

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

/ X / QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended JUNE 30, 2003

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number: 000-26091

TC PIPELINES, LP
(Exact name of registrant as specified in its charter)

DELAWARE

52-2135448

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification Number)

110 TURNPIKE ROAD, SUITE 203
WESTBOROUGH, MASSACHUSETTS

01581

(Address of principal executive offices)

(Zip code)

508-871-7046

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes /X/ No / /

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act).

Yes /X/ No / /

As of August 14, 2003 there were 16,563,564 of the registrant's common
units outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

TC PIPELINES, LP

STATEMENT OF INCOME

(UNAUDITED) (MILLIONS OF DOLLARS, EXCEPT PER UNIT AMOUNTS)	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 (millions)	17.5	17.5	17.5	17.5

STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED) (MILLIONS OF DOLLARS)	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.

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

TC PIPELINES, LP

BALANCE SHEET

(MILLIONS OF DOLLARS)	JUNE 30, 2003 (UNAUDITED)	December 31, 2002 (AUDITED)
<hr/>		
ASSETS		
Current Assets		
Cash	2.3	6.4
Investment in Northern Border Pipeline	242.7	242.9
Investment in Tuscarora	39.5	36.7
	<hr/>	<hr/>
	284.5	286.0
<hr/>		
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
	<hr/>	<hr/>
	278.5	273.9
	<hr/>	<hr/>
	284.5	286.0
<hr/>		

STATEMENT OF CASH FLOWS

SIX MONTHS ENDED JUNE 30 (UNAUDITED) (MILLIONS OF DOLLARS)	2003	2002
<hr/>		
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)
	<hr/>	<hr/>
	24.4	25.2
<hr/>		
INVESTING ACTIVITIES		
Investment in Tuscarora	(3.3)	-
<hr/>		
FINANCING ACTIVITIES		
Distributions paid	(19.2)	(18.1)
Reduction of long-term debt	(6.0)	(10.0)
	<hr/>	<hr/>
	(25.2)	(28.1)
<hr/>		
DECREASE IN CASH	(4.1)	(2.9)
CASH, BEGINNING OF PERIOD	6.4	9.2
	<hr/>	<hr/>
CASH, END OF PERIOD	2.3	6.3
<hr/>		

See accompanying Notes to Condensed Financial Statements.

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

TC PIPELINES, LP

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.

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

TC PIPELINES, LP

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

(UNAUDITED) (MILLIONS OF DOLLARS)	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
	1,712.9	1,740.0
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
	1,712.9	1,740.0

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

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

TC PIPELINES, LP

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

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	2.7	2.4	5.7	4.8

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

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

TC PIPELINES, LP

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

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:

(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

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 1. FINANCIAL STATEMENTS (CONCLUDED)

TC PIPELINES, LP

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

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.

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

TC PIPELINES, LP

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This quarterly report includes forward-looking statements regarding future events and the future financial performance of TC Pipelines, LP. All forward-looking statements are based on the Partnership's beliefs as well as assumptions made by and information currently available to the Partnership. Words such as "anticipates", "believes", "estimates", "expects", "plans", "intends", "forecasts", and similar expressions, identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These statements reflect the Partnership's current views with respect to future events and are subject to various risks, uncertainties and assumptions including:

- o regulatory decisions, particularly those of the Federal Energy Regulatory Commission (FERC);
- o majority control and operation of Northern Border Pipeline Company by affiliates of Enron Corp., and as a result, any further developments in the Enron bankruptcy proceedings, Enron's announcement to create a new pipeline operating company, and bankruptcy-related regulatory issues, including the potential denial by the Securities and Exchange Commission (SEC) of Enron's application for exemption from the Public Utility Holding Company Act and any impact of such denial on Northern Border Pipeline Company and the Partnership;
- o the failure of a shipper on either one of the Partnership's pipelines to perform its contractual obligations;
- o the ability of Northern Border Pipeline Company to recontract its capacity;
- o cost of acquisitions;
- o future demand for natural gas;
- o overcapacity in the industry;
- o conflicts of interest between TransCanada, the owner of the Partnership's general partner, on the one hand, and the Partnership, on the other hand; and
- o prevailing economic conditions, particularly conditions of the capital and equity markets;

and other risks discussed in the Partnership's filings with the SEC, including the Partnership's Annual Report on Form 10-K for the year ended December 31, 2002. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements.

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (CONTINUED)

TC PIPELINES, LP

RESULTS OF OPERATIONS OF TC PIPELINES, LP

TC PipeLines, LP was formed in 1998 to acquire, own and participate in the management of United States based pipeline assets. 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 GP, Inc., a wholly owned subsidiary of TransCanada PipeLines Limited, which in turn is a subsidiary of TransCanada Corporation, is the general partner of the Partnership. The Partnership owns a 30% general partner interest in Northern Border Pipeline and a 49% general partner interest in Tuscarora.

INVESTMENT IN NORTHERN BORDER PIPELINE COMPANY

Northern Border Pipeline 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 Partnership acquired its 30% interest in Northern Border Pipeline from affiliates of its General Partner. The Partnership has one member and 30% of the voting power of the Northern Border Pipeline management committee.

The remaining 70% general partner interest in Northern Border Pipeline is held by Northern Border Partners, L.P., a publicly traded limited partnership. The general partners of Northern Border Partners are Northern Plains Natural Gas Company and Pan Border Gas Company, both Enron affiliates, and Northwest Border Pipeline Company, a subsidiary of TransCanada. TransCanada has one member and 12.25% of the voting power on the Northern Border Pipeline management committee. TransCanada and TC PipeLines collectively have two members and an aggregate 42.25% of the voting power of the Northern Border Pipeline management committee. Northern Plains and Pan Border collectively have two members and 57.75% of the voting power of the Northern Border Pipeline management committee. Northern Plains also serves as the operator of the Northern Border pipeline system.

INVESTMENT IN TUSCARORA GAS TRANSMISSION COMPANY

Tuscarora 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 Partnership owns a 49% general partner interest in Tuscarora. The remaining general partner interests in Tuscarora are held 50% by Sierra Pacific Resources and 1% by TCPL Tuscarora Ltd., an indirect subsidiary of TransCanada. Under the Tuscarora partnership agreement, voting power of the management committee is allocated among Tuscarora's three general partners in proportion to their general partner interests in Tuscarora. 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.

On December 1, 2002, Tuscarora completed and placed into service an expansion of its pipeline system. The expansion consisted of the addition of two compressor stations, located along the Tuscarora mainline, as well as an 11-mile pipeline extension from Tuscarora's previous terminus near Reno, Nevada to Wadsworth, Nevada. The expansion increased Tuscarora's capacity to approximately 182 million cubic feet per day. The project had a capital budget of \$43.0 million but was completed at a capital cost of approximately \$39.0 million. The new capacity is contracted under long-term firm

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (CONTINUED)

TC PIPELINES, LP

contracts ranging from ten to fifteen years. Under the terms of these transportation contracts, approximately 70% of the new contracted capacity came into effect upon commencement of service. The remaining 30% of new contracted capacity will come into effect by the end of 2003.

CRITICAL ACCOUNTING POLICY

TC PipeLines accounts for its investments in both Northern Border Pipeline and Tuscarora using the equity method of accounting as detailed in notes two and three to the condensed financial statements. The equity method of accounting is appropriate where the investor does not control but is able to exercise significant influence over the operating and financial policies of an investee. TC PipeLines is able to exercise significant influence over its investments in Northern Border Pipeline and Tuscarora as evidenced by its representation on their respective management committees.

Since the interests in Northern Border Pipeline and Tuscarora are currently the Partnership's only significant sources of income, the Partnership's results of operations are influenced by and reflect the same factors that influence the financial results of Northern Border Pipeline and Tuscarora, respectively.

SECOND QUARTER 2003 COMPARED WITH SECOND QUARTER 2002

Net income decreased \$0.2 million, or 2%, to \$12.0 million for second quarter 2003, compared to \$12.2 million for the same period last year. Net income for second quarter 2003 reflects a decrease in equity income from Northern Border Pipeline, partially offset by an increase in equity income from Tuscarora.

Equity income from the Partnership's investment in Northern Border Pipeline decreased \$0.3 million, or 3%, to \$11.3 million for second quarter 2003, compared to \$11.6 million for the same period last year. Northern Border Pipeline's second quarter 2003 revenues were higher than the same period last year, as second quarter 2002 revenues reflected uncollected revenues associated with the transportation capacity previously held by Enron North America, an Enron subsidiary that filed for bankruptcy protection in December 2001 (the impact on TC PipeLines' equity income was \$0.1 million). Also, Northern Border Pipeline's interest expense was lower during second quarter 2003 compared to the same period last year due primarily to lower average interest rates and lower average debt balances outstanding, resulting in an increase of \$0.6 million to the Partnership's equity income. These increases to the Partnership's equity income were more than offset by increases in Northern Border Pipeline's operations and maintenance expense as well as taxes other than income. The increase in second quarter 2003 operations and maintenance expense is due primarily to higher electric power costs for certain compressor stations (see "Results of Operations of Northern Border Pipeline Company") as

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (CONTINUED)

TC PIPELINES, LP

compared to the same period last year. Operations and maintenance expense also includes an increase in employee benefits expense in second quarter 2003 as compared to the same period last year. The increase in second quarter 2003 taxes other than income is due primarily to adjustments to ad valorem taxes. Northern Border Pipeline periodically reviews and adjusts its estimates of ad valorem taxes. Reductions to previous estimates in 2002 exceeded reductions to previous estimates in 2003. The combined effect of these increased expenses at Northern Border Pipeline during second quarter 2003 is a \$1.1 million decrease to the Partnership's equity income.

Equity income from the Partnership's investment in Tuscarora increased \$0.2 million, or 20%, to \$1.2 million for second quarter 2003, compared to \$1.0 million for the same period last year. Tuscarora's revenues increased primarily due to new transportation contracts from the expansion, increasing the Partnership's equity income by \$0.8 million. This increase was partially offset by increased operations and maintenance expense and increased depreciation expense, both resulting from Tuscarora's expansion. The combined effect of these increases in expenses reduced the Partnership's equity income by \$0.5 million.

SIX MONTHS ENDED JUNE 30, 2003 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2002

Net income decreased \$0.2 million, or 1%, to \$23.9 million for the first six months of 2003, compared to \$24.1 million for the same period last year. Net income for the first six months of 2003 reflects a decrease in equity income from Northern Border Pipeline, partially offset by an increase in equity income from Tuscarora.

Equity income from the Partnership's investment in Northern Border Pipeline decreased \$0.6 million, or 3%, to \$22.3 million for the first six months of 2003, compared to \$22.9 million for the same period last year. Northern Border Pipeline's revenues for the first six months of 2003 were higher than the same period last year, as the first six months of 2002 reflected uncollected revenues associated with the transportation capacity previously held by Enron North America (the impact on TC Pipelines' equity income was \$0.5 million). Also, Northern Border Pipeline's interest expense was lower during the first six months of 2003 compared to the same period last year due primarily to lower average interest rates and lower average debt balances outstanding, resulting in an increase of \$1.0 million to the Partnership's equity income. These increases to the Partnership's equity income were more than offset by increases in Northern Border Pipeline's operations and maintenance expense and taxes other than income. The increase in 2003 operations and maintenance expense is primarily due to higher electric power costs for certain compressor stations (see "Results of Operations of Northern Border Pipeline Company") as compared to the same period last year. Operations and maintenance expense also includes an increase in employee benefits expense in the

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (CONTINUED)

TC PIPELINES, LP

first six months of 2003 as compared to the same period last year. The increase in 2003 taxes other than income is due primarily to adjustments to ad valorem taxes. Northern Border Pipeline periodically reviews and adjusts its estimates of ad valorem taxes. Reductions to previous estimates in 2002 exceeded reductions to previous estimates in 2003. In addition, Northern Border Pipeline received a fuel tax refund during the first six months of 2002, resulting in lower taxes other than income when compared to the same period in 2003. The combined effect of these increased expenses at Northern Border Pipeline during the first six months of 2003 is a \$2.0 million decrease to the Partnership's equity income.

