TC PipeLines, LP

FIRST QUARTER 2007

Quarterly Report

Results-at-a-Glance

(unaudited) *(millions of dollars except per unit amounts)*	Three months ended March 31 **2007**	2006
Income Statement		
Net income	**20.0**	12.4
Net income per common unit	**$0.73**	$0.67
Cash Flow		
Cash generated from operations	**15.7**	12.3
Return of capital	**4.4**	2.5
Cash distributions paid	**11.3**	10.7
Cash distributions declared per unit (1)	**$0.65**	$0.575

(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 April 30, 2007, 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, 2007. 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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Consolidated Statement of Income

(unaudited) *(millions of dollars except per unit amounts)*	Three months ended March 31 **2007**	2006
Equity income from investment in Great Lakes (Note 2)	**7.0**	-
Equity income from investment in Northern Border (Note 3)	**17.8**	11.2
Equity income from investment in Tuscarora (Note 4)	**-**	2.0
Transmission revenues	**6.9**	-
Operations, maintenance and administrative expenses	**(2.0)**	(0.6)
Depreciation	**(1.6)**	-
Financial charges, net and other	**(8.1)**	(0.2)
Net income	**20.0**	12.4
Net income allocation		
Common units	**17.9**	11.7
General partner	**2.1**	0.7
	20.0	12.4
Net income per common unit (Note 6)	**$0.73**	$0.67
Weighted average units outstanding (millions)	**24.6**	17.5
Units outstanding at the end of the period (millions)	**34.9**	17.5

Consolidated Statement of Comprehensive Income

(unaudited) *(millions of dollars)*	Three months ended March 31 **2007**	2006
Net income	**20.0**	12.4
Other comprehensive income		
Change associated with current period hedging transactions (Note 10)	**(1.2)**	-
Change associated with current period hedging transactions of investees	**(0.3)**	(0.1)
Total comprehensive income	**18.5**	12.3

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet

(unaudited) *(millions of dollars)*	**March 31, 2007**	December 31, 2006
ASSETS		
Current Assets		
Cash and short-term investments	**9.2**	4.0
Accounts receivable and other	**3.4**	2.5
	12.6	6.5
Investment in Great Lakes (Note 2)	**740.7**	-
Investment in Northern Border (Note 3)	**556.6**	561.2
Plant, property and equipment	**126.0**	127.0
Goodwill	**79.1**	79.2
Other assets	**3.6**	3.9
	1,518.6	777.8
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable	**3.0**	3.3
Accrued interest	**3.9**	1.3
Current portion of long-term debt (Note 5)	**4.7**	4.7
	11.6	9.3
Long-term debt (Note 5)	**587.4**	463.4
	599.0	472.7
Non-controlling interests	**1.2**	1.2
Partners' Equity (Note 7)		
Common units	**897.7**	295.6
General partner	**20.4**	6.5
Accumulated other comprehensive income	**0.3**	1.8
	918.4	303.9
	1,518.6	777.8

Subsequent events (Note 11)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

(unaudited) *(millions of dollars)*	Three months ended March 31 **2007**	2006
CASH GENERATED FROM OPERATIONS		
Net income	**20.0**	12.4
Depreciation	**1.6**	-
Amortization of other assets	**0.1**	-
Equity income in excess of distributions received	**(7.0)**	-
Decrease/(increase) in operating working capital	**1.0**	(0.1)
	15.7	12.3
INVESTING ACTIVITIES		
Return of capital from Northern Border	**4.4**	2.3
Return of capital from Tuscarora	**-**	0.2
Investment in Great Lakes (Note 2)	**(733.3)**	-
Investment in Northern Border (Note 3)	**-**	(4.6)
Investment in Tuscarora (Note 4)	**0.1**	-
Capital expenditures	**(0.6)**	-
Other assets	**(1.1)**	-
	(730.5)	(2.1)
FINANCING ACTIVITIES		
Distributions paid	**(11.3)**	(10.7)
Equity issuances (Note 8)	**607.3**	-
Long-term debt issued (Note 5)	**133.0**	-
Long-term debt repaid (Note 5)	**(9.0)**	-
	720.0	(10.7)
Increase/(decrease) in cash and short-term investments	**5.2**	(0.5)
Cash and short-term investments, beginning of period	**4.0**	2.3
Cash and short-term investments, end of period	**9.2**	1.8
Interest payments made	**5.6**	0.2

See accompanying notes to the consolidated financial statements.

