

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

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

For the quarterly period ended **June 30, 2015**

or

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

For the transition period from _____ to _____

Commission File Number: 001-35358

TC PipeLines, LP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

52-2135448

(I.R.S. Employer
Identification Number)

700 Louisiana Street, Suite 700

Houston, Texas

(Address of principle executive offices)

77002-2761

(Zip code)

877-290-2772

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer
(Do not check if a smaller reporting
company)

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 3, 2015, there were 63,957,751 of the registrant's common units outstanding.

PART I **FINANCIAL INFORMATION**

Item 1.	Financial Statements (Unaudited)	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	30
Item 4.	Controls and Procedures	31

PART II **OTHER INFORMATION**

Item 1.	Legal Proceedings	32
Item 6.	Exhibits	33

All amounts are stated in United States dollars unless otherwise indicated.

2

[Table of Contents](#)

DEFINITIONS

The abbreviations, acronyms, and industry terminology used in this quarterly report are defined as follows:

2013 Acquisition	Acquisition of an additional 45 percent membership interest in each of GTN and Bison by the Partnership to increase ownership to 70 percent on July 1, 2013
2014 Bison Acquisition	Partnership's acquisition of the remaining 30 percent interest in Bison on October 1, 2014
2015 GTN Acquisition	Partnership's acquisition of the remaining 30 percent interest in GTN on April 1, 2015
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM program	At-the-market equity issuance program
Bison	Bison Pipeline LLC
Carty Lateral	The proposed GTN lateral pipeline
Consolidated Subsidiaries	GTN, Bison, North Baja and Tuscarora
DOT	U.S. Department of Transportation
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	U.S. generally accepted accounting principles
General Partner	TC PipeLines GP, Inc.
Great Lakes	Great Lakes Gas Transmission Limited Partnership
GTN	Gas Transmission Northwest LLC
IDRs	Incentive Distribution Rights
LIBOR	London Interbank Offered Rate
NGA	Natural Gas Act of 1938
North Baja	North Baja Pipeline, LLC
Northern Border	Northern Border Pipeline Company
Our pipeline systems	Our ownership interests in GTN, Northern Border, Bison, Great Lakes, North Baja and Tuscarora
Partnership	TC PipeLines, LP including its subsidiaries, as applicable
Partnership Agreement	Third Amended and Restated Agreement of Limited Partnership of the Partnership
PHMSA	U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration
SEC	Securities and Exchange Commission
Senior Credit Facility	TC PipeLines, LP's senior facility under revolving credit agreement as amended and restated, dated November 20, 2012
Short-Term Loan Facility	TC PipeLines, LP's short-term loan facility under loan agreement dated October 1, 2014
Term Loan Facility	TC PipeLines, LP's term loan credit facility under a term loan agreement dated July 1, 2013
TransCanada	TransCanada Corporation and its subsidiaries
Tuscarora	Tuscarora Gas Transmission Company
U.S.	United States of America

Unless the context clearly indicates otherwise, TC PipeLines, LP and its subsidiaries are collectively referred to in this quarterly report as "we," "us," "our" and "the Partnership." We use "our pipeline systems" and "our pipelines" when referring to the Partnership's ownership interests in Gas Transmission Northwest LLC (GTN), Northern Border Pipeline Company (Northern Border), Bison Pipeline LLC (Bison), Great Lakes Gas Transmission Limited Partnership (Great Lakes), North Baja Pipeline, LLC (North Baja) and Tuscarora Gas Transmission Company (Tuscarora).

3

[Table of Contents](#)

PART I

FORWARD-LOOKING STATEMENTS AND CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are identified by words and phrases such as: "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "forecast," "should," "predict," "could," "will," "may," and other terms and expressions of similar meaning. The absence of these words, however, does not mean that the statements are not forward-looking. These statements are based on management's beliefs and assumptions and on currently available information and include, but are not limited to, statements regarding anticipated financial performance, future capital expenditures, liquidity, market or competitive conditions, regulations, organic or strategic growth opportunities, contract renewals and ability to market open capacity, business prospects, outcome of regulatory proceedings and cash distributions to unitholders.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the results predicted. Factors that could cause actual results and our financial condition to differ materially from those contemplated in forward-looking statements include, but are not limited to:

- the ability of our pipeline systems to sell available capacity on favorable terms and renew expiring contracts which are affected by, among other factors:

- o demand for natural gas;
- o changes in relative cost structures and production levels of natural gas producing basins;
- o natural gas prices and regional differences;
- o weather conditions;
- o availability and location of natural gas supplies in Canada and the United States (U.S.) in relation to our pipeline systems;
- o competition from other pipeline systems;
- o natural gas storage levels; and
- o rates and terms of service;
- the performance by the shippers of their contractual obligations on our pipeline systems;
- the outcome and frequency of rate proceedings or settlement negotiations on our pipeline systems;
- changes in the taxation of master limited partnerships by state or federal governments such as final adoption of proposed regulations narrowing the sources of income qualifying for partnership tax treatment or the elimination of pass-through taxation or tax deferred distributions;
- increases in operational or compliance costs resulting from changes in laws and governmental regulations affecting our pipeline systems, particularly regulations issued by the Federal Energy Regulatory Commission (FERC), the U.S. Environmental Protection Agency (EPA) and U.S. Department of Transportation (DOT);
- the impact of recent significant declines in oil and natural gas prices, including the effects on the creditworthiness of our shippers;
- our ongoing ability to grow distributions through acquisitions, accretive expansions or other growth opportunities, including the timing, structure and closure of further potential acquisitions;
- potential conflicts of interest between TC PipeLines GP, Inc., our general partner (General Partner), TransCanada and us;
- the ability to maintain secure operation of our information technology;
- the impact of any impairment charges;
- cybersecurity threats, acts of terrorism and related disruptions;
- operating hazards, casualty losses and other matters beyond our control; and
- the level of our indebtedness, including the indebtedness of our pipeline systems, and the availability of capital.

These are not the only factors that could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Other factors described elsewhere in this document, or factors that are unknown or unpredictable, could also have material adverse effects on future results. These and other risks are described in greater detail in Part I, Item 1A. "Risk Factors" in our Form 10-K for the year ended December 31, 2014. All

4

[Table of Contents](#)

forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. All forward-looking statements are made only as of the date made and except as required by applicable law, we undertake no obligation to update any forward-looking statements to reflect new information, subsequent events or other changes.

5

[Table of Contents](#)

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**TC PIPELINES, LP
CONSOLIDATED STATEMENTS OF INCOME**

<i>(unaudited)</i> <i>(millions of dollars, except per common unit amounts)</i>	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Transmission revenues	85	82	172	169
Equity earnings from unconsolidated affiliates <i>(Note 4)</i>	15	18	46	51
Operation and maintenance expenses	(13)	(12)	(24)	(24)
Property taxes	(5)	(6)	(11)	(12)
General and administrative	(1)	(1)	(4)	(3)
Depreciation	(21)	(22)	(42)	(43)
Financial charges and other	(16)	(14)	(29)	(26)
Net income	44	45	108	112
Net income attributable to non-controlling interests	-	8	7	18
Net income attributable to controlling interests	44	37	101	94
Calculation of net income allocated to common units				
Net income attributable to controlling interests	44	37	101	94
Less:				
Net income allocated to the General Partner, including incentive distributions	2	1	3	2
Net Income allocated to common units <i>(Note 8)</i>	42	36	98	92

Weighted average common units outstanding – basic and diluted (<i>millions</i>)	63.8	62.3	63.7	62.3
Net Income per common unit (<i>Note 8</i>) – basic and diluted	\$0.66	\$0.58	\$1.53	\$1.48
Common units outstanding, end of period (<i>millions</i>)	64.0	62.3	64.0	62.3

The accompanying notes are an integral part of these consolidated financial statements.

6

[Table of Contents](#)

TC PIPELINES, LP CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income	44	45	108	112
Other comprehensive income				
Change in fair value of cash flow hedges (<i>Note 12</i>)	-	(1)	(1)	(1)
Reclassification to net income of gains and losses on cash flow hedges (<i>Note 12</i>)	-	-	-	-
Comprehensive income	44	44	107	111
Comprehensive income attributable to non-controlling interests	-	8	7	18
Comprehensive income attributable to controlling interests	44	36	100	93

The accompanying notes are an integral part of these consolidated financial statements.