Equity income from the Partnership's investment in Tuscarora increased \$0.4 million, or 19%, to \$2.5 million for the first six months of 2003, compared to \$2.1 million for the same period last year. Tuscarora's revenues increased primarily due to new transportation contracts from the expansion, increasing the Partnership's equity income by \$1.7 million. This increase was partially offset by increased operations and maintenance expense and increased depreciation expense, both resulting from Tuscarora's expansion. The combined effect of these increases in expenses reduced the Partnership's equity income by \$0.9 million.

LIQUIDITY AND CAPITAL RESOURCES OF TC PIPELINES, LP

EARLY CONVERSION OF SUBORDINATED UNITS

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.

CASH DISTRIBUTION POLICY OF TC PIPELINES, LP

During the subordination period, which generally cannot end before June 30, 2004, the Partnership will make distributions of Available Cash as defined in the partnership agreement in the following manner:

- o First, 98% to the common units, pro rata, and 2% to the General Partner, until there is distributed for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter;
- o Second, 98% to the common units, pro rata, and 2% to the General Partner, until there is distributed for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for that quarter and for any prior quarters during the subordination period;
- o Third, 98% to the subordinated units, pro rata, and 2% to the General Partner, until there is distributed for each outstanding subordinated unit an amount equal to the minimum quarterly distribution for that quarter; and

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TC PIPELINES, LP

- o Thereafter, in a manner whereby the General Partner has rights (referred to as incentive distribution rights) to receive increasing percentages of excess quarterly cash distributions over specified cash distribution thresholds.

2003 SECOND QUARTER CASH DISTRIBUTION

On July 22, 2003, the Board of Directors of the General Partner declared the Partnership's 2003 second quarter cash distribution in the amount of \$0.55 per unit, a \$0.025 per unit increase from the previous quarterly distribution. As a result of this distribution increase, the second tier of incentive distributions has been achieved. This distribution will be paid on August 14, 2003 to unitholders of record as of July 31, 2003. The second quarter cash distribution, totaling \$10.1 million, will be paid in the following manner: \$8.6 million to common unitholders (including \$1.5 million to an affiliate of TransCanada as holder of 2,800,000 common units and \$0.5 million to the General Partner as holder of 936,435 common units), \$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.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows provided by operating activities decreased \$0.8 million, or 3%, to \$24.4 million for the first six months of 2003, compared to \$25.2 million for the same period last year. For the first six months of 2003 and 2002, the Partnership received cash distributions of \$22.3 million and \$24.0 million, respectively, from its equity investment in Northern Border Pipeline. The Partnership also received cash distributions of \$3.1 million and \$2.2 million from its equity investment in Tuscarora during the first six months of 2003 and 2002, respectively.

CASH FLOWS FROM INVESTING ACTIVITIES

In the first six months of 2003, the Partnership made an equity contribution of \$4.1 million to Tuscarora related to Tuscarora's 2002 expansion project, which was partially offset by a \$0.8 million return of capital from Tuscarora.

CASH FLOWS FROM FINANCING ACTIVITIES

In the first six months of 2003, the Partnership paid \$19.2 million in cash distributions: \$16.4 million to common unitholders (including \$3.0 million to an affiliate of TransCanada as holder of 2,800,000 common units and \$1.0 million to the General Partner as holder of 936,435 common units), \$2.0 million to the General Partner as holder of the subordinated units, \$0.4 million to the General Partner, as holder of incentive distribution rights, and \$0.4 to the General Partner in respect of its 2% general partner interest. This compares

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to cash distributions of \$18.1 million, which were paid by the Partnership in the first six months of 2002.

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 the option of the Partnership, at a one-, two-, three-, or six-month London Interbank Offered Rate (LIBOR) plus 1.25% or at a floating rate based on the higher of the federal funds effective rate plus 0.5% or the prime 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. In the first six months of 2003 the Partnership made principal re-payments on the Revolving Credit Facility of \$6.0 million. At June 30, 2003 and August 14, 2003, the Partnership had borrowings of \$5.5 million outstanding under the Revolving Credit Facility. The interest rate on the Revolving Credit Facility averaged 2.7% for the three and six months ended June 30, 2003 and was 2.6% at June 30, 2003.

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 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. At June 30, 2003 and August 14, 2003, the Partnership had no amount outstanding under the TransCanada Credit Facility.

CAPITAL REQUIREMENTS

To the extent TC Pipelines has any capital requirements with respect to its investments in Northern Border Pipeline and Tuscarora or makes acquisitions during the remainder of 2003, TC Pipelines expects to fund these requirements with operating cash flows, debt and/or equity.

RESULTS OF OPERATIONS OF NORTHERN BORDER PIPELINE COMPANY

CRITICAL ACCOUNTING POLICIES

Certain amounts included in or affecting Northern Border Pipeline's Financial Statements and related disclosures must be estimated, requiring it to make certain assumptions with respect to values or

PART I. FINANCIAL INFORMATION (CONTINUED)
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conditions that cannot be known with certainty at the time the financial statements are prepared. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any effects on Northern Border Pipeline's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Certain of Northern Border Pipeline's accounting policies are of more significance in its financial statement preparation process than others. Northern Border Pipeline's accounting policies conform to Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." Accordingly, certain assets that result from the regulated ratemaking process are recorded that would not be recorded under accounting principles generally accepted in the United States of America for nonregulated entities. Northern Border Pipeline continually assesses whether the future recovery of the regulatory assets is probable by considering such factors as regulatory changes and the impact of competition. If future recovery ceases to be probable, Northern Border Pipeline would be required to write-off the regulatory assets at that time. At June 30, 2003, Northern Border Pipeline has recorded regulatory assets of \$10.0 million, which are being recovered from its shippers over varying periods of time.

Northern Border Pipeline's long-lived assets are stated at original cost. Northern Border Pipeline must use estimates in determining the economic useful lives of those assets. For utility property, no retirement gain or loss is included in income except in the case of retirements or sales of entire regulated operating units. The original cost of utility property retired is charged to accumulated depreciation and amortization, net of salvage and cost of removal.

Northern Border Pipeline's accounting for financial instruments follows SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement. At June 30, 2003, Northern Border Pipeline's balance sheet reflects a non-cash gain of approximately \$24.6 million in derivative financial instruments with a corresponding increase in long-term debt.

RESULTS OF OPERATIONS

The following sets out summarized financial information for 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. Amounts discussed represent 100% of the operations of Northern Border Pipeline, in which the Partnership has held a 30% interest since May 28, 1999.

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(UNAUDITED) (MILLIONS OF DOLLARS)	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

(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
	1,712.9	1,740.0
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
	1,712.9	1,740.0

UPDATE ON COMPANY USE GAS FERC FILING

In February 2003, Northern Border Pipeline filed to amend its FERC tariff to clarify the definition of company use gas, which is gas supplied by its shippers for its operations, by adding detailed language to the broad categories that comprise company use gas. Northern Border Pipeline had included in its collection of company use gas, quantities that were equivalent to the cost of electric power at its electric-driven compressor stations during the period of June 2001 through January 2003. On March 27, 2003, the FERC issued an order rejecting Northern Border Pipeline's proposed tariff sheet revision and requiring refunds with interest within 90 days of the order. The refunds with interest amounted to \$10.3 million, which Northern Border Pipeline paid to its shippers in May 2003.

SECOND QUARTER 2003 COMPARED WITH SECOND QUARTER 2002

Net income to partners decreased \$0.9 million for the second quarter of 2003, as compared to the same period in 2002. Northern Border Pipeline's net income was reduced by higher operating expenses

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partially offset by increases in operating revenues and reductions in interest expense.

Operating revenues increased \$0.5 million for the second quarter of 2003, as compared to the same period in 2002. The 2002 results were impacted by uncollected revenues associated with the transportation capacity previously held by Enron North America Corp., which filed for Chapter 11 bankruptcy protection in December 2001 (see "Update On The Impact Of Enron's Chapter 11 Filing On Northern Border Pipeline's Business"). For the second quarter of 2002, the revenues lost on this capacity totaled approximately \$0.3 million.

Costs and expenses consist of operations and maintenance expenses and taxes other than income. Operations and maintenance expenses increased \$3.2 million for the second quarter of 2003, as compared to the same period in 2002, due primarily to the cost for electricity to power Northern Border Pipeline's electric-driven compressors. Previously, Northern Border Pipeline included in its collection of company-use gas quantities that were equivalent to the cost of electric power. Operations and maintenance expenses also include an increase in employee benefits expenses.

Taxes other than income increased \$0.5 million for the second quarter of 2003, as compared to the same period in 2002, due primarily to adjustments to ad valorem taxes. Northern Border Pipeline periodically reviews and adjusts its estimates of ad valorem taxes. Reductions to previous estimates in 2002 exceeded reductions to previous estimates in 2003 by approximately \$0.4 million.

Financial charges decreased \$2.2 million for the second quarter of 2003, as compared to the same period in 2002, due to a decrease in Northern Border Pipeline's average interest rate as well as a decrease in average debt outstanding.

SIX MONTHS ENDED JUNE 30, 2003 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2002

Net income to partners decreased \$1.8 million for the six months ended June 30, 2003, as compared to the same period in 2002. Northern Border Pipeline's net income was reduced by higher operating expenses and decreases in other income partially offset by increases in operating revenues and reductions in interest expense.

Operating revenues increased \$2.3 million for the six months ended June 30, 2003, as compared to the same period in 2002. The 2002 results were impacted by uncollected revenues associated with the transportation capacity previously held by Enron North America Corp., which filed for Chapter 11 bankruptcy protection in December 2001 (see "Update On The Impact Of Enron's Chapter 11 Filing On Northern Border

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Pipeline's Business"). For the six months ended June 30, 2002, the revenues lost on this capacity totaled approximately \$1.8 million.

Costs and expenses consist of operations and maintenance expenses and taxes other than income. Operations and maintenance expenses increased \$4.9 million for the six months ended June 30, 2003, as compared to the same period in 2002, due primarily to the cost for electricity to power Northern Border Pipeline's electric-driven compressors. Previously, Northern Border Pipeline included in its collection of company-use gas quantities that were equivalent to the cost of electric power. Operations and maintenance expenses also include an increase in employee benefits expenses.

Taxes other than income increased \$1.8 million for the six months ended June 30, 2003, as compared to the same period in 2002. The 2002 amount included a refund of use taxes previously paid on exempt purchases. Both 2003 and 2002 also include adjustments to ad valorem taxes. Northern Border Pipeline periodically reviews and adjusts its estimates of ad valorem taxes. Reductions to previous estimates in 2002 exceeded reductions to previous estimates in 2003 by approximately \$0.4 million.

Financial charges decreased \$3.4 million for the six months ended June 30, 2003, as compared to the same period in 2002, due to a decrease in Northern Border Pipeline's average interest rate as well as a decrease in average debt outstanding.

Other income decreased \$0.9 million for the six months ended June 30, 2003, as compared to the same period in 2002. The 2003 amount includes \$0.3 million of interest expense for refunds required by the order issued by the Federal Energy Regulatory Commission on March 27, 2003 (see "Update on Company Use Gas FERC Filing"). The 2002 amount included \$0.6 million of income primarily related to interest received on the refund of use taxes discussed previously.