Consolidated 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, 2006	17.5	295.6	6.5	1.8	17.5	303.9
Net income	-	17.9	2.1	-	-	20.0
Equity issuances	17.4	594.7	12.6	-	17.4	607.3
Distributions paid	-	(10.5)	(0.8)	-	-	(11.3)
Other comprehensive income	-	-	-	(1.5)	-	(1.5)
Partners' equity at March 31, 2007	**34.9**	**897.7**	**20.4**	**0.3**	**34.9**	**918.4**

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements
(Unaudited)

Note 1 Organization and Basis of Presentation

TC PipeLines, LP, and its subsidiary limited partnerships, TC PipeLines Intermediate Limited Partnership, TC Tuscarora Intermediate Limited Partnership and TC GL 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.

TC PipeLines is managed by its general partner, TC PipeLines GP, Inc. (TC PipeLines GP), an indirect wholly-owned subsidiary of TransCanada. The general partner provides certain administrative services for the Partnership and is reimbursed for its costs and expenses. In addition to its aggregate 2 per cent general partner interest in TC PipeLines, LP and its subsidiary limited partnership on a combined basis, the general partner owns 2,035,106 common units, representing an effective 7.7 per cent limited partner interest in the Partnership at March 31, 2007.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates are reasonable, actual results could differ from these estimates. Amounts are stated in U.S. dollars.

In the opinion of management, these consolidated 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, 2007 and 2006, the financial position as at March 31, 2007 and December 31, 2006, cash flows for the three months ended March 31, 2007 and 2006, and statement of partners' equity at March 31, 2007.

The results of operations for the three months ended March 31, 2007 and 2006 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, 2006.

Note 2 Investment in Great Lakes Gas Transmission Limited Partnership

On February 22, 2007, the Partnership acquired a 46.45 per cent interest in Great Lakes Gas Transmission Limited Partnership (Great Lakes). Great Lakes is a Delaware limited partnership which owns an interstate natural gas pipeline system that transports natural gas for delivery to customers in the Midwestern and northeastern U.S. and eastern Canada. The Partnership uses the equity method of accounting for its interest in Great Lakes. Great Lakes is regulated by the Federal Energy Regulatory Commission (FERC).

TransCanada, which previously held a 50 per cent interest in Great Lakes, acquired the other 3.55 per cent interest concurrent with the Partnership's acquisition of its interest. A wholly-owned subsidiary of TransCanada became the operator of Great Lakes.

The following tables set out summarized financial information of Great Lakes:

Summarized Great Lakes Income Statement

(unaudited) *(millions of dollars)*	**For the period from February 23 to March 31 2007**
Transmission revenues	**30.4**
Operations, maintenance and administrative expenses	**(6.1)**
Depreciation	**(5.9)**
Financial charges, net and other	**(3.4)**
Net income	**15.0**

Summarized Great Lakes Balance Sheet

(unaudited) *(millions of dollars)*	**March 31, 2007**
Assets	
Cash and cash equivalents	**69.1**
Other current assets	**39.5**
Plant, property and equipment, net	**995.1**
Other assets	**2.0**
	1,105.7
Liabilities and Partners' Equity	
Current liabilities	**46.0**
Deferred credits	**0.6**
Long-term debt, including current maturities	**450.0**
Partners' capital	**609.1**
	1,105.7

Note 3 Investment in Northern Border Pipeline Company

The Partnership owns a 50 per cent general partner interest in Northern Border Pipeline Company (Northern Border), a Texas general partnership which owns a 1,249-mile U.S. interstate pipeline system that transports natural gas from the Montana-Saskatchewan border to markets in the Midwestern U.S. The other 50 per cent partnership interest in Northern Border is held by ONEOK Partners, LP (ONEOK), a publicly traded limited partnership. The Northern Border system was operated by ONEOK Partners GP, LLC (ONEOK Partners GP), a wholly-owned subsidiary of ONEOK during the three months ended March 31, 2007. Effective April 1, 2007, a wholly-owned subsidiary of TransCanada became the operator of Northern Border. Northern Border is regulated by the FERC.

