has held its general partner interest since September 1, 2000.

Tuscarora Income Statement

(unaudited) (millions of dollars)	Three months ended March 31 **2006**	 2005
Revenues	**8.3**	8.3
Costs and expenses	**(1.2)**	(1.1)
Depreciation	**(1.6)**	(1.5)
Financial charges	**(1.4)**	(1.5)
Other income	**0.1**	-
Net income	**4.2**	4.2

Tuscarora Balance Sheet

(millions of dollars)	March 31 2006 (unaudited)	December 31 2005
Assets		
Cash and cash equivalents	**6.4**	3.8
Other current assets	**3.0**	3.0
Plant, property and equipment, net	**130.2**	131.6
Other assets	**1.4**	1.4
	141.0	139.8
Liabilities and Partners' Equity		
Current liabilities	**8.2**	6.8
Long-term debt	**71.1**	71.1
Partners' equity		
Partners' capital	**61.6**	61.8
Accumulated other comprehensive income	**0.1**	0.1
	141.0	139.8

Note 4 Credit Facilities and Long-Term Debt

On February 28, 2006 the Partnership renewed a $20.0 million unsecured credit facility (Revolving Credit Facility) with JPMorgan Chase Bank, 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 0.75% or 1.00% if total debt is greater than or equal to 15% of capitalization, 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 27, 2007. 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 maximum leverage ratio permitted under the Revolving Credit Facility provides that the Partnership's total debt, as at the last day of the first, second and third quarters of 2006, shall not be greater than the lesser of (i) 56.5% of capitalization or (ii) 5 times consolidated adjusted EBITDA (net income plus interest expense and cash distributions less equity earnings) for the four-quarter period then ended. Commencing on the last day of the fourth quarter of 2006, the maximum leverage ratio reverts to the existing ratio, which is 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 for the period consisting of such fiscal quarter and the three preceding fiscal quarters. The Partnership had $13.5 million outstanding under the Revolving Credit Facility at March 31, 2006 and December 31, 2005. The interest rate on the Revolving Credit Facility averaged 5.55% and 4.40% for March 31, 2006 and December 31, 2005, respectively and at March 31, 2006 and December 31, 2005, the interest rate was 5.61% and 5.62%, respectively.

On March 31, 2006, the Partnership entered into an unsecured credit agreement for a $310 million credit facility (Bridge Loan Credit Facility) with Citigroup Global Markets Inc. and UBS Loan Finance (UBS), as joint lead arrangers and joint book managers, Citicorp North America, Inc., as administrative agent and a lender, UBS, as syndication agent and a lender, Mizuho Corporate Bank, Ltd. and Bank of Tokyo-Mitsubishi UFJ, as co-documentation agents and lenders, and SunTrust Bank, as a lender. Borrowings under the Bridge Loan Credit Facility will bear interest, at the option of the Partnership, on the LIBOR or the base rate plus, in either case, an applicable margin. The base rate will equal the higher of Citibank's base rate or 0.5% above the federal funds rate. The applicable margin is based on the Partnership's leverage ratio. The applicable margin ranges between 0.875% and 1.250% for LIBOR loans and between 0% and 0.250% for base rate loans. The applicable margin increases by 0.125% per annum on March 31, 2007 and further increases by 0.25% per annum on September 30, 2007. The Bridge Loan Credit Facility matures on March 31, 2008, at which time all amounts outstanding will be due and payable. The Bridge Loan Credit Facility requires that the Partnership maintain a leverage ratio of no more than 4.5 to 1.0 times at any time and an interest coverage ratio of not less than 3.5 to 1.0 at the end of any fiscal quarter. On April 5, 2006, the Partnership borrowed $307 million under the Bridge Loan Credit Facility to finance the purchase price and $10 million in transaction costs payable in connection wit the Partnership's acquisition of an additional 20% general partnership interest in Northern Border Pipeline. The remaining $3 million commitment under the Bridge Loan Credit Facility was terminated.

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 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 **2006**	 2005
Net income	**12.4**	13.4
Net income allocated to general partner		
General partner interest	**(0.2)**	(0.2)
Incentive distribution income allocation	**(0.5)**	(0.5)
	(0.7)	(0.7)
Net income allocable to units	**11.7**	12.7
Weighted average units outstanding *(millions)*	**17.5**	17.5
Net income per unit	**$0.67**	$0.73

Note 6 Distributions

On April 18, 2006, the Board of Directors of the general partner declared the Partnership's 2006 first quarter cash distribution. The first quarter cash distribution is payable on May 15, 2006 to unitholders of record as of April 28, 2006. 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 Capital Requirements

The Partnership contributed $3.1 million in the three months ended March 31, 2006, representing its then 30% share of a $10.3 million cash call issued by Northern Border Pipeline to its partners on

March 29, 2006. The funds were used by Northern Border Pipeline to fund the Chicago III Expansion Project. The payment to Northern Border Pipeline was funded through the use of cash from operations. The Partnership also incurred costs of $1.5 million for the three months ended March 31, 2006, related to the acquisition of an additional 20% of general partner interest in Northern Border Pipeline.

Note 8 Subsequent Events

On April 6, 2006, TC PipeLines announced it has closed its acquisition of an additional 20% general partnership interest in Northern Border Pipeline for approximately $297 million plus $10 million in transaction costs payable to a subsidiary of TransCanada. TC PipeLines also indirectly assumed approximately $120 million of debt of Northern Border Pipeline. TC PipeLines now holds a 50% interest in Northern Border Pipeline. TC PipeLines anticipates to account for its interest in Northern Border Pipeline using equity accounting.

The Partnership initially funded the transaction through the Bridge Loan Credit Facility and intends to refinance the loan under this facility with a combination of equity and debt.

In connection with this transaction, in April 2007, a subsidiary of TransCanada will become the operator of Northern Border Pipeline, which is currently operated by Northern Plains.

Northern Border Pipeline declared and paid a distribution of approximately $48.6 million on May 1, 2006. The Partnership received its 50% share ($24.3 million) on May 1, 2006.

Tuscarora declared a distribution of approximately $4.5 million on April 17, 2006. The Partnership received its 49% share ($2.2 million) on April 28, 2006.