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TC PIPELINES, LP

LIQUIDITY AND CAPITAL RESOURCES OF NORTHERN BORDER PIPELINE COMPANY

DEBT AND CREDIT FACILITIES

Northern Border Pipeline's debt and credit facilities outstanding at June 30, 2003, are as follows:

	Payments Due by Period		
	Total	Current Portion (Less Than 1 Year)	Long-Term Portion
	(In Millions)		
1992 Series D Senior Notes, average 8.57%, due 2003	65.0	65.0	-
\$175 million Pipeline Credit Agreement, average 2.18%, due 2005	90.0	-	90.0
6.25% Senior Notes due 2007	225.0	-	225.0
7.75% Senior Notes due 2009	200.0	-	200.0
7.50% Senior Notes due 2021	250.0	-	250.0
Total	830.0	65.0	765.0

At June 30, 2003, Northern Border Pipeline had outstanding \$65 million of Series D Senior Notes issued in a \$250 million private placement under a July 1992 note purchase agreement. The Series D Senior Notes matured in August 2003. Northern Border Pipeline borrowed under the Pipeline Credit Agreement to repay the Series D Senior Notes.

Northern Border Pipeline has outstanding interest rate swap agreements with notional amounts totaling \$225 million that expire in May 2007. Under the interest rate swap agreements, Northern Border Pipeline makes payments to counterparties at variable rates based on the London Interbank Offered Rate and in return receives payments based on a 6.25% fixed rate. At June 30, 2003, the average effective interest rate on Northern Border Pipeline's interest rate swap agreements was 2.38%.

Short-term liquidity needs will be met by operating cash flows and through the Pipeline Credit Agreement. Long-term capital needs may be met through the ability to issue long-term indebtedness.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows provided by operating activities were \$77.8 million in the six months ended June 30, 2003 as compared to \$103.0 million for the comparable period in 2002. The decrease is primarily due to Northern Border Pipeline's refund to its shippers for \$10.3 million in 2003 and a reduction in prepayments in 2003 that Northern Border Pipeline had required certain shippers make in 2002 for transportation service.

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures were \$2.1 million for the six months ended June 30, 2003 as compared to \$3.2 million for the comparable period in 2002. The capital expenditures for 2003 and 2002 were primarily related to renewals and replacements of existing facilities.

Northern Border Pipeline advises that total capital expenditures for 2003 are estimated to be \$13 million, primarily related to renewals and replacements of existing facilities. Northern Border Pipeline has also advised that it currently anticipates funding its 2003 capital expenditures primarily by borrowing on debt facilities and using operating cash flows.

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CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows used in financing activities were \$73.2 million for the six months ended June 30, 2003 as compared to \$105.3 million for the comparable period in 2002. Distributions to partners were \$74.2 million and \$80.0 million in the six months ended June 30, 2003 and 2002, respectively. The distributions for 2003 were reduced to reflect the impact of the refunds ordered by the FERC on March 27, 2003 in accordance with the currently approved distribution formula.

For the six months ended June 30, 2003 and 2002, borrowings on long-term debt totaled \$39.0 million and \$316.9 million, respectively. The 2002 amount included proceeds from the \$225 million 6.25% Senior Notes, which were primarily used to repay previously existing indebtedness. Total payments on debt were \$38.0 million and \$342.0 million in the six months ended June 30, 2003 and 2002, respectively.

OUTLOOK UPDATE

As of June 30, 2003, approximately 74% of Northern Border Pipeline's capacity was under contract at least through December 31, 2003. As a result of commercial activity during July, 2003, essentially all of Northern Border Pipeline's capacity is under contract at least through December 31, 2003 and, assuming no extensions of existing contracts or execution of new contracts, approximately 70% and 59% is under contract at least through December 31, 2004 and 2005, respectively.

On July 15, 2003, Northern Border Pipeline announced that Cargill, Incorporated had finalized the assignment of all of the firm capacity formerly held by Mirant Americas Energy Marketing, LP. This represents approximately 10% of Northern Border Pipeline's contracted firm capacity and extends for terms into 2006 and 2008. Additionally, Cargill assumed the management services of Pan-Alberta Gas, Ltd., previously performed by Mirant.

UPDATE ON THE IMPACT OF ENRON'S CHAPTER 11 FILING ON NORTHERN BORDER PIPELINE'S BUSINESS

As more fully discussed in TC PipeLines' Annual Report on Form 10-K for the year ended December 31, 2002, on December 2, 2001, Enron Corp. and certain of its wholly-owned subsidiaries filed a voluntary petition for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.

Northern Border Partners, L.P. owns a 70% general partner interest in Northern Border Pipeline and TC PipeLines, LP owns the remaining 30%. Northern Plains Natural Gas Company and Pan Border Gas Company, subsidiaries of Enron, are two of the general partners of Northern Border Partners, L.P. Northern Plains is also the operator of the Northern Border pipeline system. On June 25, 2003, Enron announced the organization of CrossCountry Energy Corp., a newly formed holding

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company that will hold, among other things, Enron's ownership interests in Northern Plains and Pan Border. Enron also announced it had filed a motion with the U.S. Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) to approve the proposed transfer of those ownership interests to CrossCountry.

On July 11, 2003, Enron announced that Enron and its debtor-in-possession subsidiaries (collectively with Enron, the Debtors) filed their proposed joint Chapter 11 plan (the Plan) and related disclosure statement (the Disclosure Statement) with the Bankruptcy Court. Under the Plan, it is anticipated that if CrossCountry is not sold to a third party, as permitted by the Plan, its shares would be distributed directly or indirectly to creditors of the Debtors.

Northern Border Pipeline advises that, at this time, it is unable to predict the outcome of the Bankruptcy Court's ruling on Enron's motion or whether Enron's Plan will be approved.

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UPDATE TO POTENTIAL PUBLIC UTILITY HOLDING COMPANY ACT (PUHCA) REGULATION

Further to the discussion and disclosure of potential impacts to Northern Border Pipeline provided in the Partnership's quarterly report on Form 10-Q for the period ended March 31, 2003, Northern Border Pipeline advises that on June 11, 2003, the SEC granted Enron's petition for review of the Initial Decision by the administrative law judge which denied Enron's application for exemption under PUHCA and set a briefing schedule that, at present, would be completed by September 3, 2003. The Initial Decision is stayed pending the resolution of the SEC's further review.

If Enron's exemption application is denied by the SEC, Northern Border Pipeline advises that it cannot estimate the amount of time that the SEC will provide for Enron to register as a holding company under PUHCA at which time Enron and its holding company system would become subject to PUHCA. Northern Border Pipeline advises that it intends to seek orders from the SEC that, if granted, would minimize the impacts previously described of PUHCA on its operations. Northern Border Pipeline further advises that it also may seek exemptions for its operations from regulation under PUHCA. Similar orders and exemptions have been granted by the SEC to other operating subsidiaries of holding companies under PUHCA. Northern Border Pipeline advises that no assurance can be given that Northern Border Pipeline will be successful in obtaining all the orders or exemptions that it intends to seek or that its operations will not be subject to the full regulatory impact of PUHCA.

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While TC Pipelines currently does not anticipate that the outcome of the SEC's determination will have a material impact on its ability to conduct its operations or to meet its obligations, the Partnership cannot guarantee that further regulatory developments may not have an impact on its operations.

Both Houses of Congress have passed bills that would repeal PUHCA. It is uncertain whether or when these bills would be enacted into law.

UPDATE ON ENRON GAS PIPELINE EMPLOYEE BENEFIT TRUST (TRUST)

Further to the discussion and disclosure in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2002, Northern Border Pipeline advises that on July 22, 2003, Enron filed a motion with the bankruptcy court requesting authority to terminate the Trust and to apportion the Trust's assets among certain identified pipeline companies, one being Northern Plains. In the motion, it states that, as of June 30, 2002, the asset/liability allocation percentage for Northern Plains was 2.7% with a liability allocation of \$1.89 million and asset allocation of \$846,000. If approved as filed, the assets of the Trust will be transferred to one or more qualifying trusts maintained for the benefit of the pipeline company retirees in accordance with the Enron Corp Medical Plan for Inactive Participants.

For risks associated with Enron's Chapter 11 filing, please read the Partnership's Annual Report on Form 10-K for the year ended December 31, 2002 - "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations of Northern Border Pipeline Company - Update on the Impact of Enron's Chapter 11 Filing on Northern Border Pipeline's Business - Possible Effects."

RESULTS OF OPERATIONS OF TUSCARORA GAS TRANSMISSION COMPANY

CRITICAL ACCOUNTING POLICY

Tuscarora's accounting policies conform to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Accordingly, certain assets that result from the regulated ratemaking process are recorded that would not be recorded under generally accepted accounting principles for nonregulated entities.

Effective January 1, 2003, Tuscarora adopted SFAS No. 143, "Accounting for Asset Retirement Obligations," which did not have a material impact on its financial position or results of operations.

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TC PIPELINES, LP

RESULTS OF OPERATIONS

The following sets out summarized financial information for Tuscarora for the three and six months ended June 30, 2003 and 2002 and as at June 30, 2003 and December 31, 2002. Amounts discussed represent 100% of the operations of Tuscarora, in which the Partnership has held a 49% interest since September 1, 2000.

(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	2.7	2.4	5.7	4.8

(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

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RESULTS OF OPERATIONS (CONTINUED)

TC PIPELINES, LP

SECOND QUARTER 2003 COMPARED WITH SECOND QUARTER 2002

Net income increased \$0.3 million, or 13%, to \$2.7 million for second quarter 2003, compared to \$2.4 million for the same period last year. This increase is primarily due to higher revenue, partially offset by higher operations and maintenance expense and higher depreciation expense.

Revenues earned by Tuscarora increased \$1.7 million, or 30%, to \$7.3 million for second quarter 2003, compared to \$5.6 million for the same period last year. This increase is due to incremental revenues being generated from new transportation contracts, including those resulting from the expansion.

Costs and expenses incurred by Tuscarora increased \$0.6 million, or 86%, to \$1.3 million for second quarter 2003, compared to \$0.7 million for the same period last year. This increase is primarily due to higher operations and maintenance expenses required to operate the two new compressor stations that were placed into service December 1, 2002.

Depreciation recorded by Tuscarora increased \$0.4 million, or 33%, to \$1.6 million for second quarter 2003, compared to \$1.2 million for the same period last year. This increase reflects the larger asset base resulting from the expansion in December 2002.

Financial charges recorded by Tuscarora increased \$0.2 million, or 13%, to \$1.7 million for second quarter 2003, compared to \$1.5 million for the same period last year. This increase is primarily due to higher average debt balances in second quarter 2003.

SIX MONTHS ENDED JUNE 30, 2003 COMPARED WITH SIX MONTHS ENDED JUNE 30, 2002

Net income increased \$0.9 million, or 19%, to \$5.7 million for the first six months of 2003, compared to \$4.8 million for the same period last year. This increase is primarily due to higher revenue, partially offset by higher operations and maintenance expense and higher depreciation expense.

Revenues earned by Tuscarora increased \$3.5 million, or 31%, to \$14.7 million for the first six months of 2003, compared to \$11.2 million for the same period last year. This increase is due to incremental revenues being generated from new transportation contracts, including those resulting from the expansion.

Costs and expenses incurred by Tuscarora increased \$1.2 million, or 92%, to \$2.5 million for the first six months of 2003, compared to \$1.3 million for the same period last year. The increase is primarily due to higher operations and maintenance expenses required to operate the two new compressor stations that were placed into service December 1, 2002.

Depreciation recorded by Tuscarora increased \$0.8 million, or 33%, to \$3.2 million for the first six months of 2003, compared to \$2.4 million for the same period last year. This increase reflects the larger asset base resulting from the expansion in December 2002.

Financial charges recorded by Tuscarora increased \$0.3 million, or 10%, to \$3.3 million for the first six months of 2003, compared to \$3.0 million for the same period last year. The increase is primarily due to higher average debt balances in the first six months of 2003.