On April 6, 2006, the Partnership, which previously owned a 30 per cent general partner interest in Northern Border, acquired an additional 20 per cent general partnership interest in Northern Border. The Partnership uses the equity method of accounting for its investment in Northern Border. TC PipeLines' equity income for the three months ended March 31, 2007 and 2006 includes 30 per cent of the net income of Northern Border up to April 6, 2006 and 50 per cent thereafter.

The following tables set out summarized financial information of Northern Border:

Summarized Northern Border Income Statement

(unaudited)	Three months ended March 31	
(millions of dollars)	**2007**	2006
Operating revenue	**79.6**	79.8
Costs and expenses	**(17.8)**	(17.5)
Depreciation	**(15.3)**	(14.6)
Interest expense	**(10.8)**	(10.7)
Other income, net	**0.4**	0.4
Net income	**36.1**	37.4

Summarized Northern Border Balance Sheet

(unaudited) *(millions of dollars)*	**March 31, 2007**	December 31, 2006
Assets		
Cash and cash equivalents	**23.0**	11.0
Other current assets	**31.6**	35.5
Plant, property and equipment, net	**1,461.5**	1,475.7
Other assets	**23.4**	22.5
	1,539.5	1,544.7
Liabilities and Partners' Equity		
Current liabilities	**48.3**	47.7
Reserves and deferred credits	**2.7**	2.1
Long-term debt, including current maturities and notes payable	**622.3**	619.8
Partners' equity		
Partners' capital	**865.7**	874.1
Accumulated other comprehensive income	**0.5**	1.0
	1,539.5	1,544.7

Note 4 Investment in Tuscarora Gas Transmission Company

The Partnership owns or controls a 99 per cent general partner interest in Tuscarora Gas Transmission Company (Tuscarora), a Nevada general partnership. Tuscarora owns a 240-mile U.S. interstate pipeline system that transports natural gas from Oregon, where it interconnects with facilities of Gas Transmission Northwest Corporation, a wholly-owned subsidiary of TransCanada, to northern Nevada. The other general partner interests in Tuscarora are held one per cent by Sierra Pacific Resources (with the associated vote being controlled by the Partnership) and one per cent by TransCanada. Tuscarora is regulated by the FERC.

On December 19, 2006, the Partnership acquired an additional 49 per cent general partner interest in Tuscarora. Prior to the acquisition, the Partnership used the equity method of accounting for its investment in Tuscarora. Subsequent to the acquisition, the Partnership used the consolidation method of accounting for its investment in Tuscarora. In connection with this transaction, an indirect wholly-owned subsidiary of TransCanada became the operator of Tuscarora.

The following tables set out summarized financial information of Tuscarora:

Summarized Tuscarora Income Statement

(unaudited)	Three months ended March 31	
(millions of dollars)	**2007**	2006
Transmission revenues	**6.9**	8.3
Operations, maintenance and administrative expenses	**(1.2)**	(1.2)
Depreciation	**(1.6)**	(1.6)
Financial charges, net and other	**(1.2)**	(1.3)
Net income	**2.9**	4.2

Summarized Tuscarora Balance Sheet

(unaudited) *(millions of dollars)*	**March 31, 2007**	December 31, 2006
Assets		
Cash and cash equivalents	**6.7**	2.2
Other current assets	**2.5**	2.5
Plant, property and equipment, net	**126.0**	127.0
Other assets	**1.2**	1.2
	136.4	132.9
Liabilities and Partners' Equity		
Current liabilities	**3.0**	2.4
Long-term debt, including current maturities	**71.1**	71.1
Partners' equity		
Partners' capital	**62.2**	59.3
Accumulated other comprehensive income	**0.1**	0.1
	136.4	132.9

Note 5 Credit Facilities and Long-Term Debt

On February 22, 2007, the Senior Credit Facility was amended and restated in connection with the Great Lakes acquisition. The amount available under the Senior Credit Facility increased from $410 million to $950 million, consisting of a $700 million senior term loan and a $250 million senior revolving credit facility, with $194 million of the senior term loan available being terminated upon closing of the Great Lakes acquisition.