7

[Table of Contents](#)

TC PIPELINES, LP CONSOLIDATED BALANCE SHEETS

<i>(unaudited)</i> <i>(millions of dollars)</i>	June 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	44	26
Accounts receivable and other (<i>Note 13</i>)	33	35
Inventories	7	7
	84	68
Investments in unconsolidated affiliates (<i>Note 4</i>)	1,158	1,177
Plant, property and equipment (Net of \$774 accumulated depreciation; 2014 - \$737)	1,946	1,968
Goodwill	130	130
Other assets	9	6
	3,327	3,349
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	30	23
Accounts payable to affiliates (<i>Note 11</i>)	10	15
Accrued interest	8	4
Short-term loan (<i>Note 5</i>)	170	170
Current portion of long-term debt (<i>Note 5</i>)	14	79
	232	291
Long-term debt (<i>Note 5</i>)	1,730	1,446
Other liabilities	27	26
	1,989	1,763
Partners' Equity		
Common units	1,217	1,325
Class B units (<i>Notes 6 and 7</i>)	95	-
General partner	29	29
Accumulated other comprehensive loss	(3)	(2)

Controlling interests
Non-controlling interests

1,338	1,352
-	234
1,338	1,586
3,327	3,349

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

**TC PIPELINES, LP
CONSOLIDATED STATEMENT OF CASH FLOWS**

(unaudited) (millions of dollars)	Six months ended June 30,	
	2015	2014
Cash Generated From Operations		
Net income	108	112
Depreciation	42	43
Amortization of debt issue costs	1	1
Change in other liabilities	-	1
Equity allowance for funds used during construction	(1)	-
Change in operating working capital (Note 10)	1	28
	151	185
Investing Activities		
Cumulative distributions in excess of equity earnings:		
Northern Border	13	8
Great Lakes	10	7
Investment in Great Lakes	(4)	(4)
Adjustment to 2013 Acquisition (Note 11)	-	(25)
Acquisition of the remaining 30 percent interest in GTN (Note 6)	(264)	-
Capital expenditures	(12)	(5)
Other	(1)	1
	(258)	(18)
Financing Activities		
Distributions paid (Note 9)	(110)	(103)
Distributions paid to non-controlling interests	(9)	(29)
ATM equity issuance, net (Note 7)	26	-
Equity contribution by the General Partner (Note 6)	2	-
Long-term debt issued, net of discount	424	15
Long-term debt repaid	(205)	(30)
Debt issuance costs	(3)	-
	125	(147)
Increase/(decrease) in cash and cash equivalents	18	20
Cash and cash equivalents, beginning of period	26	25
Cash and cash equivalents, end of period	44	45

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

**TC PIPELINES, LP
CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY**

(unaudited)	Limited Partners				General Partner	Accumulated Other Comprehensive Loss ^(a)	Non-Controlling Interest	Total Equity
	Common Units	Class B Units						
	(millions of units)	(millions of dollars)	(millions of units)	(millions of dollars)	(millions of dollars)	(millions of dollars)	(millions of dollars)	(millions of dollars)
Partners' Equity at December 31, 2014	63.6	1,325	-	-	29	(2)	234	1,586
Net income	-	98	-	-	3	-	7	108
Other Comprehensive Loss	-	-	-	-	-	(1)	-	(1)
ATM Equity Issuance, net (Note 7)	0.4	25	-	-	1	-	-	26
Issuance of Class B Units (Note 6 and 7)	-	-	1.9	95	-	-	-	95

Acquisition of the remaining 30 percent interest in GTN (Note 6)	-	(124)	-	-	(3)	-	(232)	(359)
Equity Contribution (Note 6)	-	-	-	-	2	-	-	2
Distributions paid	-	(107)	-	-	(3)	-	(9)	(119)
Partners' Equity at June 30, 2015	64.0	1,217	1.9	95	29	(3)	-	1,338

(a) Losses related to cash flow hedges reported in Accumulated Other Comprehensive Loss and expected to be reclassified to Net Income in the next 12 months are estimated to be \$1 million. These estimates assume constant interest rates over time; however, the amounts reclassified will vary based on actual value of interest rates at the date of settlement.

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)

TC PIPELINES, LP NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

TC PipeLines, LP and its subsidiaries are collectively referred to herein as the Partnership. The Partnership was formed by TransCanada PipeLines Limited, a wholly-owned subsidiary of TransCanada Corporation (TransCanada Corporation together with its subsidiaries collectively referred to herein as TransCanada), to acquire, own and participate in the management of energy infrastructure assets in North America.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements and related notes have been prepared in accordance with United States generally accepted accounting principles (GAAP) and amounts are stated in U.S. dollars. The results of operations for the three and six months ended June 30, 2015 and 2014 are not necessarily indicative of the results that may be expected for the full fiscal year. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014. That report contains a more comprehensive summary of the Partnership's significant accounting policies. In the opinion of management, the accompanying financial statements contain all of the appropriate adjustments, all of which are normally recurring adjustments unless otherwise noted, and considered necessary to present fairly the financial position of the Partnership, the results of operations and cash flows for the respective periods. Our significant accounting policies are consistent with those disclosed in Note 2 of the financial statements in our Annual Report on Form 10-K for the year ended December 31, 2014. Certain items from that Note are repeated or updated below as necessary to assist in understanding the accompanying financial statements.

(a) Basis of Presentation

The Partnership accounts for business acquisitions between itself and TransCanada and its affiliates as transactions between entities under common control. Using this approach, the assets and liabilities of the acquired entities are recorded at TransCanada's carrying value. In the event recasting is required, the Partnership's historical financial information will be recast, except net income per common unit, to include the acquired entities for all periods presented. If the fair market value paid for the acquired entities is greater than the recorded net assets of the acquired entities, the excess purchase price paid is recorded as a reduction in Partners' Equity. Similarly, if the fair market value paid for the acquired entities is less than the recorded net assets of the acquired entities, the excess of assets acquired is recorded as an increase in Partners' Equity.

The Partnership consolidates its investments in GTN, Bison, North Baja and Tuscarora, over which it is able to exercise control. To the extent there are interests owned by other parties, these interests are included in non-controlling interests. The Partnership uses the equity method of accounting for its investments in Northern Border and Great Lakes, over which it is able to exercise significant influence.

(b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates are reasonable, actual results could differ from these estimates.

[Table of Contents](#)

NOTE 3 ACCOUNTING PRONOUNCEMENTS

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 "Revenue from Contracts with Customers (Topic 606)." This guidance supersedes the revenue recognition requirements in Topic 605, Revenue Recognition and most industry-specific guidance. This new guidance requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. On July 9, 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB also voted to permit early adoption of the standard, but not before the original effective date of December 15, 2016. This new guidance, once effective, allows two methods in which the amendment can be applied: (1) retrospectively to each prior reporting period presented, or (2) retrospectively with the cumulative effect recognized at the date of initial application. The Partnership is currently evaluating the impact of the adoption of this ASU and has not yet determined the effect on its consolidated financial statements.

Consolidation

In February 2015, the FASB issued ASU No. 2015-02 "Consolidation (Topic 810)," amendment of previously issued guidance on consolidation. This updated guidance requires that an entity evaluate whether it should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. This guidance is effective from January 1, 2016 and early application is permitted. Application of this amendment could be performed using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. Alternatively, the amendment could be applied retrospectively. The Partnership is currently evaluating the impact of the adoption of this ASU and has not yet determined the effect on its consolidated financial statements.

Imputation of interest

In April 2015, the FASB issued ASU No. 2015-03 "Interest – Imputation of Interest (Subtopic 835-30)," an amendment of previously issued guidance on imputation of interest. This updated guidance requires debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liabilities, consistent with debt discount or premiums. The recognition and measurement for debt issuance costs would not be affected. This guidance is effective from January 1, 2016 and early application is permitted. This guidance should be adopted on a retrospective basis, wherein the balance sheet of each individual period presented would be adjusted to reflect the period-specific effects of applying the new guidance. The application of this amendment will result in a reclassification of debt issuance costs currently recorded in Other Assets to an offset of their respective debt liabilities.

Earnings Per Share

In April 2015, the FASB issued ASU No.2015-06 "Earnings Per Share (Topic 260)," an amendment of previously issued guidance on earnings per share (EPS) as it is being calculated by master limited partnerships. This updated guidance specifies that for purposes of calculating historical EPS under the two-class method, the earnings (losses) of a transferred business before the date of a dropdown transaction should be allocated entirely to the general partner interest, and previously reported EPS of the limited partners would not change as a result of a dropdown transaction. Qualitative disclosures about how the rights to the earnings (losses) differ before and after the dropdown transaction occurs are also required. This guidance is effective from January 1, 2016 and early application is permitted. This guidance should be adopted on a retrospective basis to all financial statements presented. The Partnership is currently evaluating the impact of the adoption of this ASU and has not yet determined the effect on its consolidated financial statements.

[Table of Contents](#)

NOTE 4 INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Northern Border and Great Lakes are regulated by FERC and are operated by TransCanada. The Partnership uses the equity method of accounting for its interests in its equity investees.

(unaudited) (millions of dollars)	Ownership Interest at June 30, 2015	Equity Earnings from Unconsolidated Affiliates				Investments in Unconsolidated Affiliates	
		Three months ended June 30,		Six Months ended June 30,		June 30,	December 31,
		2015	2014	2015	2014	2015	2014
Northern Border ^(a)	50%	15	16	34	39	492	505
Great Lakes	46.45%	-	2	12	12	666	672
		15	18	46	51	1,158	1,177

^(a) Equity earnings from Northern Border is net of the 12-year amortization of a \$10 million transaction fee paid to the operator of Northern Border at the time of the Partnership's additional 20 percent interest acquisition in April 2006.

Northern Border

The Partnership does not have undistributed earnings from Northern Border for the six months ended June 30, 2015 and 2014.