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS (CONCLUDED)

TC PIPELINES, LP

LIQUIDITY AND CAPITAL RESOURCES OF TUSCARORA GAS TRANSMISSION COMPANY

DEBT AND CREDIT FACILITIES

Tuscarora's debt and credit facilities outstanding at June 30, 2003, are as follows:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
(In Millions)					
Series A Senior Notes due 2010	\$ 70.7	\$ 3.7	\$ 7.3	\$ 8.4	\$ 51.3
Series B Senior Notes due 2010	7.3	0.3	0.8	1.2	5.0
Series C Senior Notes due 2012	9.7	0.6	1.5	2.1	5.5
Total	\$ 87.7	\$ 4.6	\$ 9.6	\$ 11.7	\$ 61.8

Short-term liquidity needs will be met by operating cash flows. Long-term capital needs may be met through the ability to issue long-term indebtedness and/or partner contributions.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows provided by operating activities decreased by \$0.6 million to \$6.9 million for the first six months of 2003 compared to \$7.5 million for the same period last year primarily due to changes in working capital, partially offset by increased net income relating to Tuscarora's expansion.

CASH FLOWS FROM INVESTING ACTIVITIES

In the first six months of 2003, Tuscarora used \$0.6 million for capital expenditures primarily related to its 2002 expansion.

In the first six months of 2002, Tuscarora used \$10.5 million for capital expenditures primarily related to the construction of the 2002 expansion facilities.

CASH FLOWS FROM FINANCING ACTIVITIES

In the first six months of 2003, Tuscarora reported cash flows used in financing activities of \$6.4 million compared to cash flows provided from financing activities of \$3.9 million for the same period last year. In the first six months of 2003, Tuscarora repaid the \$4.6 million balance outstanding on its revolving credit facility. Tuscarora also repaid \$2.3 million of long-term debt during the first six months of 2003. Tuscarora received contributions from partners of \$8.5 million and paid cash distributions of \$6.4 million as well as a return of capital to its partners of \$1.6 million in the first six months of 2003.

In first six months of 2002, Tuscarora received proceeds of \$10.0 million from the issuance of its Series C Secured Notes and repaid \$2.1 million of long-term debt. Tuscarora also received proceeds of \$0.7 million from the issuance of notes payable. Tuscarora paid cash distributions of \$4.4 million in the first six months of 2002.

PART I. FINANCIAL INFORMATION (CONTINUED)
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

TC PIPELINES, LP

TC PipeLines' interest rate exposure results from its Revolving Credit Facility, which is subject to variability in LIBOR interest rates. Since December 31, 2002, there has not been any material change to TC PipeLines' interest rate exposure.

The Partnership's market risk sensitivity is also influenced by and reflects the same factors that influence Northern Border Pipeline and Tuscarora. Neither Northern Border Pipeline nor Tuscarora owns any of the natural gas they transport, and, therefore, do not assume any of the related natural gas commodity price risk.

Northern Border Pipeline's interest rate exposure results from variable rate borrowings from commercial banks. To mitigate potential fluctuations in interest rates, Northern Border Pipeline attempts to maintain a significant portion of its debt portfolio in fixed rate debt. Northern Border Pipeline also uses interest rate swaps as a means to manage interest rate expense by converting a portion of fixed rate debt into variable rate debt to take advantage of declining interest rates. Northern Border Pipeline advises that there have not been any material changes in market risk exposures that would affect the quantitative and qualitative disclosures presented as of December 31, 2002, in Item 7A of TC PipeLines' Annual Report on Form 10-K.

PART I. FINANCIAL INFORMATION (CONCLUDED)
ITEM 4. CONTROLS AND PROCEDURES

TC PIPELINES, LP

- a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. Based on their evaluation of the Partnership's disclosure controls and procedures as of the end of the period covered by this quarterly report, the President and Chief Executive Officer and Chief Financial Officer of the general partner of the Partnership have concluded that the disclosure controls and procedures are effective.
- b) CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING. There were no changes in the Partnership's internal control over financial reporting that occurred during the Partnership's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II. OTHER INFORMATION
ITEM 5. OTHER INFORMATION

TC PIPELINES, LP

In TC PipeLines' Annual Report on Form 10-K for the year ended December 31, 2002, it was reported that Northern Border Pipeline was selected for an industry-wide audit of FERC-assessed annual charges. On April 10, 2003, the FERC issued its final report finding that Northern Border Pipeline was compliant.

PART II. OTHER INFORMATION
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

TC PIPELINES, LP

(a) Exhibits

- 10.1 Renewal of U.S. \$40,000,000 Two Year Revolving Credit Facility between TC Pipelines, LP, as borrower, and TransCanada Pipelines USA Ltd., as lender, dated May 28, 2003 (Exhibit 1 to TC Pipelines, LP's Form 10-Q, June 30, 2001).
- 31.1 Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Consolidated balance sheet at December 31, 2002 of TC Pipelines GP, Inc., general partner of TC Pipelines, LP.

(b) Reports on Form 8-K

- 1. Report on Form 8-K dated April 17, 2003 and filed on April 18, 2003 reporting that Northern Border Pipeline filed an 8-K with the SEC describing the possible effects of the potential denial of Enron's petition to be exempt from the requirements of the Public Utility Holding Company Act. If Enron's petition is denied, Northern Border Pipeline Company would become a subsidiary within the Enron holding company system.
- 2. Report on Form 8-K dated April 21, 2003 and filed on April 22, 2003 reporting that TC Pipelines, LP issued a press release announcing first quarter results for the period ended March 31, 2003.
- 3. Report on Form 8-K dated July 10, 2003 and filed on July 10, 2003 reporting that Northern Border Pipeline issued a press release announcing that it has received commitments from several entities for transportation capacity at the maximum rate available under its tariff, leaving approximately 11% of the total system capacity expiring prior to November 1, 2003.
- 4. Report on Form 8-K dated July 15, 2003 and filed on July 15, 2003 reporting that Northern Border Pipeline issued a press release announcing that it had made further progress in recontracting and had nearly sold out the long-haul firm capacity on its pipeline system. Northern Border Pipeline also announced that Cargill, Incorporated had finalized the assignment of all of the firm transportation formerly held by Mirant Americas Energy Marketing, LP, which represents approximately 10% of Northern Border Pipeline's firm capacity and extends for terms into 2006 and 2008.
- 5. Report on Form 8-K dated July 24, 2003 and filed July 24, 2003 reporting that TC Pipelines, LP issued a press release announcing second quarter results for the period ended June 30, 2003.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TC PIPELINES, LP
(a Delaware Limited Partnership)

By: TC PipeLines GP, Inc., its general partner

By: /s/ Russell K. Girling

Date: August 14, 2003

Russell K. Girling
Chief Financial Officer
(duly authorized officer)

By: /s/ Theresa Jang

Date: August 14, 2003

Theresa Jang
Controller (duly authorized officer)

TRANSCANADA PIPELINE USA LTD.

May 28, 2003

TC PipeLines, LP
110 Turnpike Road, Suite 203
Westborough, Massachusetts 01581

Dear Sirs:

RE: RENEWAL OF U.S. \$40,000,000 TWO YEAR REVOLVING
CREDIT FACILITY IN FAVOR OF TC PIPELINES, L.P.

In consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are conclusively acknowledged by each of the parties, TransCanada PipeLine USA Ltd., a Nevada corporation (together with its successors and permitted assigns, the "LENDER") hereby covenants and agrees with TC PipeLines, LP, a Delaware limited partnership (together with its successors and permitted assigns, the "BORROWER") to make available to the Borrower the credit facility (the "CREDIT FACILITY") as more particularly described below and upon the terms and conditions outlined in this letter agreement (as may be amended, modified, supplemented or restated from time to time, the "AGREEMENT").

DEFINITIONS

Unless something in the subject matter or context is inconsistent therewith, the following capitalized terms used in the Agreement (including Schedule A to the Agreement) shall have meanings indicated below:

"BANKING DAY" means a day which is both a Business Day and a day on which dealings in United States Dollars by and between the banks in the London, England interbank market may be conducted.

"BUSINESS DAY" means a day on which banks are open for business in New York, New York but does not in any event include a Saturday or a Sunday.

"COMPLIANCE CERTIFICATE" means a certificate of the Borrower signed on its behalf by the General Partner, substantially in the form attached hereto as Schedule A.

"CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT" means the Contribution, Conveyance and Assumption Agreement dated May 28, 1999 between TransCanada Border PipeLine Ltd., TransCan Northern Ltd., TransCanada PipeLines Limited, the Borrower, the General Partner and the Intermediate Partnership.

"DEBT" means, without duplication, with respect to any person, all obligations, liabilities and indebtedness of such person with respect to:

- i) indebtedness for borrowed money;
- ii) obligations arising pursuant to commercial paper programs or letters of credit or indemnities issued in connection therewith;
- iii) obligations under guarantees, indemnities, assurances, legally binding comfort letters or other contingent obligations relating to the indebtedness for borrowed money of any other person and all other obligations incurred for the purpose of or having the effect of providing financial assistance to another person, including, without limitation, endorsements of bills of exchange (other than for collection or deposit in the ordinary course of business); and
- iv) all other financing indebtedness, including monetary obligations of such person created or arising under any capital lease or other lease financing.

"DRAWDOWN" means, individually or collectively, as the context may require, an advance of funds made by the Lender to the Borrower pursuant to this Agreement.

"DRAWDOWN DATE" means the date on which an advance of funds is made by the Lender to a Borrower pursuant to the provisions hereof.

"DRAWDOWN NOTICE" means a written notice given by the Borrower to the Lender of a Drawdown.

"EVENT OF DEFAULT" has the meaning ascribed thereto in Section 7.01.

"GENERAL PARTNER" means TC PipeLines GP, Inc., a Delaware corporation, and any successor thereto.

"GOVERNMENTAL AUTHORITY" means any federal, state, provincial, regional, municipal or local government or any department, agency, board, tribunal or authority thereof or other political subdivision thereof and any entity or person exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government or the operation thereof.

"INTEREST PAYMENT DATE" means, with respect to each Loan, the last Business Day of each applicable Interest Period; provided that, any earlier date on which the Credit Facility is fully cancelled or permanently reduced in full, shall be an Interest Payment Date with respect to all Loans then outstanding.

"INTEREST PERIOD" means, with respect to each Loan, the initial period of one month, two months, three months or six months (as selected by the Borrower and notified to the Lender) commencing on the applicable Drawdown Date or Rollover Date and ending on and including the last day of such period provided that the last day of each Interest Period whether with respect to the same or another Loan and the last day of each Interest period shall be a Banking Day and if the last day of an Interest Period selected by the Borrower is not a Banking Day the next Banking Day.

"INTERMEDIATE PARTNERSHIP" means TC PipeLines Intermediate Limited Partnership, a Delaware limited partnership, and any successor thereto.

"LIBOR" means the London Interbank Offered Rate of Interest and means, with respect to any Interest Period applicable to a Loan, the per annum rate of interest determined by the Lender, based on a three hundred sixty (360) day year, rounded upwards, if necessary, to the nearest whole multiple of one-sixteenth of one percent (1/16th%), as the average of the offered quotations appearing on the display referred to as the "LIBO Page" (or any display substituted therefor) of Reuter Monitor Money Rates Service (or if such LIBO Page shall not be available, any successor or similar services as may be selected by the Lender) for deposits in United States Dollars for a period equal to the number of days in the applicable Interest Period, at or about 11:00 a.m. (London, England time) on the second Banking Day prior to a Drawdown Date, for the applicable Interest Period. Each determination of LIBOR may be computed using any reasonable averaging and attribution method.

"LIMITED PARTNER" means any person who is or shall become a limited partner of the Borrower.

"LIMITED PARTNERSHIP AGREEMENT" means the Amended and Restated Agreement of Limited Partnership of TC PipeLines, LP dated as of the 28th day of May, 1999 and made among the General Partner, TransCan Northern Ltd. as the organizational Limited Partner and those parties referred to as Partners therein, as from time to time amended, supplemented or restated.

"LOAN DOCUMENTS" means this Agreement and all certificates, agreements, instruments and other documents delivered or to be delivered to the Lender in relation to the Credit Facility pursuant hereto, and, when used in relation to any person, the term "Loan Documents" shall mean and refer to the Loan Documents executed and delivered by such person.