The Partnership had $521 million and $397 million outstanding under the Senior Credit Facility at March 31, 2007 and December 31, 2006, respectively. The interest rate on the Senior Credit Facility averaged 6.12 per cent and 6.16 per cent for the three months ended March 31, 2007 and December 31, 2006, respectively. At March 31, 2007 and December 31, 2006, the interest rate was 6.07 per cent.

Annual maturities of the long-term debt are as follows: 2007 - $4.7 million; 2008 - $4.6 million; 2009 - $4.4 million; 2010 - $53.5 million; 2011 - $521.8 million; and, thereafter - $3.1 million.

Note 6 Net Income per Common Unit

Net income per common 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 two per cent interest, adjusted to reflect an amount equal to incentive distributions. Net income per common unit was determined as follows:

(unaudited)	Three months ended March 31	
(millions of dollars except per unit amounts)	**2007**	2006
Net income	**20.0**	12.4
Net income allocated to general partner		
General partner interest	**(0.4)**	(0.2)
Incentive distribution income allocation	**(1.7)**	(0.5)
	(2.1)	(0.7)
Net income allocable to common units	**17.9**	11.7
Weighted average units outstanding *(millions)*	**24.6**	17.5
Net income per common unit	**$0.73**	$0.67

Note 7 Partners' Equity

Partners' capital consists of 34,856,086 common units representing an aggregate 98 per cent limited partner interest in the Partnership (which number includes 2,035,106 common units held by the general partner and 8,678,045 common units held by TransCan Northern Ltd., an indirect wholly-owned subsidiary of TransCanada) and an aggregate two per cent general partner interest. In aggregate, the general partner's interests represent an effective 7.7 per cent ownership in the Partnership at March 31, 2007 (December 31, 2006 – 13.4 per cent).

Note 8 Acquisition

On February 22, 2007, the Partnership acquired a 46.45 per cent general partnership interest in Great Lakes from El Paso Corporation (El Paso). The total purchase price was $942 million, subject to certain closing adjustments, and included the indirect assumption of approximately $209 million of debt. The acquisition was partially financed through a private placement of 17,356,086 common units at $34.57 per common unit for gross proceeds of $600 million which closed concurrently with the acquisition. TransCan Northern Ltd. purchased 8,678,045 of the 17,356,086 common units issued for gross proceeds of $300 million. In addition, TC PipeLines GP maintained its two per cent general partner interest in the Partnership by contributing $12.6 million to the Partnership in connection with the equity private placement. The Partnership funded the balance of the total consideration with a draw on its senior credit facility, which was amended and restated in connection with the acquisition.

The acquisition was accounted for using the purchase method of accounting. The purchase price was allocated on a preliminary basis using an estimate of fair value of the net assets at the date of acquisition. The difference between the purchase price and the estimated fair value of net assets of approximately $457 million, being goodwill, was recorded as part of the Partnership's investment in Great Lakes.

Great Lakes' business is subject to rate regulation based on historical costs which do not change with market conditions or change of ownership. Accordingly, upon acquisition, the assets and liabilities of Great Lakes were determined to have a fair value equal to the rate regulated historical costs. No intangibles other than goodwill were identified in the acquisition.

TransCanada, which previously held a 50 per cent interest in Great Lakes, acquired the other 3.55 per cent interest simultaneously with the Partnership's acquisition of its interest. In connection with these transactions, a wholly-owned subsidiary of TransCanada became the operator of Great Lakes.