The summarized financial information for Northern Border is as follows:

(unaudited) (millions of dollars)	June 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	40	41
Other current assets	32	34
Plant, property and equipment, net	1,142	1,163
Other assets	34	34
	1,248	1,272
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	63	64
Deferred credits and other	24	22
Long-term debt, including current maturities	411	411
Partners' equity		
Partners' capital	752	777
Accumulated other comprehensive loss	(2)	(2)
	1,248	1,272

(unaudited) (millions of dollars)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Transmission revenues	69	69	144	155
Operating expenses	(18)	(16)	(34)	(34)
Depreciation	(14)	(15)	(29)	(30)
Financial charges and other	(6)	(6)	(11)	(12)
Net income	31	32	70	79

13

[Table of Contents](#)

Great Lakes

The Partnership made an equity contribution to Great Lakes of \$4 million in the first quarter of 2015. This amount represents the Partnership's 46.45 percent share of a \$9 million cash call from Great Lakes to make a scheduled debt repayment.

The Partnership does not have undistributed earnings from Great Lakes for the six months ended June 30, 2015 and 2014.

The summarized financial information for Great Lakes is as follows:

(unaudited) (millions of dollars)	June 30, 2015	December 31, 2014
ASSETS		
Current assets	70	66
Plant, property and equipment, net	736	748
	806	814
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	52	38
Long-term debt, including current maturities	307	316
Partners' equity	447	460
	806	814

(unaudited) (millions of dollars)	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Transmission revenues	28	29	76	77
Operating expenses	(14)	(12)	(25)	(24)
Depreciation	(7)	(7)	(14)	(14)
Financial charges and other	(6)	(6)	(12)	(13)
Net income	1	4	25	26

NOTE 5 CREDIT FACILITIES, SHORT-TERM LOAN FACILITY AND LONG-TERM DEBT

(unaudited) (millions of dollars)	June 30, 2015	December 31, 2014
Senior Credit Facility due 2017	200	330
Term Loan Facility due 2018	500	500
Short-Term Loan Facility due 2015	170	170
4.65% Unsecured Senior Notes due 2021, net of discount (2015 and 2014 – nil)	350	350
4.375% Unsecured Senior Notes due 2025, net of \$1 million discount	349	-
5.09% Unsecured Senior Notes due 2015	-	75
5.29% Unsecured Senior Notes due 2020	100	100
5.69% Unsecured Senior Notes due 2035	150	150
Unsecured Term Loan Facility due 2019	75	-
3.82% Series D Senior Notes due 2017	20	20
	1,914	1,695
Less: current portion	184	249
	1,730	1,446

14

[Table of Contents](#)

The Partnership's Senior Credit Facility consists of a \$500 million senior revolving credit facility with a banking syndicate, maturing November 20, 2017, under which \$200 million was outstanding at June 30, 2015 (December 31, 2014 - \$330 million), leaving \$300 million available for future borrowing.

The London Interbank Offered Rate (LIBOR) based interest rate on the Senior Credit Facility averaged 1.44 percent and 1.43 percent for the three and six months ended June 30, 2015, respectively (2014 – 1.41 percent). The LIBOR-based interest rate was 1.44 percent at June 30, 2015 (December 31, 2014 – 1.41 percent).

The LIBOR-based interest rate on the Term Loan Facility due 2018 averaged 1.44 percent and 1.43 percent for the three and six months ended June 30, 2015, respectively (2014 – 1.41 percent). After hedging activity, the interest rate incurred on the Term Loan Facility averaged 1.84 percent for the three and six months ended June 30, 2015 (2014 – 1.83 percent). Prior to hedging activities, the LIBOR-based interest rate was 1.44 percent at June 30, 2015 (December 31, 2014 – 1.41 percent).

The LIBOR-based interest rate on the Short-Term Loan Facility averaged 1.31 percent and 1.30 percent for the three and six months ended June 30, 2015, respectively and was 1.31 percent at June 30, 2015 (December 31, 2014 – 1.28 percent).

The Senior Credit Facility, the Term Loan Facility and Short-Term Loan Facility require the Partnership to maintain a certain leverage ratio (debt to adjusted cash flow [net income plus cash distributions received, extraordinary losses, interest expense, expense for taxes paid or accrued, and depreciation and amortization expense less equity earnings and extraordinary gains]). In the quarter in which an acquisition has occurred, and the two quarters following the acquisition, the allowable leverage ratio increases to 5.50 to 1.00. Thereafter, the ratio returns to 5.00 to 1.00. The allowable ratio for the quarter ended June 30, 2015 is 5.50 to 1.00. The leverage ratio was 4.84 to 1.00 as of June 30, 2015.

On March 13, 2015, the Partnership closed a \$350 million public offering of senior unsecured notes bearing an interest rate of 4.375 percent maturing March 13, 2025. The net proceeds of \$346 million were used to fund a portion of the acquisition of the remaining 30 percent interest in GTN (2015 GTN Acquisition – refer to Note 6) and to reduce the amount outstanding under our Senior Credit Facility. The indenture for the notes contains customary investment grade covenants.

On June 1, 2015, GTN’s 5.09 percent unsecured Senior Notes matured. Also, on June 1, 2015, GTN entered into a \$75 million unsecured variable rate term loan facility (Unsecured Term Loan Facility) which requires yearly principal payments until its maturity on June 1, 2019. The variable interest is based on LIBOR plus an applicable margin. The LIBOR-based interest rate on the Unsecured Term Loan Facility for the month ended June 30, 2015 averaged 1.13 percent and was 1.13 percent at June 30, 2015. GTN’s Senior Notes along with this new Unsecured Term Loan Facility contain a covenant that limits total debt to no greater than 70 percent of GTN’s total capitalization. GTN’s total debt to total capitalization ratio at June 30, 2015 is 43 percent.

The Series D Senior Notes, which require yearly principal payments until maturity, are secured by Tuscarora’s transportation contracts, supporting agreements and substantially all of Tuscarora’s property. The note purchase agreements contain certain provisions that include, among other items, limitations on additional indebtedness and distributions to partners.

At June 30, 2015, the Partnership was in compliance with its financial covenants, in addition to the other covenants which include restrictions on entering into mergers, consolidations and sales of assets, granting liens, material amendments to the Third Amended and Restated Agreement of Limited Partnership (Partnership Agreement), incurring additional debt and distributions to unitholders.

[Table of Contents](#)

The principal repayments required of the Partnership on its debt are as follows:

(unaudited)
(millions of dollars)

2015	174
2016	14
2017	222
2018	520
2019	35
2020	100
Thereafter	849
	1,914

NOTE 6 GTN ACQUISITION

On April 1, 2015, the Partnership acquired the remaining 30 percent interest of GTN from a subsidiary of TransCanada (2015 GTN Acquisition), which resulted in GTN being wholly-owned by the Partnership. The total purchase price of the 2015 GTN Acquisition was \$446 million plus the final purchase price adjustment of \$11 million, for a total of \$457 million. The purchase price consisted of \$264 million in cash (including the final purchase price adjustment of \$11 million), the assumption of \$98 million in proportional GTN debt and the issuance of \$95 million of new Class B units to TransCanada.

The Partnership funded the cash portion of the transaction using a portion of the proceeds received on our March 13, 2015 debt offering (see Note 5). The Class B units entitle TransCanada to a distribution based on 30 percent of GTN’s annual distributions as follows: (i) 100 percent of distributions above \$20 million through March 31, 2020; and (ii) 25 percent of distributions above \$20 million thereafter. Under the terms of the Partnership Agreement, the Class B distribution will be initially calculated to equal 30 percent of GTN’s distributable cash flow for the nine months ending December 31, 2015, less \$15 million.

Prior to this transaction, the remaining 30 percent interest held by a subsidiary of TransCanada was reflected as a non-controlling interest in the Partnership’s consolidated financial statements. The 2015 GTN Acquisition of this already-consolidated entity was accounted as a transaction between entities under common control, similar to a pooling of interests, whereby the acquired interest was recorded at TransCanada’s carrying value and the total excess purchase price paid was recorded as a reduction in Partners’ Equity.

The net purchase price was allocated as follows:

(millions of dollars)

Less: TransCanada's carrying value of non-controlling interest at April 1, 2015

232

Excess purchase price ^(b)

127

^(a) Total purchase price of \$457 million less the assumption of \$98 million of proportional GTN debt by the Partnership.

^(b) The excess purchase price of \$127 million was recorded as a reduction in Partners' Equity.

Our General Partner also contributed approximately \$2 million to maintain its effective 2 percent interest in the Partnership.

NOTE 7 PARTNERS' EQUITY

ATM equity issuance program (ATM program)

In August 2014, the Partnership entered into an Equity Distribution Agreement (the EDA) with five different financial institutions (Managers), pursuant to which the Partnership may from time to time, offer and sell common units having an aggregate offering price of up to \$200 million. Sales of such common units will be made by means of ordinary brokers' transactions on the New York Stock Exchange (NYSE) at market prices, in block transactions or as otherwise agreed upon by one or more of the Managers and the Partnership.

For the six months ended June 30, 2015, the Partnership issued 396,205 common units under the ATM program generating net proceeds of approximately \$25 million, plus \$1 million from the General Partner to maintain its effective two percent interest. The commissions to our sales agents for the six months ended June 30, 2015 were approximately \$256,000. The net proceeds were used for general partnership purposes.

16

[Table of Contents](#)

Issuance of Class B units

On April 1, 2015, we issued 1,900,000 new Class B units to TransCanada with a value of \$50 each representing limited partner interests in us, for a total value \$95 million. The Class B units contain no mandatory or optional redemption features and are also non-convertible, non-exchangeable, non-voting and rank equally with common units upon liquidation. The Class B units entitle TransCanada to an annual distribution which is an amount based on 30 percent of GTN's annual distributions as follows: (i) 100 percent of distributions above \$20 million through March 31, 2020; and (ii) 25 percent of distributions above \$20 million thereafter. Under the terms of the Partnership Agreement, the Class B distribution will initially be calculated to equal 30 percent of GTN's distributable cash flow for the nine months ending December 31, 2015, less \$15 million (refer to Note 6).