"LOAN" means an advance of funds in United States dollars made by the Lender to the Borrower pursuant to this Agreement.

"MATERIAL ADVERSE EFFECT" means a material adverse effect (i) on the business, operations, property and assets or financial condition of the Borrower, or (ii) on the ability of the Borrower to repay or pay, as the case may be, any Obligations.

"NORTHERN BORDER" means Northern Border Pipeline Company, a general partnership organized under the laws of Texas.

"OBLIGATIONS" means, at any time and from time to time, all of the obligations, indebtedness and liabilities (present or future, absolute or contingent, matured or not) of the Borrower to the Lender under, pursuant to or relating to this Agreement or the Credit Facility and whether the same are from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and including all interest, commissions, legal and other costs, charges and expenses under this Agreement.

"OUTSTANDING PRINCIPAL" means, at any time, the aggregate of the principal amount of all outstanding Loans.

"PARTNERS" means the General Partner and the Limited Partners.

"PERMITTED ENCUMBRANCES" means:

- i) liens for taxes, assessments or governmental charges which are not due and delinquent, or the validity of which the Borrower shall be contesting in good faith, provided the Borrower shall have made adequate provision (in accordance with generally accepted accounting principles) therefor;

- ii) the lien of any judgment rendered, or claim filed, against the Borrower which the Borrower shall be contesting in good faith, provided the Borrower shall have made adequate provision (in accordance with generally accepted accounting principles) therefor;
- iii) liens, privileges or other charges imposed or permitted by law such as statutory liens and deemed trusts, carriers' liens, builders' liens, materialmen's liens, operator's liens and other liens, privileges or other charges of a similar nature which relate to obligations which are not due and delinquent;
- iv) undetermined or inchoate liens arising in the ordinary course of and incidental to operations of the Borrower which relate to obligations which are not due and delinquent, or the validity of which the Borrower shall be contesting in good faith, provided the Borrower shall have made adequate provision (in accordance with generally accepted accounting principles) therefor;
- v) security given to a public utility or any municipality or governmental or other public authority when required by such utility, municipality or authority in connection with the operations of the Borrower, to the extent such security does not materially detract from the value of any material part of the property of the Borrower;
- vi) cash or marketable securities deposited in connection with bids or tenders, or deposited with a court as security for costs in any litigation, or to secure workmen's compensation or unemployment insurance liabilities;
- vii) the lien or any right of distress reserved in or exercisable under any real property lease for rent or otherwise to effect compliance with the terms of such lease in respect of which the rent or any other obligation is not at the time overdue or if overdue the validity of which is being contested at the time in good faith, if the Borrower shall have made on its books a provision therefor reasonably deemed by the Lender to be adequate therefor;
- viii) Security Interests on property of the Borrower which are not otherwise Permitted Encumbrances if the aggregate amount of the Debt or other obligations secured by all such Security Interests is not at any time in excess of U.S.\$1,000,000;
- ix) Security Interests arising under or in connection with the Partnership Agreement, the agreement of limited partnership of the Intermediate Partnership, the agreement of limited partnership of the TC Tuscarora Partnership, the partnership agreements of Northern Border or Tuscarora and the partnership agreements of any other entities acquired directly or indirectly by the Borrower in the future; and
- x) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Security Interest referred to in the preceding paragraphs (i) to (ix) inclusive of this definition, so long as any such extension, renewal or replacement of such Security Interest is limited to all or any part of the same property that secured the Security Interest extended, renewed or replaced (plus improvements on such property) and the indebtedness or obligation secured thereby is not increased;

provided that nothing in this definition shall in and of itself cause the Loans and other amounts owing by the Borrower to the Lender hereunder to be subordinated in priority to any such Permitted Encumbrance.

"ROLLOVER" means the continuation of all or a portion of such Loan (subject to the provisions hereof) for an additional Interest Period subsequent to the initial or any subsequent Interest Period applicable thereto.

"ROLLOVER DATE" means the commencement of a new Interest Period applicable to a Loan.

"SECURITY INTEREST" means mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retentions (including, without limitation, capital leases or any other lease financing), liens, security interests or other encumbrances, howsoever created or arising, whether fixed or floating, perfected or not.

"TC TUSCARORA PARTNERSHIP" means TC Tuscarora Intermediate Limited Partnership, a Delaware limited partnership and any successor thereto.

"TUSCARORA" means Tuscarora Gas Transmission Company, a general partnership organized under the laws of Nevada.

"TUSCARORA PURCHASE AGREEMENT" means the purchase and sale agreement dated July 19, 2000 through which TC Tuscarora Partnership purchased a 49% interest in Tuscarora from TCPL Tuscarora Ltd.

"UNITED STATES DOLLARS" and "U.S. \$" mean the lawful money of the United States.

ARTICLE ONE - THE REVOLVING CREDIT FACILITY

1.01 AMOUNT. Revolving loans are available to the Borrower under the Credit Facility to a maximum outstanding principal amount of U.S.\$40,000,000. Notwithstanding the foregoing, the maximum outstanding principal amount of U.S.\$40,000,000 may be increased or decreased (but not to be less than U.S.\$2,500,000) upon mutual written agreement of the Lender and the Borrower.

1.02 CURRENCY AND MINIMUM AMOUNTS. Drawdowns may only be made in United States Dollars and in a minimum amount of U.S.\$500,000.

1.03 DRAWDOWN NOTICES. The Borrower shall deliver to the Lender a Drawdown Notice at least two Business Days prior to a Drawdown Date. Such notice shall specify: i) the date of the Drawdown, such date being a Business Day; ii) the principal amount of the Drawdown; and iii) particulars of the account into which funds representing the Drawdown are to be transferred on the Drawdown Date.

1.04 PURPOSE. The Credit Facility shall be used for working capital and other general business purposes, to fund capital expenditures, to fund capital contributions to Northern Border, Tuscarora and any other entity in which the Borrower may directly or indirectly acquire an interest, and to enable the Borrower to make cash distributions to Partners if there has been a temporary interruption or delay in the receipt of cash distributions from Northern Border, Tuscarora or such other entity in which the Borrower has acquired a direct or indirect interest.

1.05 REVOLVING NATURE AND AVAILABILITY. Subject to the terms and conditions hereof, the Borrower may increase or decrease Loans under the Credit Facility by making Drawdowns, repayments and further Drawdowns.

1.06 REPAYMENTS. The Borrower may at the end of any Interest Period repay, without payment of penalty, the whole or any part of any Loan together with all accrued and unpaid interest thereon to the date of such repayment. The Borrower shall give the Lender advance notice of any such repayment at least two Business Days prior to the date of repayment.

1.07 LIBOR LOAN ROLLOVERS. At or before 10:00 a.m. (Calgary time) two Banking Days prior to the expiration of each Interest Period of each Loan, the Borrower shall, unless it has delivered a repayment notice pursuant to Section 1.06 of this Agreement (together with a Rollover Notice if a portion only is to be repaid; provided that a portion of a Loan may be continued only if the portion to remain outstanding is equal to or exceeds the minimum amount required hereunder for Drawdowns of Loans) with respect to the aggregate amount of such Loan, deliver a Rollover Notice to the Lender selecting the next Interest Period applicable to the Loan, which new Interest Period shall commence on and include the last day of such prior Interest Period. If the Borrower fails to deliver a Rollover Notice to the Lender as provided in this Section, the Borrower shall be deemed to have elected to Rollover the outstanding amount of the Loan for an Interest Period equal to the Interest Period of the maturing loan.

1.08 NO SECURITY. The Credit facility shall be unsecured.

1.09 SET-OFF; NO WITHHOLDING. Any and all payments by the Borrower to or for the benefit of the Lender shall be free and clear of and without set-off, counterclaim, reduction or deduction whatsoever, including, without limiting the generality of the foregoing, for any claims that the Borrower have or may have against the Lender or for any present or future taxes, levies, imposts, deductions, charges or withholdings, whether imposed by or on behalf of the United States or Canada or any political subdivision thereof or any other taxing authority. If the Borrower shall be required by law to deduct or withhold any taxes from or in respect of any sum payable

hereunder to the Lender, (i) the sum payable shall be increased as may be necessary so that, after making all required deductions and withholdings the Lender receives an amount equal to the amount it would have received had no such deductions or withholdings been made, (ii) the Borrower shall make such deductions and withholdings, and (iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law.

1.10 MATURITY. The Credit Facility shall mature on the earlier of: (i) the date two years from the date of this Agreement (the "FIXED MATURITY DATE"), or (ii) the date upon which the Borrower provides written notice to the Lender that it has obtained from another lender or lenders an economically comparable replacement Credit Facility. Upon such date of maturity, all Outstanding Principal, accrued and unpaid interest and all other amounts under or in respect of this Agreement and the Credit Facility shall be paid to the Lender (x) on the Fixed Maturity Date (in the case of maturity under clauses (i)) or (y) on or prior to the 30th day after such written notice is provided to the Lender (in the case of maturity under clause (ii)).

1.11 TERMINATION. The Borrower may terminate this Agreement upon 90 days written notice to the Lender, provided, however, that in order for such termination by the Borrower to be effective, all Outstanding Principal, accrued and unpaid interest and all other amounts under or in respect of this Agreement and the Credit Facility shall be paid to the Lender on or prior to the 30th day after the termination date specified in such written notice provided to the Lender.

1.12 RENEWAL. This Agreement may be renewed upon the mutual written agreement of the Borrower and the Lender.

ARTICLE TWO - INTEREST

2.01 RATE APPLICABLE TO LOANS. The Borrower shall pay interest to the Lender in United States Dollars on Loans outstanding under the Credit Facility at a rate per annum equal to LIBOR plus 1.25 per cent.

2.02 CALCULATION AND PAYMENT OF INTEREST. Interest on Loans, as specified above, shall accrue daily and be calculated on the principal amount of each such loan and on the basis of the actual number of days each such loan is outstanding in a year of 360 days. Interest shall be calculated and payable in arrears on the Interest Payment Date for each such loan for the actual number of days such loan is outstanding in the period from and including the date such loan was made or the preceding Interest Payment Date to which all accrued interest has been duly paid, as the case may be, to and including the day immediately preceding the following Interest Payment Date.

2.03 DEFAULT RATE. In the event that any amount due hereunder on any Loan (including, without limitation, any interest payment) is not paid when due, the Borrower shall pay interest on such unpaid amount (including, without limitation, interest on interest) from the date when such amount was due until the date that such amount is paid in full (but excluding the date of such payment if the payment is made for value on such date at the required place of payment specified by the Lender from time to time), and such interest shall accrue daily, be calculated and compounded monthly and be payable on demand, after as well as before demand, maturity, default and judgment, at a rate per annum that is equal to LIBOR plus 3.25 per cent.

2.04 MAXIMUM RATE PERMITTED BY LAW. No interest to be paid hereunder shall be paid at a rate exceeding the maximum non-usurious rate permitted by applicable law. In the event that any interest exceeds such maximum rate, such interest shall be reduced or refunded, as the case

may be, so that interest payable hereunder shall be payable at the highest rate recoverable under applicable law.

ARTICLE THREE - ACCOUNTS OF RECORD; PAYMENTS

3.01 CURRENCY AND PLACE OF PAYMENT. All payments of principal, interest and other amounts to be made by the Borrower to the Lender pursuant to this Agreement shall be made in United States Dollars for value on the Interest Payment Date, or at such other date under this Agreement when such amounts are due and payable and if such day is not a Business Day on the Business Day next following, by deposit or transfer thereof to the account or accounts of the Lender designated by the Lender to the Borrower for such purpose from time to time.

