TC PipeLines, LP

SECOND QUARTER 2006

Quarterly Report

Results-at-a-Glance

(unaudited) (millions of dollars except per unit amounts)	Three months ended June 30 **2006**	2005	Six months ended June 30 **2006**	2005
Income Statement				
Net income	**9.0**	9.7	**21.4**	23.1
Net income per common unit	**$0.47**	$0.52	**$1.14**	$1.24
Cash Flow				
Cash generated from operations	**10.1**	9.9	**22.4**	23.1
Return of capital	**12.6**	7.5	**15.1**	11.6
Cash distributions paid	**10.8**	10.8	**21.5**	21.5
Cash distributions declared per unit [1]	**$0.575**	$0.575	**$1.15**	$1.15

[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 4, 2006, which contains management's discussion and analysis of the Partnership's financial condition and results of operations as at and for the six months ended June 30, 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 June 30 **2006**	2005	Six months ended June 30 **2006**	2005
Equity income from investment in Northern Border Pipeline	**12.3**	8.6	**23.5**	20.8
Equity income from investment in Tuscarora	**1.6**	1.8	**3.6**	3.8
General and administrative expenses	**(0.7)**	(0.5)	**(1.3)**	(1.0)
Financial charges and other	**(4.2)**	(0.2)	**(4.4)**	(0.5)
Net income	**9.0**	9.7	**21.4**	23.1
Net income allocation				
Common units	**8.3**	9.0	**20.0**	21.7
General partner	**0.7**	0.7	**1.4**	1.4
	9.0	9.7	**21.4**	23.1
Net income per common unit	**$0.47**	$0.52	**$1.14**	$1.24
Units outstanding (millions)	**17.5**	17.5	**17.5**	17.5

Statement of Comprehensive Income

(unaudited) (millions of dollars)	Three months ended June 30 **2006**	2005	Six months ended June 30 **2006**	2005
Net income	**9.0**	9.7	**21.4**	23.1
Other comprehensive income				
Change associated with current period hedging transactions of investees	**(0.2)**	(0.1)	**(0.3)**	(0.2)
Total comprehensive income	**8.8**	9.6	**21.1**	22.9

See accompanying notes to the financial statements.

Balance Sheet

(millions of dollars)	June 30 2006 (unaudited)	December 31 2005
ASSETS		
Current assets		
Cash and short-term investments	**0.8**	2.3
Investment in Northern Border Pipeline	**571.0**	274.5
Investment in Tuscarora	**38.1**	38.9
Other assets	**0.8**	-
	610.7	315.7
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities		
Accrued liabilities	**1.5**	0.6
Current portion of long-term debt	**1.0**	13.5
	2.5	14.1
Long-term debt	**307.0**	-
Partners' equity		
Common units	**294.3**	294.4
General partner	**6.5**	6.5
Accumulated other comprehensive income	**0.4**	0.7
	301.2	301.6
	610.7	315.7

See accompanying notes to the financial statements.

Statement of Cash Flows

(unaudited) (millions of dollars)	Six months ended June 30 **2006**	 2005
Cash Generated From Operations		
Net income	**21.4**	23.1
Add:		
Decrease in operating working capital	**0.9**	-
Amortization of other assets	**0.1**	-
	22.4	23.1
Investing Activities		
Return of capital from Northern Border Pipeline	**14.3**	11.1
Return of capital from Tuscarora	**0.8**	0.5
Investment in Northern Border Pipeline	**(311.1)**	-
Other assets	**(0.9)**	-
	(296.9)	11.6
Financing Activities		
Distributions paid	**(21.5)**	(21.5)
Long-term debt issued	**308.0**	-
Long-term debt repaid	**(13.5)**	(12.5)
	273.0	(34.0)
Increase/(decrease) in cash and short-term investments	**(1.5)**	0.7
Cash and short-term investments		
Beginning of period	**2.3**	2.5
Cash and short-term investments		
End of period	**0.8**	3.2
Supplementary Cash Flow Information		
Interest payments made	**3.3**	0.5

See accompanying notes to the financial statements.

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	-	20.0	1.4	-	-	21.4
Distributions paid	-	(20.1)	(1.4)	-	-	(21.5)
Other comprehensive income	-	-	-	(0.3)	-	(0.3)
Partners' equity at June 30, 2006	**17.5**	**294.3**	**6.5**	**0.4**	**17.5**	**301.2**

See accompanying notes to the financial statements.

Notes to 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. 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, 2006 and 2005, the financial position as at June 30, 2006 and December 31, 2005, cash flows for the six months ended June 30, 2006 and 2005, and statement of partners' equity at June 30, 2006.