The following Partnership pro forma financial information for the three months ended March 31, 2007 and 2006 has been prepared as if the acquisition occurred at the beginning of the respective periods:

(unaudited) *(millions of dollars except per unit amounts)*	Three months ended March 31 **2007**	2006
Equity income from investment in Great Lakes	**17.5**	15.1
Net income	**28.6**	25.7
Net income per unit	**$0.81**	**$0.70**

NOTE 9 RELATED PARTY TRANSACTIONS

The Partnership does not have any employees. The management and operating functions are provided by the general partner. The general partner does not receive a management fee or other compensation in connection with its management of the Partnership. The Partnership reimburses the general partner for all costs of services provided, including the costs of employee, officer and director compensation and benefits, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to the Partnership. Such costs include (i) overhead costs (such as office space and equipment) and (ii) out-of-pocket expenses related to the provision of such services. The Partnership Agreement provides that the general partner will determine the costs that are allocable to the Partnership in any reasonable manner determined by the general partner in its sole discretion. Total costs reimbursed to the general partner by the Partnership were $0.4 million and $0.3 million for the three months ended March 31, 2007 and 2006, respectively.

TransCanada became the operator of Great Lakes through its acquisition of Great Lakes Gas Transmission Company, the operator of the Great Lakes facilities, on February 22, 2007. TransCanada provides operating services such as legal, tax, treasury, human resources, other administrative functions, and incurs other costs on Great Lakes' behalf. These include, but are not limited to, employee benefit costs, property and liability insurance costs, and transition costs. Total costs reimbursed to TransCanada by Great Lakes were approximately $4.1 million for the period from February 22, 2007 to March 31, 2007, of which $1.9 million is included in the Partnership's equity income from Great Lakes during that same period.

Great Lakes earns transportation revenues from TransCanada under fixed priced contracts with remaining terms ranging from one to five years. Great Lakes earned $12.9 million of transportation revenues under these contracts during the period February 22, 2007 to March 31, 2007. This amount represented 42.4 per cent of total revenues earned by Great Lakes for the period from February 22, 2007 to March 31, 2007, of which $6.0 million is included in the Partnership's equity income from Great Lakes during that same period.

TransCanada Northern Border Inc. (TransCanada Northern Border), a wholly-owned subsidiary of TransCanada formerly named TransCan Northwest Border Ltd. became the operator of Northern Border effective April 1, 2007. The officers of TransCanada Northern Border are now the equivalent of Northern Border's officers. TransCanada Northern Border will provide operating services such as legal, tax, treasury, human resources, other administrative functions, and incur other costs on Northern Border's behalf. These include, but are not limited to, employee benefit costs, property and liability insurance costs, and transition costs.

On April 6, 2006, the Partnership acquired an additional 20 per cent general partnership interest in Northern Border. As part of this transaction, the Partnership paid a $10 million transaction fee to TransCanada Northern Border. This fee has been recorded as part of the Partnership's investment in Northern Border and is being amortized over the term of the related operating agreement.

On December 19, 2006, the Partnership acquired an additional 49 per cent general partner interest in Tuscarora. In connection with this transaction, TransCanada Northern Border became the operator of Tuscarora. TransCanada Northern Border will provide operating services such as legal, tax, treasury, human resources, other administrative functions, and incur other costs on Tuscarora's behalf. These include, but are not limited to, employee benefit costs, property and liability insurance costs, and transition costs. Total costs reimbursed to TransCanada Northern Border by Tuscarora were $0.2 million for the three months ended March 31, 2007.

In April 2007, the Partnership agreed to reimburse TransCanada for approximately $3 million of third party costs related to the Partnership's acquisition of its interest in Great Lakes in February 2007.

Note 10 Financial Instruments

At March 31, 2006, the fair value of the interest rate swaps accounted for as hedges was $0.4 million. The fair value of interest rate derivatives has been calculated using period-end market rates. The notional amount hedged was $300 million. The interest rate swaps are structured such that the cash flows match those of the Senior Credit Facility from March 12, 2007 to December 12, 2011.

Note 11 Subsequent Events

On April 9, 2007, Northern Border informed the Partnership that a contribution of $7.5 million is payable on April 30, 2007, representing the Partnership's 50 per cent share of a $15 million cash call issued by Northern Border. The funds will be used by Northern Border to repay indebtedness.

On April 18, 2007, the Partnership announced its first quarter cash distribution in the amount of $0.65 per unit, payable on May 15, 2007, to unitholders of record on April 30, 2007. The cash distribution represents a quarterly increase of $0.05 per unit, or $0.20 per unit per annum, to an indicated annual cash distribution of $2.60 per unit.