3.02 LENDER RECORDS EVIDENCE. The Lender shall open and maintain books of account evidencing the Loans and all other amounts owing by the Borrower to the Lender hereunder. The Lender shall enter in the foregoing accounts details of all amounts from time to time owing, paid or repaid by the Borrower hereunder. The information entered in the foregoing accounts shall constitute prima facie evidence of the obligations of the Borrower to the Lender hereunder with respect to all Loans and all other amounts owing by the Borrower to the Lender hereunder.

ARTICLE FOUR - CONDITIONS PRECEDENT

4.01 CONDITIONS FOR ALL DRAWDOWNS. On or before each Drawdown under the Credit Facility the following conditions shall be satisfied to the satisfaction of the Lender:

- a) after giving effect to the proposed Drawdown, the Outstanding Principal shall not exceed the maximum amount of the Credit Facility as set forth in Section 1.01;
- b) the Borrower shall, if so requested by the Lender, have executed and delivered to the Lender a promissory note in favour of the Lender evidencing the obligation of the Borrower to pay the Lender the principal amount of such Drawdown and interest thereon in accordance with this Agreement; and
- c) the Lender shall have received all such other agreements, certificates, declarations, opinions and documents, and all steps, actions and proceedings shall have been taken or performed, as the Lender may reasonably require, all in form and substance satisfactory to the Lender and its counsel.

4.02 WAIVERS. The above conditions are inserted for the sole benefit of the Lender and may be waived by the Lender, in whole or in part (with or without terms or conditions) without prejudicing the right of the Lender at any time to assert such conditions in respect of any subsequent Drawdown.

ARTICLE FIVE - REPRESENTATIONS AND WARRANTIES

5.01 REPRESENTATIONS AND WARRANTIES. The Borrower and the General Partner hereby represent and warrant to the Lender as follows and acknowledge and confirm that the Lender is relying upon such representations and warranties:

- a) CORPORATE STATUS. The Borrower is a limited partnership duly formed and validly existing under the laws of Delaware and the General Partner is duly incorporated and validly existing under the laws of Delaware.

- b) **AUTHORITY.** Each of the Borrower and the General Partner has the requisite power and authority to own or hold its respective properties and assets, to carry on its business as presently conducted and to execute, deliver and perform its obligations under this Agreement and the other Loan Documents to which it is a party.
- c) **DUE AUTHORIZATION.** Each of the Borrower and the General Partner has duly authorized, by all necessary action, the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party.
- d) **ENFORCEABILITY.** This Agreement and each of the Loan Documents has been duly executed and delivered by each of the Borrower and the General Partner and constitute legal, valid and binding obligations of each of the Borrower and the General Partner enforceable against each of the Borrower and the General Partner in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other applicable laws relating to creditor's rights generally and to general principles of equity and public policy.
- e) **NO RESULTING VIOLATION.** Neither the execution and delivery of this Agreement or any other Loan Document, nor compliance with the terms and conditions of this Agreement or any other Loan Document, has resulted or will (x) result in a violation of any applicable law or the Limited Partnership Agreement or the articles or by-laws of the General Partner or any resolutions passed by the Limited Partners of the Borrower or the shareholders or directors of the General Partner, or (y) result in a default under any agreement to which the Borrower or the General Partner is a party or by which the Borrower or the General Partner is bound, or (z) result in the creation of any Security Interest on any property of the Borrower or the General Partner under any agreement or instrument to which the Borrower or the General Partner is a party or by which the Borrower or the General Partner is bound, which in the case of (y) or (z) has a Material Adverse Effect.
- f) **NON-DEFAULT.** No event has occurred which would constitute an Event of Default or a breach of or default under the covenants herein or in any of the other Loan Documents or which would constitute such a breach or default with the giving of notice or lapse of time or both.
- g) **FINANCIAL CONDITION.** Except as has been disclosed to the Lender by written notice in accordance with the provisions of this Agreement, no change in the Borrower's financial condition (as disclosed or reflected in the financial statements delivered under Section 6.01(e) of this Agreement) has occurred which would reasonably be expected to have a Material Adverse Effect.
- h) **ABSENCE OF LITIGATION.** There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened in writing against or affecting the Borrower or any of its undertakings, property or assets, at law or in equity, in or before any court or before any arbitrator or before or by any Governmental Authority having jurisdiction in the premises in respect of which there is a reasonable possibility of a determination adverse to the Borrower and which, if determined adversely, would have a Material Adverse Effect.
- i) **COMPLIANCE WITH APPLICABLE LAWS, COURT ORDERS AND MATERIAL AGREEMENTS.** The Borrower has obtained all licences, permits, approvals and authorizations required in connection with its respective businesses and operations, all of which are in good standing, except where the failure to obtain such or be in good standing would not

reasonably be expected to have a Material Adverse Effect. The Borrower and its respective businesses and operations are in compliance with all applicable laws, all applicable directives, judgments, decrees, injunctions and orders rendered by any Governmental Authority or court of competent jurisdiction, the Limited Partnership Agreement and all agreements or instruments to which it is a party or by which its property or assets are bound, except where the failure to comply would not reasonably be expected to have a Material Adverse Effect.

- j) NO ENCUMBRANCES. Except for Permitted Encumbrances, there are no Security Interests against, on or affecting any or all of the properties or assets, of whatsoever nature or kind, of the Borrower, and the Borrower has not given any undertaking to grant or create any such Security Interest or otherwise entered into any agreement pursuant to which any person may have or be entitled to any such Security Interest.
- k) AGREEMENTS. Each of the Limited Partnership Agreement, the Contribution, Conveyance and Assumption Agreement and the Tuscarora Purchase Agreement has been duly executed and delivered by the parties thereto and constitutes legal, valid and binding obligations of the parties thereto, enforceable against such parties in accordance with its respective terms and no such agreement has been amended in any manner which would reasonably be expected to have a Material Adverse Effect.
- l) RANKING WITH OTHER DEBT. All Obligations of the Borrower hereunder rank at least PARI PASSU in right of payment with the other unsecured and unsubordinated Debt of the Borrower.

5.02 INQUIRIES; DEEMED REPETITION. All representations and warranties made herein shall remain in full force and effect notwithstanding the execution of the Loan Documents and shall be deemed to be restated by the Borrower and the General Partner as if made effective on each Drawdown under this Agreement.

ARTICLE SIX - GENERAL COVENANTS

6.01 COVENANTS OF THE BORROWER. The Borrower hereby covenants and agrees with the Lender that, unless the Lender otherwise consents in writing:

- a) PUNCTUAL PAYMENT. The Borrower shall duly and punctually pay all Outstanding Principal, interest and other amounts required to be paid by the Borrower hereunder in the manner specified hereunder.
- b) MAINTAIN EXISTENCE; NO CHANGE OF BUSINESS. The Borrower shall maintain its existence in good standing and do or cause to be done all things necessary to keep in full force and effect all properties, rights, franchises, licenses, permits and qualifications to carry on business in any jurisdiction in which it carries on business, except where failure to comply with the foregoing would not reasonably be expected to have a Material Adverse Effect. The Borrower shall maintain all its respective properties and assets and conduct its business, activities and operations in a manner consistent with applicable industry standards and industry practice in each jurisdiction where its business is conducted or its property and interests are located, except where failure to comply with the foregoing would not reasonably be expected to have a Material Adverse Effect. The Borrower shall not carry on businesses or operations which are materially different from the businesses and operations carried on by the Borrower on the date of this Agreement.

- c) MATERIAL LITIGATION. The Borrower shall promptly give written notice to the Lender of any litigation, proceeding, dispute or action if the same has or might reasonably have a Material Adverse Effect and from time to time shall furnish to the Lender all reasonable information requested by the Lender concerning the status of any of the foregoing.
- d) NOTICE OF DEFAULT. The Borrower shall give prompt written notice to the Lender upon becoming aware of any default of the performance of any covenant, agreement or condition contained in this Agreement or any of the other Loan Documents, which notice shall specify such default or defaults.
- e) FINANCIAL STATEMENTS. i) The Borrower shall deliver to the Lender, as soon as available, and in any event within 90 days after the end of each of its fiscal years, copies of the audited annual financial statements of the Borrower, together with the notes thereto, all prepared in accordance with generally accepted accounting principles, consistently applied, together with a report of the Borrower's auditors on such statements, together with a Compliance Certificate, and ii) the Borrower shall deliver to the Lender, as soon as available, and in any event within 45 days after the end of each of its first, second and third fiscal quarters, copies of its unaudited quarterly financial statements, prepared in accordance with generally accepted accounting principles.
- f) NOTICE OF AMENDMENT OF AND DEFAULT UNDER AGREEMENTS. The Borrower shall give prompt written notice to the Lender of any default under or pursuant to the Limited Partnership Agreement and the amendment, cancellation or termination of, or the giving of any notice or the taking of any other step or action to amend, cancel or terminate the Limited Partnership Agreement or any other agreement in which the amendment, cancellation or termination of which might reasonably be expected to have a Material Adverse Effect.
- g) BOOKS AND RECORDS. The Borrower shall have and maintain proper books of account, records and other documents (in accordance with sound accounting practice) relating to its business and financial affairs and shall permit the Lender or its authorized agents at any reasonable time, at the expense of the Borrower, to examine such books of account, records and other documents and to make copies thereof and take extracts therefrom.
- h) INSPECTIONS. The Lender shall be entitled from time to time at any reasonable time to inspect the assets and properties and the business and operations of the Borrower and, for such purpose, the Lender shall have access to all premises occupied by the Borrower where any of such assets or properties may be found.
- i) OTHER INFORMATION. At the request of the Lender, the Borrower shall provide such other information regarding the business, affairs, financial condition, property or assets of the Borrower as the Lender may reasonably request.
- j) INSURANCE. The Borrower shall maintain insurance of such types, in such amounts and with such deductibles as are customary in the case of businesses of established reputation engaged in the same or similar businesses.
- k) COMPLIANCE WITH APPLICABLE LAWS. The Borrower shall comply with all applicable laws if the consequences of a failure to comply might reasonably be expected, either alone or in conjunction with any other such non-compliance, to have a Material Adverse Effect.
- l) PAYMENT OF TAXES. The Borrower shall from time to time pay or cause to be paid all material rents, taxes, rates, levies or assessments, ordinary or extraordinary, governmental royalties, fees or dues, and any other amount which may result in a Security Interest or

similar encumbrance against the assets of the Borrower arising under statute or regulation, lawfully levied, assessed or imposed upon the Borrower as and when the same become due and payable, except when and so long as the validity of any such rents, taxes, rates, levies, assessments, royalties, fees, dues or other amounts is in good faith being contested by the Borrower in appropriate proceedings and provided that it shall have established adequate reserves therefor (in accordance with generally accepted accounting principles) and such contestation will not involve forfeiture of any part of its assets which are material to the Borrower.

- m) DEFEND TITLE. The Borrower shall defend its property, undertaking and assets and its right, title and interest thereto, against all adverse claims and demands respecting the same, other than Permitted Encumbrances.
- n) NO SALE OF ASSETS. The Borrower shall not sell, transfer, lease, convey, abandon or otherwise dispose of (including, without limitation, in connection with a sale and a lease-back transaction) any of its assets or property (each of the foregoing transactions, an "asset sale"), unless any such asset sale or the cumulative effect of a series of such asset sales would not result in a Material Adverse Effect.
- o) NEGATIVE PLEDGE. The Borrower shall not create, issue, incur, assume or permit to exist any Security Interests on any of its property, undertakings or assets other than Permitted Encumbrances.
- p) PARI PASSU RANKING. The Borrower shall not create, assume or otherwise incur any Debt ranking prior to the indebtedness and liabilities of the Borrower to the Lender hereunder other than Debt secured by Permitted Encumbrances. The Borrower shall ensure that at all times all of its Obligations hereunder and under any Loan Documents rank at least PARI PASSU in right of payment with the other unsecured and unsubordinated Debt of the Borrower.
- q) NO MERGER, ETC. The Borrower shall not enter into any transaction whereby all or substantially all of its undertaking, property or assets would become the property of another person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise if the effect of any such transaction would be a Material Adverse Effect.
- r) NO DISSOLUTION. The Borrower shall not liquidate, dissolve or wind-up or take any steps or proceedings in connection therewith.