The Class B distribution is an annual calculation that will be reflected as an increase in the Class B units' equity account until such amount is declared for distribution and paid in the first quarter beginning 2016 and annually thereafter.

NOTE 8 NET INCOME PER COMMON UNIT

Net income per common unit is computed by dividing net income attributable to controlling interests, after deduction of amounts allocable to the General Partner by the weighted average number of common units outstanding.

The amounts allocable to the General Partner equals an amount based upon the General Partner's effective two percent general partner interest, plus an amount equal to incentive distributions. Incentive distributions are paid to the General Partner if quarterly cash distributions on the common units exceed levels specified in the Partnership Agreement. Incentive distributions allocated to the General Partner for both the three and six months ended June 30, 2015, were \$1 million. Incentive distributions allocated to the General Partner for both the three and six months ended June 30, 2014 were \$0.3 million.

Net income per common unit was determined as follows:

<i>(unaudited)</i> <i>(millions of dollars, except per common unit amounts)</i>	Three months ended		Six months ended	
	June 30, 2015	2014	June 30, 2015	2014
Net income attributable to controlling interests	44 ^(b)	37	101 ^(b)	94
Net income allocated to General Partner	(1)	(1)	(2)	(2)
Incentive distributions allocated to the General Partner ^(a)	(1)	-	(1)	-
Net income allocated to common units	42 ^(b)	36	98 ^(b)	92
Weighted average common units outstanding (<i>millions</i>) – basic and diluted	63.8	62.3	63.7	62.3
Net income per common unit – basic and diluted	\$0.66 ^(b)	\$0.58	1.53 ^(b)	\$1.48

^(a) Under the terms of the Partnership Agreement, for any quarterly period, the participation of the incentive distribution rights (IDRs) is limited to the available cash distributions declared. Accordingly, incentive distributions allocated to the General Partner was based from the Partnership's available cash during the current reporting period, but declared and paid in the subsequent reporting period.

^(b) As discussed in Notes 6 and 7, the Class B units entitle TransCanada to a distribution based on achieving the annual threshold. The distribution will be payable in the first quarter with respect to the prior year's distributions. Consistent with the application of ASC 260 - "Earnings per share," the Partnership will allocate a portion of net income attributable to controlling interests to the Class B units upon 30 percent of GTN's total distributable cash flows exceeding \$15 million for the nine month period ending December 31, 2015. This allocation will reduce net income allocated to common units and net income per common unit.

During the three months ended June 30, 2015, GTN's total distributable cash flow was \$29 million and therefore no portion of net income attributable to controlling interests was allocated to the Class B units.

NOTE 9 CASH DISTRIBUTIONS

For the three and six months ended June 30, 2015, the Partnership distributed \$0.84 and \$1.68 per common unit, respectively (2014 – \$0.81 and \$1.62 per common unit) for a total of \$55 million and \$110 million, respectively (2014 - \$52 million and \$103 million). The distributions paid for the three and six months ended June 30, 2015 included an incentive distribution to the General Partner of approximately \$0.3 million and \$0.6 million, respectively. There were no incentive distributions paid to the General Partner for the three and six months ended June 30, 2014.

NOTE 10 CHANGE IN OPERATING WORKING CAPITAL

<i>(unaudited)</i> <i>(millions of dollars)</i>	Six months ended June 30,	
	2015	2014
Change in accounts receivable and other ^(a)	4	7
Change in accounts payable and accrued liabilities ^(a)	(2)	4
Change in accounts payable to affiliates	(5)	17
Change in accrued interest	4	-
Change in operating working capital	<u>1</u>	<u>28</u>

(a) Excludes certain non-cash items primarily related to accruals of \$9 million for construction of GTN's Carty Lateral and compressor overhauls.

NOTE 11 RELATED PARTY TRANSACTIONS

The Partnership does not have any employees. The management and operating functions are provided by the General Partner. The General Partner does not receive a management fee in connection with its management of the Partnership. The Partnership reimburses the General Partner for all costs of services provided, including the costs of employee, officer and director compensation and benefits, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, the Partnership. Such costs include (i) overhead costs (such as office space and equipment) and (ii) out-of-pocket expenses related to the provision of such services. The Partnership Agreement provides that the General Partner will determine the costs that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Total costs charged to the Partnership by the General Partner were \$1 million for both the three and six months ended June 30, 2015 (2014 – \$1 million and \$2 million).

As operator, TransCanada's subsidiaries provide capital and operating services to our pipeline systems. TransCanada's subsidiaries incur costs on behalf of our pipeline systems, including, but not limited to, employee salary and benefit costs, and property and liability insurance costs.

Capital and operating costs charged to our pipeline systems for the three and six months ended June 30, 2015 and 2014 by TransCanada's subsidiaries and amounts payable to TransCanada's subsidiaries at June 30, 2015 and December 31, 2014 are summarized in the following tables:

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Capital and operating costs charged by TransCanada's subsidiaries to:				
Great Lakes ^(a)	8	8	14	15
Northern Border ^(a)	9	10	16	17
GTN ^(a)	8	7	14	13
Bison ^(a)	1	1	2	3
North Baja	2	1	3	2
Tuscarora	1	1	2	2
Impact on the Partnership's net income:				
Great Lakes	3	4	6	7
Northern Border	4	4	7	7
GTN ^(b)	7	5	11	9
Bison ^(c)	1	1	2	2
North Baja	1	1	2	2
Tuscarora	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>

(a) Represents 100 percent of the costs.

(b) In April 2015, the Partnership acquired the remaining 30 percent interest in GTN. See discussion in Note 6.

(c) In October 2014, the Partnership acquired the remaining 30 percent interest in Bison.

<i>(unaudited)</i> <i>(millions of dollars)</i>	June 30, 2015	December 31, 2014
Amount payable to TransCanada's subsidiaries for costs charged in the period by:		
GTN	6	10
Northern Border ^(a)	6	10
Bison	1	2
Great Lakes ^(a)	<u>6</u>	<u>9</u>

^(a) Represents 100 percent of the costs.

Great Lakes' earns revenues from TransCanada and its affiliates under transportation contracts on multiple paths at various rates. Great Lakes earned \$18 million and \$47 million of transportation revenues under these contracts for the three and six months ended June 30, 2015, respectively (2014 - \$13 million and \$35 million). These amounts represent 63 percent and 62 percent of total revenues earned by Great Lakes for the three and six months ended June 30, 2015, respectively (2014 - 43 percent and 46 percent). Great Lakes also earned \$1 million of affiliated rental revenue for the three and six months ended June 30, 2015 (2014 - \$1 million).

Revenue from TransCanada and its affiliates of \$8 million and \$22 million are included in the Partnership's equity earnings from Great Lakes for the three and six months ended June 30, 2015, respectively (2014 - \$6 million and \$17 million). At June 30, 2015, \$30 million was included in Great Lakes' receivables in regards to the transportation contracts with TransCanada and its affiliates (December 31, 2014 - \$15 million).

Effective November 1, 2014, Great Lakes executed contracts with its affiliate, ANR Pipeline Company (ANR) to provide firm service in Michigan and Wisconsin. These contracts were at the maximum FERC authorized rate and were intended to replace historical contracts. On December 3, 2014, the FERC accepted and suspended Great Lakes' tariff records to become effective May 3, 2015, subject to refund. On February 2, 2015, FERC issued an Order granting a rehearing and clarification request submitted by Great Lakes, which allowed additional time for FERC to consider Great Lakes' request. Following extensive discussions with numerous shippers and other

[Table of Contents](#)

stakeholders, on April 20, 2015, ANR filed a settlement with FERC that included an agreement by ANR to pay Great Lakes the difference between the historical and maximum rates, subject to approval by FERC. Absent clarification or approval of the settlement by FERC, Great Lakes provided service to ANR under multiple service agreements and rates through May 3, 2015 when Great Lakes' tariff records became effective and subject to refund. Great Lakes deferred an approximate \$9.4 million of revenue related to services performed in 2014 and approximately \$14 million of additional revenue related to services performed through May 3, 2015 under such agreements that may not ultimately be collected if the settlement is not approved by FERC.

In April 2014, the Partnership paid \$25 million to a subsidiary of TransCanada as additional consideration on the 2013 Acquisition. The additional consideration paid was due to the transportation service agreement executed by Portland General Electric Company with GTN relating to the Carty Lateral project.

NOTE 12 FAIR VALUE MEASUREMENTS

(a) Fair Value Hierarchy

Under ASC 820, Fair Value Measurements and Disclosures, fair value measurements are characterized in one of three levels based upon the inputs used to arrive at the measurement. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

When appropriate, valuations are adjusted for various factors including credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

(b) Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable and other, accounts payable and accrued liabilities, accounts payable to affiliates and accrued interest approximate their fair values because of the short maturity or duration of these instruments, or because the instruments bear a variable rate of interest or a rate that approximates current rates. The fair value of the Partnership's long-term debt is estimated by discounting the future cash flows of each instrument at estimated current borrowing rates. The fair value of interest rate derivatives is calculated using the income approach, which uses period-end market rates and applies a discounted cash flow valuation model.