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

The Partnership owns a 50 per cent general partner interest in Northern Border Pipeline, a Texas general partnership which owns a 1,249-mile U.S. 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. Northern Border Pipeline's pipeline system connects with multiple pipelines providing shippers access to the various natural gas markets served by those pipelines. The other 50 per cent partnership interest in Northern Border Pipeline is held by ONEOK Partners, L.P. (ONEOK), formerly known as Northern Border Partners, L.P., a publicly traded limited partnership. The Northern Border Pipeline system is operated by ONEOK Partners G.P., LLC (ONEOK Partners G.P.), formerly known as Northern Plains Natural Gas Company, LLC, a wholly owned subsidiary of ONEOK. Northern Border Pipeline is regulated by the Federal Energy Regulatory Commission (FERC).

On April 6, 2006, the Partnership completed the acquisition of an additional 20 per cent general partnership interest in Northern Border Pipeline. The Partnership 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, 2006 includes 30 per cent of the net income of Northern Border Pipeline up to April 6, 2006 and 50 per cent thereafter. There were no undistributed earnings from Northern Border Pipeline as at June 30, 2006 and December 31, 2005.

The following table sets out summarized financial information representing 100 per cent of the operations of Northern Border Pipeline.

Northern Border Pipeline Income Statement

(unaudited) (millions of dollars)	Three months ended June 30 **2006**	 2005	Six months ended June 30 **2006**	 2005
Revenues	**71.5**	69.8	**151.3**	152.6
Costs and expenses	**(20.7)**	(16.7)	**(38.2)**	(34.1)
Depreciation	**(14.8)**	(14.3)	**(29.4)**	(28.7)
Financial charges	**(10.9)**	(10.6)	**(21.6)**	(21.2)
Other income	**0.3**	0.6	**0.7**	0.8
Net income	**25.4**	28.8	**62.8**	69.4

Northern Border Pipeline Balance Sheet

(millions of dollars)	**June 30 2006** (unaudited)	December 31 2005
Assets		
Cash and cash equivalents	**8.1**	22.0
Other current assets	**34.5**	45.7
Plant, property and equipment, net	**1,503.7**	1,516.1
Other assets	**21.7**	20.9
	1,568.0	1,604.7
Liabilities and Partners' Equity		
Current liabilities	**218.1**	56.0
Reserves and deferred credits	**5.2**	4.8
Long-term debt	**451.0**	628.9
Partners' equity		
Partners' capital	**892.2**	912.7
Accumulated other comprehensive income	**1.5**	2.3
	1,568.0	1,604.7

Northern Border Pipeline records in accumulated other comprehensive income amounts related to terminated interest rate swap agreements for cash flow hedges and amortizes these amounts to interest expense over the term of the hedged debt.

Note 3 Investment in Tuscarora

The Partnership owns a 49 per cent general partner interest in Tuscarora, a Nevada general partnership, which owns a 240-mile U.S. interstate pipeline system that originates at an interconnection point with facilities of GTN, a wholly-owned subsidiary of TransCanada, near Malin, Oregon and runs southeast through northeastern California and northwestern Nevada. The remaining general partner interests in Tuscarora are held 50 per cent by Sierra Pacific Resources and 1 per cent 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 per cent of total available capacity through 2017. 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 and six months ended June 30, 2006 and 2005 includes 49 per cent of the net income of Tuscarora for the same periods. There were no undistributed earnings from Tuscarora as at June 30, 2006 and December 31, 2005.

The following table sets out summarized financial information representing 100 per cent of the operations of Tuscarora.

Tuscarora Income Statement

(unaudited) (millions of dollars)	Three months ended June 30 **2006**	 2005	Six months ended June 30 **2006**	 2005
Revenues	**7.6**	8.0	**15.9**	16.3
Costs and expenses	**(1.3)**	(1.1)	**(2.4)**	(2.2)
Depreciation	**(1.5)**	(1.6)	**(3.1)**	(3.1)
Financial charges	**(1.4)**	(1.4)	**(2.8)**	(2.9)
Other income	**0.1**	0.1	**0.1**	0.1
Net income	**3.5**	4.0	**7.7**	8.2

Tuscarora Balance Sheet

(millions of dollars)	**June 30 2006** (unaudited)	December 31 2005
Assets		
Cash and cash equivalents	**3.5**	3.8
Other current assets	**2.4**	3.0
Plant, property and equipment, net	**128.7**	131.6
Other assets	**1.4**	1.4
	136.0	139.8
Liabilities and Partners' Equity		
Current liabilities	**6.5**	6.8
Long-term debt	**68.8**	71.1
Partners' equity		
Partners' capital	**60.6**	61.8
Accumulated other comprehensive income	**0.1**	0.1
	136.0	139.8

Note 4 Credit Facilities and Long-Term Debt

On February 28, 2006, the Partnership renewed a $20 million unsecured credit facility (Revolving Credit Facility). 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 per cent or 1.00 per cent if total debt is greater than or equal to 15 per cent of capitalization, or at a floating rate based on the higher of the federal funds effective rate plus 0.5 per cent and the prime rate. The Revolving Credit Facility matures in February 2007. Borrowings on the facility are limited to maximum leverage rates specified in the agreement. The Partnership had $1 million and $13.5 million outstanding under the Revolving Credit Facility at June 30, 2006 and December 31, 2005, respectively. The interest rate on the Revolving Credit Facility averaged 5.57 per cent and 4.26 per cent for the six months ended June 30, 2006 and 2005, respectively, and at June 30, 2006 and December 31, 2005, the interest rate was 5.92 per cent and 5.62 per cent, respectively.