6.02 COVENANTS OF THE GENERAL PARTNER. The General Partner hereby covenants and agrees with the Lender that:

- a) COMPLIANCE WITH AGREEMENT. The General Partner shall cause the Borrower to comply with this Agreement and each of the other Loan Documents to which the Borrower is a party.
- b) MAINTAIN EXISTENCE; NO DISSOLUTION. The General Partner shall maintain its existence in good standing. The General Partner shall not liquidate, dissolve or wind up or take any steps or proceedings in connection therewith.
- c) MAINTAIN STATUS AS GENERAL PARTNER. The General Partner shall not, without the consent of the Lender, resign as General Partner of the Borrower or otherwise limit its duties under the Limited Partnership Agreement.

ARTICLE SEVEN - EVENTS OF DEFAULT AND REMEDIES

7.01 EVENTS OF DEFAULT. "Event of Default", as used in this Agreement, means the occurrence of any one or more of the following events or circumstances:

- a) if the Borrower fails to pay the principal amount of any Loan when due and such default continues for five Business Days after notice from the Lender of such default;
- b) if the Borrower fails to pay:
 - i) any interest (including, if applicable, default interest) hereunder when due; or
 - ii) any other Obligation not specifically referred to above payable by the Borrower hereunder when due,and such default continues for 30 days after notice from the Lender of such default;
- c) if the Borrower fails to observe or perform any covenant or obligation contained in this Agreement on its part to be observed or performed (other than a covenant or obligation whose breach or default in performance is specifically dealt with elsewhere in this section) and such failure continues for a period in excess of 45 days after notice from the Lender of such failure, unless the Lender (having regard to the subject matter of the default) shall have agreed to a longer period, and in such event, within the period agreed to by the Lender;
- d) the filing by or on behalf of the Borrower of a voluntary petition or an answer seeking or consenting to reorganization, liquidation, arrangement, readjustment of its debts or for any other relief under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution, liquidation, or similar act or law, state or federal, now or hereafter existing ("BANKRUPTCY LAW"), or the making by the Borrower of any assignment for the benefit of creditors; or the admission by the Borrower in writing of its inability to pay its debts as they become due;
- e) the filing of any involuntary petition against the Borrower in bankruptcy or seeking reorganization, liquidation, arrangement, readjustment of its debts or for any other relief under any Bankruptcy Law and an order for relief by a court having jurisdiction in the premises shall have been issued or entered therein; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee or other officer having similar powers over the Borrower or all or a substantial part of its property shall have been entered;
- f) if a final judgment or order (subject to no further right of appeal) for the payment of money aggregating in excess of U.S.\$10,000,000 or the equivalent amount in any other currency shall be rendered against the Borrower in respect of which enforcement proceedings have been commenced and such proceedings have not been effectively stayed and the Borrower has not paid or settled such judgment or order within thirty days after enforcement proceedings have been commenced;
- g) if a default with respect to any issue of Debt (which shall include, for avoidance of doubt, Debt incurred, assumed or otherwise created by the Borrower), which default results in the acceleration of any Debt in an aggregate amount in excess of U.S.\$10,000,000 or the equivalent amount thereof in any other currency without such Debt having been discharged or such acceleration having been cured, waived, rescinded or annulled for a

period of 30 days after written notice thereof has been given by the Lender to the Borrower; or

- h) if any representation or warranty made by the Borrower in this Agreement, in a Compliance Certificate or any of the Loan Documents to the Lender shall prove to have been incorrect or misleading in any material respect on and as of the date thereof.

7.02 REMEDIES. If an Event of Default has occurred, which has not been waived by the Lender or cured to the satisfaction of the Lender, Drawdowns under the Credit Facility shall not be available and the Lender shall be entitled to immediately demand and receive payment of all amounts owing by the Borrower to the Lender hereunder by providing written notice to the Borrower. If the Borrower fails to perform or make payment of any Obligations upon demand for payment in accordance herewith, the Lender may in its discretion, exercise any right or recourse and/or proceed by any action, suit, remedy or proceeding against the Borrower authorized or permitted by law for the recovery of all the Obligations and proceed to exercise any and all rights hereunder and the other Loan Documents and no such remedy for the enforcement of the rights of the Lender shall be exclusive of or dependent on any other remedy but any one or more of such remedies may from time to time be exercised independently or in combination.

7.03 REMEDIES CUMULATIVE. The rights and remedies of the Lender hereunder and under any other Loan Documents are cumulative and are in addition to and not in substitution of any rights or remedies provided by law or by equity. Any single or partial exercise by the Lender of any right or remedy for, or procurement of any judgment in respect of, default or breach of any term, covenant, condition or agreement contained in this Agreement or any other Loan Document shall not be deemed to operate as a merger of or be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies to which the Lender may be lawfully entitled for such default or breach.

ARTICLE EIGHT - EXPENSES AND INDEMNITIES

8.01 COSTS AND EXPENSES. The Borrower shall promptly pay upon notice from the Lender all reasonable costs and expenses of the Lender in connection with the Credit Facility, this Agreement and the other Loan Documents, including, without limitation, in connection with the reasonable fees and out-of-pocket expenses of legal counsel to the Lender and all costs and expenses in connection with the establishment of the validity and enforceability of the Loan Documents and the preservation, perfection or enforcement of the rights of the Lender under the Loan Documents.

8.02 INDEMNITIES OF THE BORROWER. The Borrower hereby agrees to indemnify and save harmless the Lender against any reasonable cost, loss, liability or expense incurred by the Lender as a result of the failure of the Borrower to fulfil any of its covenants or obligations hereunder or under the other Loan Documents.

8.03 INDEMNITY OF THE GENERAL PARTNER. The General Partner hereby agrees to indemnify and save harmless the Lender against any reasonable cost, loss, liability or expense incurred by the Lender as a result of the failure of the General Partner to fulfil any of its covenants or obligations hereunder or under any of the other Loan Documents.

ARTICLE NINE - GENERAL

9.01 NOTICES. Any demand, notice or communication to be made or given hereunder (a "Communication") shall be in writing and shall be made or given by personal delivery, registered

mail or by transmittal by telecopy or other electronic means of communication addressed to the respective parties as follows:

To the Borrower:

TC PipeLines, LP
c/o TC PipeLines GP, Inc.
450-First Street S.W.
Calgary, Alberta
Attention: President
Telecopy No.: (403) 920-2350

To the Lender:

TransCanada PipeLine USA Ltd.
450-First Street S.W.
Calgary, Alberta
Attention: Treasurer
Telecopy No.: (403) 920-2358

or to such other address or telecopy number as either party may from time to time notify the other of in accordance with this provision. Any Communication made or given hereunder by personal delivery or electronic communication during normal business hours at the place of receipt on a Business Day shall be conclusively deemed to have been made or given at the time of actual delivery or receipt of Communication, as the case may be, on such Business Day. Any Communication made or given hereunder by personal delivery or electronic communication after normal business hours at the place of receipt or otherwise than on a Business Day shall be conclusively deemed to have been made or given at 9:00 a.m. (Eastern Standard time) on the first Business Day following actual delivery or receipt of Communication, as the case may be. Any Communication made or given hereunder by registered mail shall be conclusively deemed to have been made or given at 9:00 a.m. (Eastern Standard time) on the third Business Day after the mailing thereof.

9.02 WHOLE AGREEMENT. This Agreement together with any other Loan Documents constitute the whole and entire agreement between the Borrower and the Lender with respect to the subject matter hereof and cancel and supersede any prior agreements, undertakings, declarations, commitments, representations, warranties, written or oral, in respect thereof.

9.03 BENEFIT OF AGREEMENT. This Agreement shall enure to the benefit of and be binding upon the Borrower and the Lender and their respective successors and permitted assigns.

9.04 AMENDMENTS AND WAIVERS. Any provision of this Agreement may be amended only if the Borrower and the Lender so agree in writing. Any waiver or any consent by the Lender under any provision of this Agreement or any of the other Loan Documents must be in writing and may be given subject to any conditions thought fit by the Lender. Any waiver or consent shall be effective only in the instance and for the purpose for which it is given.

9.05 SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions of this Agreement and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.06 NUMBER AND PERSONS. Words used herein importing the singular number only shall include the plural and vice versa, words used herein importing the masculine gender shall include the feminine and neuter genders and vice versa and words used herein importing persons shall include individuals, partnerships, associations, trusts, unincorporated associations and corporations and vice versa.

9.07 HEADINGS; SECTIONS. The insertion of headings herein is for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

9.08 ACCOUNTING PRINCIPLES. Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be United States generally accepted accounting principles in use from time to time.

9.09 ASSIGNMENT. The Borrower shall not assign its rights or obligations under this Agreement or the other Loan Documents without the prior written consent of the Lender. The Lender may, without the consent of the Borrower, sell, assign, transfer or grant an interest in the outstanding Loans and this Agreement and the other Loan Documents to TransCanada Corporation, a Canadian corporation, or any subsidiary thereof so long as such transaction does not increase the Borrower's costs or risks under Section 1.09 hereof.

9.10 SCHEDULE. The Schedule to this Agreement is hereby incorporated herein and deemed to be part hereof.

9.11 THIS AGREEMENT GOVERNS. In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any of the other Loan Documents, the provisions this Agreement, to the extent of the conflict or inconsistency, shall govern and prevail with respect to any Obligations.

9.12 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York (including Section 5-510.6(b) of the General Obligation Law of the State of New York) without regard to the choice or conflict of law rules or principles.

9.13 BORROWER'S STATUS. TC PipeLines, LP is a limited partnership formed under the laws of Delaware. A Limited Partner shall have no liability or obligation of any kind whatsoever for any Obligations.

Kindly signify your acceptance of the Agreement by signing and returning one copy of this Agreement to us.

Yours very truly,

TRANSCANADA PIPELINE USA LTD.

By: /s/ Russell K. Girling

Name: Russell K. Girling
Title: Senior Vice-President and
Chief Financial Officer

By: /s/ Albrecht W.A. Bellstedt

Name: Albrecht W.A. Bellstedt
Title: Senior Vice-President,
Law & Administration

ACCEPTED AND AGREED
as of the date first written above.

TC PIPELINES, LP
by its General Partner
TC PipeLines GP, Inc.

By: /s/ Theresa Jang

Name: Theresa Jang
Title: Controller

By: /s/ Rhondda E.S. Grant

Name: Rhondda E.S. Grant
Title: Secretary

TC PIPELINES GP, INC.

By: /s/ Theresa Jang

Name: Theresa Jang
Title: Controller

By: /s/ Rhondda E.S. Grant

Name: Rhondda E.S. Grant
Title: Secretary

SCHEDULE A
TO THE LETTER AGREEMENT
DATED MAY 28, 2003 AMONG
TRANSCANADA PIPELINE USA LTD.,
TC PIPELINES, LP AND
TC PIPELINES GP INC.

COMPLIANCE CERTIFICATE

TO: TRANSCANADA PIPELINE USA LTD. (the "Lender")

Reference is made to the letter agreement dated May 28, 2003 among TransCanada PipeLine USA Ltd., TC PipeLines, LP and TC PipeLines GP, Inc. (as amended, modified, supplemented or restated, the "Credit Agreement"). Capitalized terms used herein, and not otherwise defined herein, shall have the meanings attributed to such terms in the Credit Agreement.

This Compliance Certificate is delivered to the Lender pursuant to Section 6.01(e) of the Credit Agreement.