The estimated fair value of the Partnership's debt as at June 30, 2015 and December 31, 2014 are as follows:

<i>(unaudited)</i> <i>(millions of dollars)</i>	June 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Credit Facility due 2017	200	200	330	330
Term Loan Facility due 2018	500	500	500	500
Short-Term Loan Facility due 2015	170	170	170	170
4.65% Senior Notes due 2021, net	350	364	350	375
4.375% Senior Notes due 2025, net	349	347	-	-
5.09% Unsecured Senior Notes due 2015	-	-	75	76
Unsecured Term Loan facility due 2019	75	75	-	-
5.29% Unsecured Senior Notes due 2020	100	109	100	111
5.69% Unsecured Senior Notes due 2035	150	156	150	168
3.82% Series D Senior Notes due 2017	20	21	20	21
	1,914	1,942	1,695	1,751

Long-term debt is recorded at amortized cost and classified in Level II of the fair value hierarchy for fair value disclosure purposes. Interest rate derivative assets and liabilities are classified in Level II for all periods presented where the fair value is determined by using valuation techniques that refer to observable market data or estimated market prices.

[Table of Contents](#)

Market risk is the risk that changes in market interest rates may result in fluctuations in the fair values or cash flows of financial instruments. The Partnership's floating rate debt is subject to LIBOR benchmark interest rate risk. The Partnership uses interest rate derivatives to manage its exposure to interest rate risk. We regularly assess the impact of interest rate fluctuations on future cash flows and evaluate hedging opportunities to mitigate our interest rate risk.

The interest rate swaps are structured such that the cash flows of the derivative instruments match those of the variable rate of interest on the Term Loan Facility. The Partnership hedged interest payments on \$150 million of variable-rate Term Loan Facility with interest rate swaps effective September 3, 2013 and maturing July 1, 2018, at a weighted average fixed interest rate of 2.79 percent. At June 30, 2015, the fair value of the interest rate swaps accounted for as cash flow hedges was a liability of \$2 million (both on a gross and net basis) (December 31, 2014 - \$1 million). The Partnership did not record any amounts in net income related to ineffectiveness for interest rate hedges for the three and six months ended June 30, 2015 (2014 – nil). The change in fair value of interest rate derivative instruments recognized in other comprehensive income was nil and a loss of \$1 million for the three and six months ended June 30, 2015, respectively (2014 – \$1 million). For the three and six months ended June 30, 2015, the net realized loss related to the interest rate swaps was nil and \$1 million, respectively, and was included in financial charges and other (2014 – \$1 million).

The Partnership has no master netting agreements; however, contracts contain provisions with rights of offset. The Partnership has elected to present the fair value of derivative instruments with the right to offset on a gross basis in the balance sheet. Had the Partnership elected to present these instruments on a net basis, there would be no effect on the consolidated balance sheet as of June 30, 2015 and December 31, 2014.

NOTE 13 ACCOUNTS RECEIVABLE AND OTHER

(unaudited)
(millions of dollars)

	June 30, 2015	December 31, 2014
Trade accounts receivable, net of allowance of nil	28	30
Accounts receivable from affiliates	1	1
Other	4	4
	33	35

NOTE 14 SUBSEQUENT EVENTS

Management of the Partnership has reviewed subsequent events through August 7, 2015, the date the financial statements were issued, and concluded there were no events or transactions during this period that would require recognition or disclosure in the consolidated financial statements other than what is disclosed here and/or those already disclosed in the preceding notes.

On July 23, 2015, the board of directors of our General Partner declared the Partnership's second quarter 2015 cash distribution in the amount of \$0.89 per common unit payable on August 14, 2015 to unitholders of record as of August 4, 2015.

Northern Border declared its second quarter 2015 distribution of \$42 million on July 22, 2015, of which the Partnership will receive its 50 percent share or \$21 million on August 3, 2015.

Great Lakes declared its second quarter 2015 distribution of \$7 million on July 22, 2015, of which the Partnership will receive its 46.45 percent share or \$3 million on August 3, 2015.

[Table of Contents](#)
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes included in Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2014.

RECENT BUSINESS DEVELOPMENTS

Debt Offering – On March 13, 2015, the Partnership closed a \$350 million public offering of senior unsecured notes bearing an interest rate of 4.375 percent maturing March 13, 2025. The net proceeds of \$346 million were used to fund a portion of the 2015 GTN Acquisition and reduce the amount outstanding under our Senior Credit Facility.

GTN Acquisition – On April 1, 2015, the Partnership acquired the remaining 30 percent interest of GTN from a subsidiary of TransCanada. The total purchase price of the 2015 GTN Acquisition was \$446 million plus purchase price adjustments. The purchase price consisted of \$264 million in cash (including the final purchase price adjustments of \$11 million), the assumption of \$98 million in proportional GTN debt and the issuance of \$95 million of new Class B units to TransCanada. The Class B units entitle TransCanada to a distribution based on 30 percent of GTN's annual distributions as follows: (i) 100 percent of distributions above \$20 million through March 31, 2020; and (ii) 25 percent of distributions above \$20 million thereafter. This acquisition is expected to improve the Partnership's long-term cash flow stability and predictability.

Cash Distributions – On April 23, 2015, the board of directors of our General Partner declared the Partnership's first quarter 2015 cash distribution in the amount of \$0.84 per common unit, payable on May 15, 2015 to unitholders of record as of May 5, 2015.

GTN Settlement – On June 30, 2015, FERC approved GTN’s rate settlement as filed on April 23, 2015. The rate settlement satisfies GTN’s obligations from its 2011 rate settlement for new rates to be in effect on January 1, 2016 and the 2015 settlement will reduce rates on the mainline by 3 percent on July 1, 2015. In January 2016, GTN’s rates will decrease a further 10 percent and will continue in effect through December 31, 2019. Unless superseded by a subsequent rate case or settlement, GTN’s rates will decrease an additional 8 percent for the period January 1, 2020 through December 31, 2021 when GTN will be required to establish new rates. We expect that GTN’s near term results will not be materially affected due to increased contracting and other revenue opportunities on the system.

Cash Distributions – On July 23, 2015, the board of directors of our General Partner declared the Partnership’s second quarter 2015 cash distribution in the amount of \$0.89 per common unit payable on August 14, 2015 to unitholders of record as of August 4, 2014. The declared distribution reflects a \$0.05 per common unit increase to the quarterly distribution. The second quarter 2015 distribution exceeded the first and second targets of the General Partner’s incentive distribution rights (IDRs) by \$0.07 and \$0.01 per common unit, respectively, resulting in an increase in the distribution on the General Partner interest from 2 percent to 15 percent on the incremental distribution in excess of the first target and from 15 percent to 25 percent on the incremental distribution in excess of the second target.

Outlook of Our Business

TransCanada, the ultimate parent company of our General Partner, is currently executing a large capital program that includes \$12 billion of small to medium-sized growth projects together with a number of other growth initiatives, including \$34 billion of commercially secured projects, all backed by long-term contracts or cost of service business models. TransCanada’s management has expressed its intent to drop down all of TransCanada’s remaining U.S. natural gas pipeline assets into the Partnership to assist in funding its capital program and increase the size and diversity of the Partnership’s asset base. There can be no assurance when any drop downs may occur.

The Partnership’s financial performance is expected to benefit from acquisitions including the recent acquisitions of the remaining interests in the Bison and GTN pipelines. Despite uncertainty in energy commodity prices, our portfolio of six FERC-regulated interstate natural gas pipelines, five of which are backed by long-term, ship-or-pay contracts, is expected to deliver generally stable results in the remainder of 2015.

[Table of Contents](#)

HOW WE EVALUATE OUR OPERATIONS

We evaluate our business primarily on the basis of the underlying operating results for each of our pipeline systems along with a measure of Partnership cash flows. This measure does not have a standardized meaning prescribed by GAAP. It is, therefore, considered to be a non-GAAP measure and is unlikely to be comparable to similar measures presented by other entities. Refer to Partnership Cash Flows for additional information.

RESULTS OF OPERATIONS

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions with respect to values or conditions, which cannot be known with certainty, that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Although we believe these estimates and assumptions are reasonable, actual results could differ. There were no significant changes to the Partnership’s critical accounting policies and estimates during the three and six months ended June 30, 2015.

Information about our critical accounting policies and estimates is included under Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2014.

Net Income Attributable to Controlling Interests

To supplement our financial statements, we have presented a comparison of the earnings contribution components from each of our investments. We have presented net income attributable to controlling interests in this format to enhance investors’ understanding of the way management analyzes our financial performance. The presentation of this additional information is not meant to be considered in isolation or as a substitute for results prepared in accordance with GAAP.

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income:				
GTN	20	15	44	37
Bison	12	11	23	23
North Baja	5	6	11	12
Tuscarora	4	4	8	8
Equity earnings:				
Northern Border	15	16	34	39
Great Lakes	-	2	12	12
Partnership expenses	(12)	(9)	(24)	(19)
Net income	44	45	108	112
Net income attributable to non-controlling interests	-	8	7	18
Net income attributable to controlling interests	44	37	101	94

Second Quarter 2015 Compared with Second Quarter 2014

For the three months ended June 30, 2015, net income attributable to controlling interests increased by \$7 million to \$44 million compared to \$37 million in the same period of 2014. The increase was primarily the result of 2015 GTN Acquisition and higher net income generated by GTN, partially offset by higher Partnership expenses.