On March 31, 2006, the Partnership entered into an unsecured credit agreement for a $310 million credit facility (Bridge Loan Credit Facility) with a banking syndicate. Borrowings under the Bridge Loan Credit Facility bear interest, at the option of the Partnership, at the LIBOR or the base rate plus an applicable margin. The Bridge Loan Credit Facility matures on March 31, 2008, at which time all amounts outstanding will be due and payable. Borrowings under the facility are limited to maximum leverage rates specified in the agreement. On April 5, 2006, the Partnership borrowed $307 million under the Bridge Loan Credit Facility to finance the purchase price and $10 million in a transaction fee payable in connection with the acquisition of an additional 20 per cent general partnership interest in Northern Border Pipeline. The remaining $3 million commitment under the Bridge Loan Credit Facility was terminated. The interest rate on the Bridge Loan Credit Facility averaged 6.10 per cent to June 30, 2006 and the interest rate was 6.14 per cent as at June 30, 2006.

Note 5 Net Income per Common 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 per cent 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 **2006**	 2005	Six months ended June 30 **2006**	 2005
Net income	**9.0**	9.7	**21.4**	23.1
Net income allocated to general partner				
General partner interest	**(0.2)**	(0.2)	**(0.4)**	(0.4)
Incentive distribution income allocation	**(0.5)**	(0.5)	**(1.0)**	(1.0)
	(0.7)	(0.7)	**(1.4)**	(1.4)
Net income allocable to units	**8.3**	9.0	**20.0**	21.7
Weighted average units outstanding *(millions)*	**17.5**	17.5	**17.5**	17.5
Net income per common unit	**$0.47**	$0.52	**$1.14**	$1.24

Note 6 Distributions

On July 21, 2006, the Board of Directors of the general partner declared the Partnership's 2006 second quarter cash distribution. The second quarter cash distribution is payable on August 14, 2006 to unitholders of record as of July 31, 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 per cent general partner interest.

Note 7 Capital Requirements

The Partnership contributed $3.1 million in the first quarter of 2006, representing its then 30 per cent share of a $10.3 million cash call issued by Northern Border Pipeline. The funds were used by Northern Border Pipeline to fund the Chicago III Expansion Project. The payment to Northern Border Pipeline was funded through cash from operations.

Note 8 Acquisition

On April 6, 2006, the Partnership acquired an additional 20 per cent general partnership interest in Northern border Pipeline for approximately $297 million plus a $10 million transaction fee payable to a subsidiary of TransCanada, bringing the partnership's total interest to 50 per cent. Through the acquisition TC PipeLines indirectly assumed approximately $120 million of debt of Northern Border Pipeline. The Partnership funded the transaction through a bridge loan credit facility and intends to refinance the loan with a combination of equity and debt. In connection with this transaction, a subsidiary of TransCanada will become the operator of Northern Border Pipeline in April 2007.

The acquisition was accounted for using the purchase method of accounting. The purchase price was allocated using an estimate of fair value of the net assets at the date of acquisition. The difference between the purchase price and the fair value was recorded as part of our investment in Northern Border Pipeline. The $10 million transaction fee payable to a subsidiary of TransCanada, who will become the operator of Northern Border Pipeline in April 2007, has been recorded as part of our investment in Northern Border Pipeline and is being amortized over the term of the related operating agreement.

The following pro forma statements of income for the three months and six months ended June 30, 2006 and June 30, 2005 have been prepared as if the acquisition occurred at the beginning of the respective periods:

(unaudited)	Three months ended June 30		Six months ended June 30	
(millions of dollars except per unit amounts)	**2006**	2005	**2006**	2005
Equity income from investment in Northern Border Pipeline	**12.5**	14.4	**30.9**	34.7
Equity income from investment in Tuscarora	**1.6**	1.8	**3.6**	3.8
General and administrative expenses	**(0.7)**	(0.5)	**(1.3)**	(1.0)
Financial charges and other	**(4.9)**	(5.1)	**(9.9)**	(10.4)
Net income	**8.5**	10.6	**23.3**	27.1
Net income allocation				
Common units	**7.9**	9.9	**21.9**	25.6
General partner	**0.6**	0.7	**1.4**	1.5
	8.5	10.6	**23.3**	27.1
Net income per common unit	**$0.45**	$0.56	**$1.25**	$1.46
Units outstanding (millions)	**17.5**	17.5	**17.5**	17.5

Note 9 Subsequent Events

Northern Border Pipeline declared and paid a distribution of approximately $36.5 million on August 1, 2006. The Partnership received its 50 per cent share ($18.2 million) on August 1, 2006.

Tuscarora declared a distribution of approximately $3.8 million on July 14, 2006. The Partnership received its 49 per cent share ($1.8 million) on July 31, 2006.