The undersigned, [name], [title] of the General Partner of the Borrower, hereby certifies that, as of the date of this Compliance Certificate:

1. I have made or caused to be made such investigations as are necessary or appropriate for the purposes of this Compliance Certificate.
2. To the best of my knowledge after due enquiry:
 - a) the consolidated financial statements for the fiscal year ending December 31, _____ provided to the Lender pursuant to the Credit Agreement were prepared in accordance with generally accepted accounting principles and present fairly, in all material respects, the financial position of the Borrower as at the date thereof;
 - b) the representations and warranties made by the Borrower and the General Partner in Section 5.01 of the Credit Agreement are true and correct in all material respects, except as has heretofore been notified to the Lender by the Borrower in writing [or except as described in Schedule hereto]; and
 - c) the Borrower and the General Partner are in compliance in all respects with all covenants in the Credit Agreement except as has heretofore been notified to the Lender by the Borrower in writing [or except as described in Schedule hereto].
3. Except as has heretofore been notified to the Lender by the Borrower in writing [or except as described in Schedule _____ hereto], to the best of my knowledge after due enquiry there are not pending or threatened, in writing, any (a) claims, complaints, notices or requests for information received from a Governmental Authority by the Borrower or the General Partner, or which any of them is otherwise aware, with respect to any alleged violation of or alleged liability under any applicable laws, which, if prosecuted, would reasonably be expected to have a Material Adverse Effect or (b) actions, suits or proceedings which, if adversely determined, would reasonably be expected to have a Material Adverse Effect.

I give this Compliance Certificate on behalf of the General Partner of the Borrower and in my capacity as the [title] of the Borrower, and no personal liability is created against or assumed by me in the giving of this Certificate.

Dated at o, this o day of o, _____.

Name: _____

Title: _____

CERTIFICATION

I, Ronald J. Turner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TC PipeLines, LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2003

/s/ Ronald J. Turner

Ronald J. Turner
President and Chief Executive Officer
TC PipeLines GP, Inc., as general partner

CERTIFICATION

I, Russell K. Girling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TC PipeLines, LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2003

/s/ Russell K. Girling

Russell K. Girling
Chief Financial Officer
TC PipeLines GP, Inc., as general partner

CERTIFICATION

I, Ronald J. Turner, President and Chief Executive Officer of TC PipeLines GP, Inc., the general partner of TC PipeLines, LP (the Partnership), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 hereby certify in connection with the Partnership's Quarterly Report on Form 10-Q for the period ended June 30, 2003 as filed with the Securities and Exchange Commission (the Report), that:

- o the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- o the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Dated: August 14, 2003

/s/ Ronald J. Turner

Ronald J. Turner
President and Chief Executive Officer
TC PipeLines GP, Inc., as general partner

CERTIFICATION

I, Russell K. Girling, Chief Financial Officer of TC PipeLines GP, Inc., the general partner of TC PipeLines, LP (the Partnership), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 hereby certify in connection with the Partnership's Quarterly Report on Form 10-Q for the period ended June 30, 2003 as filed with the Securities and Exchange Commission (the Report), that:

- o the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- o the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Dated: August 14, 2003

/s/ Russell K. Girling

Russell K. Girling
Chief Financial Officer
TC PipeLines GP, Inc., as general partner

TC PIPELINES GP, INC.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of TC PipeLines GP, Inc., General Partner of TC PipeLines, LP:

We have audited the accompanying consolidated balance sheets of TC PipeLines GP, Inc, (a Delaware corporation) as of December 31, 2002 and 2001. These consolidated balance sheets are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated balance sheets based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the balance sheets are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheets. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheets referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2002 and 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Chartered Accountants
Calgary, Canada
March 7, 2003

TC PIPELINES GP, INC.
CONSOLIDATED BALANCE SHEET

DECEMBER 31 (MILLIONS OF DOLLARS)	2002	2001
<hr style="border-top: 1px dashed black;"/>		
ASSETS		
Current Assets		
Cash	20.5	17.5
Current tax recoverable	0.5	0.3
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	21.0	17.8
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Investment in Northern Border Pipeline	242.9	250.1
Investment in Tuscarora	36.7	29.3
Deferred Amounts	-	0.1
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	300.6	297.3
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LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	0.5	0.4
Accrued interest	-	0.1
Due to affiliates	0.2	0.4
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	0.7	0.9
	<hr style="border-top: 1px dashed black;"/>	
Long-Term Debt	11.5	21.5
Deferred Income Tax	15.7	12.1
Minority Interest	227.2	221.4
Stockholder's Equity		
Common stock (\$0.01 par value; 1,000 shares authorized; 100 shares issued)	-	-
Additional paid-in capital	43.2	43.2
Due from affiliate	-	(13.7)
Retained earnings	1.9	11.4
Other comprehensive income	0.4	0.5
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	45.5	41.4
	<hr style="border-top: 1px dashed black;"/>	
	300.6	297.3
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The accompanying notes are an integral part of this consolidated balance sheet.

NOTES TO CONSOLIDATED BALANCE SHEET

NOTE 1 ORGANIZATION

TC PipeLines GP, Inc. (the GP), a Delaware corporation, was formed by TransCanada PipeLines Limited in December 1998 to become the general partner of TC PipeLines, LP (the LP), a Delaware limited partnership. The GP and the LP are collectively referred to herein as the Company. The GP is an indirect wholly owned subsidiary of TransCanada PipeLines Limited, which is a subsidiary of TransCanada Corporation (TransCanada).

The GP holds a 2% general partner interest in the LP and also owns 1,872,871 subordinated units and 936,435 common units, representing an effective 15.7% limited partner interest in the LP. By virtue of the GP's performance of all management and operating functions required for the LP pursuant to the Agreement of Limited Partnership of TC PipeLines, LP (Partnership Agreement), the GP has control of the operating and financial policies of the LP.

The LP is a publicly traded partnership. Common units of the LP are listed on the Nasdaq Stock Market and are quoted for trading under the symbol "TCLP". The LP owns a 30% general partner interest in Northern Border Pipeline Company (Northern Border Pipeline) and a 49% interest in Tuscarora Gas Transmission Company (Tuscarora). Northern Border Pipeline 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. Tuscarora 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.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PRESENTATION AND USE OF ESTIMATES

The accompanying consolidated balance sheets and related notes present the consolidated financial position of the Company as of December 31, 2002 and 2001. The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Although management believes these estimates are reasonable, actual results could differ from these estimates. Amounts are stated in United States dollars.

b) PRINCIPLES OF CONSOLIDATION

The consolidated balance sheets include the accounts of the GP and the LP. The GP controls the operations of the LP through its 2% general partner interest. All significant intercompany transactions and accounts have been eliminated on consolidation.

The Company uses the equity method of accounting for its investments in Northern Border Pipeline and Tuscarora, over which it is able to exercise significant influence. Other comprehensive income recorded by the Company arises through its equity investments in Northern Border Pipeline and Tuscarora and relates to cash flow hedges transacted by Northern Border Pipeline and Tuscarora.

c) CASH AND CASH EQUIVALENTS

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of these investments.

d) INCOME TAXES

The Company follows the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (SFAS 109). Under SFAS 109, deferred income taxes are recorded based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets are received and liabilities settled.

NOTES TO CONSOLIDATED BALANCE SHEET (CONTINUED)

NOTE 3 INVESTMENT IN NORTHERN BORDER PIPELINE COMPANY

The Company owns a 30% general partner interest in Northern Border Pipeline. The remaining 70% partnership interest in Northern Border Pipeline is held by Northern Border Partners, L.P., a publicly traded limited partnership. The Northern Border pipeline system is operated by Northern Plains Natural Gas Company, a wholly owned subsidiary of Enron Corp. Northern Border Pipeline is regulated by the Federal Energy Regulatory Commission (FERC).

Undistributed earnings of Northern Border Pipeline amounted to \$1.3 million and \$8.4 million for the years ended December 31, 2002 and 2001, respectively. The following sets out summarized balance sheet information for Northern Border Pipeline as at December 31, 2002 and 2001.

December 31 (MILLIONS OF DOLLARS)	2002	2001

NORTHERN BORDER PIPELINE BALANCE SHEET		
Assets		
Cash and cash equivalents	25.4	11.0
Other current assets	40.8	36.3
Plant, property and equipment, net	1,636.0	1,685.7
Other assets	37.8	18.9
	-----	-----
	1,740.0	1,751.9
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Liabilities and Partners' Equity		
Current liabilities	130.9	399.0
Reserves and deferred credits	15.4	5.6
Long-term debt	783.9	513.7
Partners' equity		
Partners' capital	803.0	824.4
Accumulated other comprehensive income	6.8	9.2
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	1,740.0	1,751.9
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NOTE 4 INVESTMENT IN TUSCARORA GAS TRANSMISSION COMPANY

The Company owns a 49% general partner interest in Tuscarora. The remaining 50% and 1% interests in Tuscarora are indirectly held by Sierra Pacific Resources Company and TransCanada, respectively. The Tuscarora pipeline system is operated by Tuscarora Gas Operating Company, a wholly owned subsidiary of Sierra Pacific Resources. Tuscarora is regulated by the FERC.

Undistributed earnings of Tuscarora amounted to \$0.8 million and \$0.9 million for the years ended December 31, 2002 and 2001, respectively. The following sets out summarized balance sheet information for Tuscarora as at December 31, 2002 and 2001.

TC PIPELINES GP, INC.

NOTES TO CONSOLIDATED BALANCE SHEET (CONTINUED)

December 31 (MILLIONS OF DOLLARS)	2002	2001
TUSCARORA BALANCE SHEET		
Assets		
Cash and cash equivalents	0.6	1.1
Other current assets	4.3	2.1
Plant, property and equipment, net	148.4	121.3
Other assets	1.2	1.6
	154.5	126.1
Liabilities and Partners' Equity		
Current liabilities		
Long-term debt	14.6	7.7
Partners' equity	85.3	80.0
Partners' capital	54.2	37.9
Accumulated other comprehensive income	0.4	0.5
	154.5	126.1

NOTE 5 INCOME TAXES

Future income tax liabilities of \$15.7 million for 2002 (\$12.1 million for 2001) arise from the Company's investments having higher book basis than tax basis.

NOTE 6 CREDIT FACILITIES AND LONG-TERM DEBT

On September 30, 2002, the Company renewed its credit facility (Revolving Credit Facility) with Bank One, NA, as administrative agent of the credit facility under which the Company 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 purposes. At December 31, 2002 and 2001, the Company had borrowings outstanding under the Revolving Credit Facility of \$11.5 million and \$21.5 million, respectively. 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 at December 31, 2002 and 2001 was 2.7% and 3.0%, respectively.

On May 28, 2003, the Company renewed its \$40.0 million unsecured two-year revolving credit facility (TransCanada Credit Facility), with TransCanada Pipeline USA Ltd., an affiliate of the Company. 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 Company directly or indirectly acquires an interest, to fund working capital and for other

TC PIPELINES GP, INC.

NOTES TO CONSOLIDATED BALANCE SHEET (CONCLUDED)

general business purposes, including temporary funding of cash distributions to partners of the LP, if necessary. At December 31, 2002 and 2001, the Company had no amount outstanding under the TransCanada Credit Facility.

NOTE 7 STOCKHOLDER'S EQUITY

A wholly owned subsidiary of TransCanada holds 100 common shares representing 100% of the issued common stock of the Company. As required by Securities and Exchange Commission Regulation S-B, Rule 310(f), amounts due from an affiliate of the general partner have been deducted from stockholder's equity.

NOTE 8 RELATED PARTY TRANSACTIONS

The Company does not have any employees. The management and operating functions are provided by TransCanada. TransCanada does not receive a management fee or other compensation in connection with its management of the Company. The Company reimburses TransCanada 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 Company. Total costs reimbursed to TransCanada were approximately \$0.5 million for the years ended December 31, 2002 and 2001.

December 31 (MILLIONS OF DOLLARS)	2002	2001

DUE TO AFFILIATES		
TransCan Northern Ltd.	0.2	-
TransCanada PipeLine USA Ltd.	-	0.4
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	0.2	0.4

DUE FROM AFFILIATE		
TransCan Northern Ltd.	-	13.7
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