Net income from GTN was \$20 million in the second quarter of 2015, an increase of \$5 million compared to the same quarter in 2014. This increase was primarily due to higher transportation revenues from short-term services sold to customers.

[Table of Contents](#)

Partnership expenses were \$12 million in the second quarter of 2015, an increase of \$3 million compared to the same period in 2014. The increase was primarily due to higher interest expense related to additional borrowings to fund a portion of the 2014 Bison Acquisition and the 2015 GTN Acquisition and costs related to the 2015 GTN Acquisition.

Six Months Ended June 30, 2015 Compared with Six Months Ended June 30, 2014

For the six months ended June 30, 2015, net income attributable to controlling interests increased by \$7 million to \$101 million compared to \$94 million for the same period in 2014. The increase was primarily the result of 2015 GTN Acquisition, higher net income generated by GTN, partially offset by lower equity earnings from Northern Border and higher Partnership expenses.

Net income from GTN increased by \$7 million primarily due to higher revenue from short-term services sold to customers.

Equity earnings from Northern Border decreased by \$5 million primarily due to decreased discretionary revenue as a result of milder winter weather during 2015 compared to the winter of 2014.

Partnership expenses were higher due to the increase in interest expense related to additional borrowings to fund a portion of the 2014 Bison Acquisition and the 2015 GTN Acquisition and costs related to the 2015 GTN Acquisition.

Net Income Allocable to Common Units and Net Income Per Common Unit

On April 1, 2015, the Partnership issued Class B units to TransCanada to finance a portion of the 2015 GTN Acquisition entitling TransCanada to an annual distribution based on 30 percent of GTN's annual distributions as follows: (i) 100 percent of distributions above \$20 million through March 31, 2020; and (ii) 25 percent of distributions above \$20 million thereafter. Under the terms of the Partnership Agreement, the Class B distribution will be initially calculated to equal 30 percent of GTN's distributable cash flow for the nine months ending December 31, 2015, less \$15 million. The distribution is payable in the first quarter beginning 2016 and annually thereafter.

The Class B units will be entitled to a distribution when the threshold level is achieved as described above. As a result, we will allocate a portion of the Partnership's income to the Class B units after such annual threshold is exceeded which will effectively reduce the Net Income Allocable to Common Units and Net Income Per Common Unit. Currently, we expect to allocate a portion of the Partnership's income to the Class B units beginning third quarter 2015.

During the three months ended June 30, 2015, GTN's total distributable cash flow was \$29 million and therefore no portion of the Partnership's income was allocated to the Class B units.

Please read Notes 6, 7 and 8 within Item 1. "Financial Statements" for information regarding disclosures on 2015 GTN Acquisition, Issuance of Class B units and Net Income Per Common Unit.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity include distributions received from our investments in partially-owned affiliates, operating cash flows from our subsidiaries, public offerings of debt and equity, term loans and our bank credit facility. The Partnership funds its operating expenses, debt service and cash distributions primarily with operating cash flow. Long-term capital needs may be met through the issuance of long-term debt and/or equity.

Our pipeline systems' principal sources of liquidity are cash generated from operating activities, long-term debt offerings, bank credit facilities and equity contributions from their owners. Our pipeline systems have historically funded operating expenses, debt service and cash distributions to their owners primarily with operating cash flow. However, since the fourth quarter of 2010, Great Lakes has funded its debt repayments with cash calls to its owners.

[Table of Contents](#)

Capital expenditures are funded by a variety of sources, including cash generated from operating activities, borrowings under bank credit facilities, issuance of senior unsecured notes or equity contributions from our pipeline systems' owners. The ability of our pipeline systems to access the debt capital markets under reasonable terms depends on their financial position and general market conditions.

The Partnership's pipeline systems monitor the creditworthiness of their customers and have credit provisions included in their tariffs which, although limited by FERC, allow them to request credit support as circumstances dictate.

Our cash flow is based on the distributions from our portfolio of six pipelines. Overall, we believe that our pipeline systems' ability to obtain financing at reasonable rates, together with a history of consistent cash flow from operating activities, provide a solid foundation to meet future liquidity and capital requirements. We expect to be able to fund our liquidity requirements, including our distributions and required debt repayments, at the Partnership level over the next 12 months utilizing our cash flow and if required, our existing Senior Credit Facility.

Issuance of Class B Units

On April 1, 2015, we issued 1,900,000 new Class B units to TransCanada to finance a portion of 2015 GTN Acquisition. The Class B units represent limited partner interests in us and entitle TransCanada to an annual distribution. The Class B units contain no mandatory or optional redemption features and are also non-convertible, non-exchangeable, non-voting and rank equally with common units upon liquidation.

The Class B distribution will be an amount based on 30 percent of GTN's annual distributions as follows: (i) 100 percent of distributions above \$20 million through March 31, 2020; and (ii) 25 percent of distributions above \$20 million thereafter. Under the terms of the Partnership Agreement, the Class B distribution will initially be calculated to equal 30 percent of GTN's distributable cash flow for the nine months ending December 31, 2015, less \$15 million.

Amounts payable to the Class B units will equal the portion of the Partnership's income allocable to the Class B units for the year ending December 31, as discussed more fully in Item 2 "Management Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations - Net Income Allocable to Common Units and Net Income Per Common Unit" and will decrease our non-GAAP financial measure "Partnership Cash Flows" beginning in the first quarter of 2016 and annually thereafter.

Partnership Cash Flows

The Partnership uses the non-GAAP financial measures "Partnership cash flows" and "Partnership cash flows before General Partner distributions" as they provide a measure of cash generated during the period to evaluate our cash distribution capability. As well, management uses these measures as a basis for recommendations to our General Partner's board of directors regarding the distribution amount to be declared each quarter. Partnership cash flow information is presented to enhance investors' understanding of the way that management analyzes the Partnership's financial performance.

Partnership cash flows include net income attributable to controlling interests, plus operating cash flows from our wholly-owned subsidiaries, and cash distributions received from our non-wholly owned subsidiaries and equity investments, less equity earnings from unconsolidated affiliates and consolidated subsidiaries' net income plus net income attributable to non-controlling interests from consolidated subsidiaries, and net of distributions paid to the General Partner.

Partnership cash flows before General Partner distributions represent Partnership cash flows prior to distributions paid to the General Partner. Distributions paid to the General Partner represent the cash distributions paid during the period with respect to its two percent interest plus an amount equal to incentive distributions.

[Table of Contents](#)

Partnership cash flows and Partnership cash flows before General Partner distributions are provided as a supplement to GAAP financial results and are not meant to be considered in isolation or as substitutes for financial results prepared in accordance with GAAP.

Non-GAAP Measures

Reconciliations of Net Income Attributable to Controlling Interests to Partnership Cash Flows

<i>(unaudited)</i> <i>(millions of dollars except per common unit amounts)</i>	Three months ended		Six months ended	
	2015	2014	2015	2014
Net income attributable to controlling interests	44	37	101	94
Add:				
Cash distributions from GTN ^(a)	-	25	21	45
Cash distributions from Northern Border ^(a)	26	26	47	47
Cash distributions from Bison ^(a)	-	11	-	23
Cash distributions from Great Lakes ^(a)	14	14	22	19
Cash flows provided by the Partnership's wholly-owned subsidiaries' operating activities ^{(b), (c)}	66	11	95	24
	106	87	185	158
Less:				
Equity earnings :				
Northern Border	(15)	(16)	(34)	(39)
Great Lakes	-	(2)	(12)	(12)
	(15)	(18)	(46)	(51)
Less:				
Consolidated subsidiaries' net income				
GTN	(20)	(15)	(44)	(37)
Bison	(12)	(11)	(23)	(23)
North Baja	(5)	(6)	(11)	(12)
Tuscarora	(4)	(4)	(8)	(8)
	(41)	(36)	(86)	(80)
Add:				
Net income attributable to non-controlling interests	-	8	7	18
Partnership cash flows before General Partner distributions	94	78	161	139
General Partner distributions ^(d)	(1)	(1)	(2)	(2)
Partnership cash flows ^(e)	93	77	159	137
Cash distributions declared	(59)	(54)	(114)	(106)
Cash distributions declared per common unit ^(f)	\$0.89	\$0.84	\$1.73	\$1.65
Cash distributions paid	(55)	(52)	(110)	(103)
Cash distributions paid per common unit ^(f)	\$0.84	\$0.81	\$1.68	\$1.62

- (a) In accordance with the cash distribution policies of the respective entities, cash distributions from GTN, Bison, Northern Border and Great Lakes, are based on their respective prior quarter financial results.
- (b) The Partnership's wholly-owned subsidiaries included in the calculation of this amount were Bison, North Baja and Tuscarora for the three and six months ended June 30, 2015 and North Baja and Tuscarora for the three and six months ended June 30, 2014. See (c) below for inclusion of GTN amounts.
- (c) Beginning April 1, 2015, the Partnership reflected GTN as wholly owned in its financial statements following the acquisition of the remaining 30 percent of GTN. The Partnership received cash distributions during the three months ended June 30, 2015 of \$37 million, included in this amount, equal to 100 percent of GTN's distributable cash flow for the three months ended March 31, 2015 pursuant to the terms of the 2015 GTN Acquisition sale agreement.

[Table of Contents](#)

- (d) The distributions paid to the General Partner for the three and six months ended June 30, 2015 included an incentive distribution of \$0.3 million and \$0.6 million, respectively. There were no incentive distributions paid to the General Partner for the three and six months ended June 30, 2014.
- (e) Beginning the first quarter of 2016 and annually thereafter, our Partnership Cash Flows will be impacted by any distributions made to the Class B units. See also Notes 6 and 7 to our financial statements and Item 2. "Management Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Issuance of Class B Units."
- (f) Cash distributions declared per common unit and cash distributions paid per common unit are computed by dividing cash distributions, after the deduction of the General Partner's allocation, by the number of common units outstanding. The General Partner's allocation is computed based upon the General Partner's two percent interest plus an amount equal to incentive distributions.

Second Quarter 2015 Compared with Second Quarter 2014

Partnership cash flows increased to \$93 million in the second quarter of 2015 compared to \$77 million in the same period of 2014. The increase was primarily due to increased cash flows as a result 2014 Bison Acquisition and 2015 GTN Acquisition.

The Partnership paid distributions of \$55 million in the second quarter of 2015, an increase of \$3 million compared to \$52 in the same period in 2014. This increase was due to a \$0.03 increase in the distribution per common unit in July 2014, as well as an increase in the number of common units outstanding resulting from the ATM equity issuance program beginning in August 2014.

Six Months Ended June 30, 2015 Compared with Six Months Ended June 30, 2014

For the six months ended June 30, 2015, Partnership cash flows were \$159 million, a \$22 million increase compared to the \$137 million in the same period of 2014. The increase was primarily due to increased cash flows as a result of the 2014 Bison Acquisition and 2015 GTN Acquisition.

The Partnership paid distributions of \$110 million for the six months ended June 30, 2015, an increase of \$7 million compared to \$103 in the same period in 2014. This increase was due to a \$0.03 increase in the distribution per common unit in July 2014, as well as an increase in the number of common units outstanding resulting from the ATM equity issuance program beginning in August 2014.

Other Cash Flows

In the first quarter of 2015, the Partnership made an equity contribution of \$4 million to Great Lakes, which was used to fund debt repayments.

Contractual Obligations

The Partnership's contractual obligations related to debt as of June 30, 2015 included the following:

<i>(millions of dollars)</i>	Payments Due by Period		
	Total	Less than 1 Year	Long-term Portion
Senior Credit Facility due 2017	200	-	200
Term Loan Facility due 2018	500	-	500
Short-Term Loan Facility due 2015	170	170	-
4.65% Senior Notes due 2021, net	350	-	350
4.375% Senior Notes due 2025, net	349	-	349
Unsecured Term Loan Facility due 2019	75	10	65
5.29% Senior Notes due 2020	100	-	100
5.69% Senior Notes due 2035	150	-	150
3.82% Series D Notes due 2017	20	4	16
	1,914	184	1,730

The Partnership's Senior Credit Facility consists of a \$500 million senior revolving credit facility with a banking syndicate, maturing November 20, 2017, under which \$200 million was outstanding at June 30, 2015 (December 31, 2014 - \$330 million).

The LIBOR-based interest rate on the Senior Credit Facility averaged 1.44 percent and 1.43 percent for the three and six months ended June 30, 2015, respectively (2014 – 1.41 percent).

[Table of Contents](#)

The LIBOR-based interest rate on the Term Loan Facility averaged 1.44 percent and 1.43 percent for the three and six months ended June 30, 2015, respectively (2014 – 1.41 percent). After hedging activity, the interest rate incurred on the Term Loan Facility averaged 1.84 percent for the three and six months ended June 30, 2015, respectively (2014 – 1.83 percent). Prior to hedging activities, the LIBOR-based interest rate was 1.44 percent at June 30, 2015 (December 31, 2014 – 1.41 percent).

The LIBOR-based interest rate on the Short-Term Loan Facility averaged 1.31 and 1.30 percent for the three and six months ended June 30, 2015, respectively.

The Senior Credit Facility, the Term Loan Facility and Short-Term Loan Facility require the Partnership to maintain a certain leverage ratio [debt to adjusted cash flow (net income plus cash distributions received, extraordinary losses, interest expense, expense for taxes paid or accrued, and depreciation and amortization expense less equity earnings and extraordinary gains)]. In the quarter in which an acquisition has occurred, and the two quarters following the acquisition, the allowable leverage ratio increases to 5.50 to 1.00. Thereafter, the ratio returns to 5.00 to 1.00. The allowable ratio for the quarter ended June 30, 2015 is 5.50 to 1.00. The leverage ratio was 4.84 to 1.00 as of June 30, 2015.

On March 13, 2015, the Partnership closed a \$350 million public offering of senior unsecured notes bearing an interest rate of 4.375 percent maturing March 13, 2025. The net proceeds of \$346 million were used to fund a portion of the acquisition of the remaining 30 percent interest of GTN (2015 GTN Acquisition – refer to Note 6 of our financial statements) and to reduce the amount outstanding under our Senior Credit Facility. The indenture for the notes contains customary investment grade covenants.

On June 1, 2015, GTN's 5.09 percent unsecured Senior Notes matured. Also, on June 1, 2015, GTN entered into a \$75 million unsecured variable rate term loan facility (Unsecured Term Loan Facility) with a certain financial institution, which requires yearly principal payments until its maturity on June 1, 2019. The variable interest is based on LIBOR plus an applicable margin. The LIBOR-based interest rate on the Unsecured Term Loan Facility averaged 1.13 percent for the month ended June 30, 2015 and was 1.13 percent at June 30, 2015. GTN's Senior Notes along with this new Unsecured Term Loan Facility contain a covenant that limits total debt to no greater than 70 percent of GTN's total capitalization. GTN's total debt to total capitalization ratio at June 30, 2015 is 43 percent.

Series D Senior Notes are secured by Tuscarora's transportation contracts, supporting agreements and substantially all of Tuscarora's property. The note purchase agreements contain certain provisions that include, among other items, limitations on additional indebtedness and distributions to partners.

At June 30, 2015, the Partnership was in compliance with its financial covenants, in addition to the other covenants which include restrictions on entering into mergers, consolidations and sales of assets, granting liens, material amendments to the Partnership Agreement, incurring additional debt and distributions to unitholders.

The Partnership's long-term debt results in exposures to changing interest rates. The Partnership uses derivatives to assist in managing its exposure to interest rate risk. Refer to Item 3. "Quantitative and Qualitative Disclosures About Market Risk" section for additional information regarding the derivatives.

The fair value of the Partnership's long-term debt is estimated by discounting the future cash flows of each instrument at estimated current borrowing rates. The estimated fair value of the Partnership's long-term debt at June 30, 2015 was \$1,942 million.

[Table of Contents](#)

Northern Border's contractual obligations related to debt as of June 30, 2015 included the following:

<i>(millions of dollars)</i>	Payments Due by Period		
	Total	Less than 1 Year	Long-term Portion
6.24% Senior Notes due 2016	100	-	100
7.50% Senior Notes due 2021	250	-	250
\$200 million Credit Agreement due 2016	61	-	61
	411	-	411

As of June 30, 2015, \$61 million was outstanding under its \$200 million revolving credit agreement, leaving \$139 million available for future borrowings. The interest rate related to the borrowings on the credit agreement was 1.32 percent as of June 30, 2015 (December 31, 2014 – 1.39). At June 30, 2015, Northern Border was in compliance with all of its financial covenants.

Northern Border has commitments of \$16 million as of June 30, 2015 in connection with various capital overhaul and other capital projects.

Great Lakes' contractual obligations related to debt as of June 30, 2015 included the following:

<i>(millions of dollars)</i>	Payments Due by Period		
	Total	Less than 1 Year	Long-term Portion
6.73% series Senior Notes due 2016 to 2018	27	9	18
9.09% series Senior Notes due 2015 and 2021	70	10	60
6.95% series Senior Notes due 2019 and 2028	110	-	110
8.08% series Senior Notes due 2021 and 2030	100	-	100
	307	19	288

Great Lakes is required to comply with certain financial, operational and legal covenants. Under the most restrictive covenants in the senior note agreements, approximately \$165 million of Great Lakes' partners' capital was restricted as to distributions as of June 30, 2015 (December 31, 2014 – \$170 million). Great Lakes was in compliance with all of its financial covenants at June 30, 2015.

Capital Requirements

The Partnership made an equity contribution to Great Lakes of \$4 million in the first quarter of 2015. This amount represents the Partnership's 46.45 percent share of a \$9 million cash call from Great Lakes to make a scheduled debt repayment. The Partnership expects to make an additional \$5 million equity contribution to Great Lakes in the fourth quarter of 2015 to further fund debt repayments.

GTN has commitments of \$35 million as of June 30, 2015 in connection with the Carty Lateral project, various capital overhauls and other capital projects. GTN expects to spend approximately \$51 million to build the Carty Lateral, which is expected to be in-service by the end of 2015.

2015 Second Quarter Cash Distribution

On July 23, 2015, the board of directors of our General Partner declared the Partnership's second quarter 2015 cash distribution in the amount of \$0.89 per common unit payable on August 14, 2015 to unitholders of record as of August 4, 2015. The declared distribution reflects a \$0.05 per common unit increase to the quarterly distribution. The second quarter 2015 distribution exceeded the first and second target of the General Partner's IDRs by \$0.07 and \$0.01 per common unit, respectively resulting in an increase in the distribution on the General Partner interest from 2 percent to 15 percent on the incremental distribution in excess of the first target and from 15 percent to 25 percent on the incremental distribution in excess of the second target.

RELATED PARTY TRANSACTIONS

Please read Note 11 within Item 1. "Financial Statements" for information regarding related party transactions.

[Table of Contents](#)

Item 3. Quantitative and Qualitative Disclosures About Market Risk

OVERVIEW

The Partnership and our pipeline systems are exposed to market risk, counterparty credit risk, and liquidity risk. Our exposure to market risk discussed below includes forward-looking statements and is not necessarily indicative of actual results, which may not represent the maximum possible gains and losses that may occur, since actual gains and losses will differ from those estimated, based on actual market conditions.

Our primary risk management objective is to mitigate the impact of these risks on earnings and cash flow, and ultimately, unitholder value. We do not use financial instruments for trading purposes.

We record derivative financial instruments on the balance sheet as assets and liabilities at fair value. We estimate the fair value of derivative financial instruments using available market information and appropriate valuation techniques. Changes in the fair value of derivative financial instruments are recognized in earnings unless the instrument qualifies as a hedge and meets specific hedge accounting criteria. Qualifying derivative financial instruments' gains and losses may offset the hedged items' related results in earnings for a fair value hedge or be deferred in accumulated other comprehensive income for a cash flow hedge.

MARKET RISK

From time to time, and in order to finance our business and that of our pipeline systems, the Partnership and our pipeline systems issue debt to invest in growth opportunities and provide for ongoing operations. The issuance of floating rate debt exposes the Partnership and our pipeline systems to market risk from changes in interest rates which affect earnings and the value of the financial instruments we hold.

Market risk is the risk that changes in market interest rates may result in fluctuations in the fair values or cash flows of financial instruments. We regularly assess the impact of interest rate fluctuations on future cash flows and evaluate hedging opportunities to mitigate our interest rate risk.

As of June 30, 2015, the Partnership's interest rate exposure results from our floating rate Senior Credit Facility, Term Loan Facility, Short-Term Loan Facility, and effective June 1, 2015, GTN's Unsecured Term Facility under which \$795 million (December 31, 2014 – \$850 million), or 42 percent (December 31, 2014 – 50 percent) of our outstanding debt was subject to variability in LIBOR interest rates. As of June 30, 2015 and December 31, 2014, the variable interest rate exposure related to \$150 million of the \$500 million Term Loan Facility was hedged by fixed interest rate swap arrangements. If interest rates hypothetically increased (decreased) by one percent, 100 basis points, compared with rates in effect at June 30, 2015, our annual interest expense would increase (decrease) and net income would decrease (increase) by approximately \$8 million.

As of June 30, 2015, \$61 million, or 15 percent, of Northern Border's outstanding debt was at floating rates (December 31, 2014 – \$61 million or 15 percent). If interest rates hypothetically increased (decreased) by one percent, 100 basis points, compared with rates in effect at June 30, 2015, Northern Border's annual interest expense would increase (decrease) and its net income would decrease (increase) by approximately \$1 million.

Great Lakes and Tuscarora utilize fixed-rate debt; therefore, they are not exposed to market risk due to floating interest rates. Interest rate risk does not apply to Bison and North Baja, as they currently do not have any debt.

The Partnership and our pipeline systems use derivatives as part of our overall risk management policy to assist in managing exposures to market risk resulting from these activities within established policies and procedures. Derivative contracts used to manage market risk generally consist of the following:

- Swaps – contractual agreements between two parties to exchange streams of payments over time according to specified terms.
- Options – contractual agreements to convey the right, but not the obligation, for the purchaser to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed date or at any time within a specified period.

[Table of Contents](#)

The Partnership hedged interest payments on \$150 million of variable-rate Term Loan Facility with interest rate swaps effective September 3, 2013 and maturing July 1, 2018, at a weighted average fixed interest rate of 2.79 percent. At June 30, 2015, the fair value of the interest rate swaps accounted for as cash flow hedges was a liability of \$2 million (both on a gross and net basis) (December 31, 2014 – \$1 million). For the three and six months ended June 30, 2015, the Partnership did not record any amounts in net income related to ineffectiveness for interest rate hedges (2014 – nil). The change in fair value of interest rate derivative instruments recognized in other comprehensive income was nil and a loss of \$1 million for the three and six months ended June 30,

2015, respectively (2014 – \$1 million). For the three and six months ended June 30, 2015, the net realized loss related to the interest rate swaps was nil and \$1 million, respectively, and was included in financial charges and other (2014 – \$1 million).

The Partnership has no master netting agreements; however, contracts contain provisions with rights of offset. The Partnership has elected to present the fair value of derivative instruments with the right to offset on a gross basis in the balance sheet. Had the Partnership elected to present these instruments on a net basis, there would be no effect on the consolidated balance sheet as of June 30, 2015 and December 31, 2014.

OTHER RISKS

Counterparty credit risk represents the financial loss that the Partnership and our pipeline systems would experience if a counterparty to a financial instrument failed to meet its obligations in accordance with the terms and conditions of the financial instruments with the Partnership or its pipeline systems. The Partnership and our pipeline systems have significant credit exposure to financial institutions as they provide committed credit lines and critical liquidity in the interest rate derivative market, as well as letters of credit to mitigate exposures to non-creditworthy customers. The Partnership closely monitors the creditworthiness of our counterparties, including financial institutions. However, we cannot predict to what extent our business would be impacted by uncertainty in energy commodity prices, including possible declines in our customers' creditworthiness.

Our maximum counterparty credit exposure with respect to financial instruments at the balance sheet date consists primarily of the carrying amount, which approximates fair value, of non-derivative financial assets, such as accounts receivable, as well as the fair value of derivative financial assets. We review our accounts receivable regularly and record allowances for doubtful accounts using the specific identification method. At June 30, 2015, we had not incurred any significant credit losses and had no significant amounts past due or impaired. At June 30, 2015, the Partnership's maximum counterparty credit exposure consisted of accounts receivable of \$33 million and two of our customers, Anadarko Energy Services Company and Pacific Gas and Electric Company, each owed us approximately \$4 million, which represented greater than 10 percent of our accounts receivable.

Liquidity risk is the risk that the Partnership and our pipeline systems will not be able to meet our financial obligations as they become due. Our approach to managing liquidity risk is to ensure that we always have sufficient cash and credit facilities to meet our obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to our reputation. At June 30, 2015, the Partnership had a committed revolving bank line of \$500 million maturing in 2017 and the outstanding balance on this facility was \$200 million. In addition, at June 30, 2015, Northern Border had a committed revolving bank line of \$200 million maturing in 2016 and \$61 million was drawn.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As required by Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") the management of our General Partner, including the principal executive officer and principal financial officer, evaluated as of the end of the period covered by this report the effectiveness of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. The Partnership's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based upon and as of the date of the evaluation, the management of our General Partner, including the principal executive officer and principal financial officer, concluded that the Partnership's disclosure controls and procedures as of the end of the period covered by this quarterly report were effective to provide reasonable assurance that the information required to be disclosed by the Partnership in the reports that it files or submits under the Exchange Act, is (a) recorded, processed, summarized and reported within the time periods specified in the

[Table of Contents](#)

SEC's rules and forms and (b) accumulated and communicated to the management of our General Partner, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2015, there was no change in the Partnership's internal control over financial reporting that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal proceedings that arise in the ordinary course of business, as well as proceedings that we consider material under federal securities regulations. For additional information on other legal and environmental proceedings affecting the Partnership, please refer to Part 1. Item 3 of the Partnership's Annual Report on Form 10-K for the year ended December 31, 2014.

Great Lakes v. Essar Steel Minnesota LLC, et al. – On May 4, 2015, the U.S. District Court, District of Minnesota, denied Essar's motion to dismiss for lack of subject matter jurisdiction and scheduled a status conference on May 13, 2015 to set a date for trial on the outstanding issue of damages. A trial was set for August 2015.

State of South Dakota Use Tax Appeal - On August 5, 2015, the South Dakota Supreme Court issued its decision in Northern Border Pipeline Company v. South Dakota Department of Revenue, ruling that the South Dakota Department of Revenue could not assess use tax on gas burned in compressors on Northern Border's pipeline located in South Dakota because Northern Border did not own the gas. The opinion affirmed the Circuit Court's reversal of the use tax assessment by the Department of Revenue.

In addition to the above written matter, we and our pipeline systems are parties to lawsuits and governmental proceedings that arise in the ordinary course of our business.

[Table of Contents](#)**Item 6. Exhibits**

Exhibits designated by an asterisk (*) are filed herewith and those designated with asterisks (**) are furnished herewith; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

No.	Description
3.1	Third Amended and Restated Agreement of Limited Partnership of TC PipeLines, LP dated April 1, 2015 (incorporated by reference from Exhibit 3.1 to TC PipeLines, LP Form 8-K filed April 1, 2015).
101.1*	Contribution Agreement dated April 1, 2015 by and among TC PipeLines, LP, TC PipeLines GP, Inc. and TC PipeLines Intermediate Limited Partnership.
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

[Table of Contents](#)**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 7th day of August 2015.

TC PIPELINES, LP
(A Delaware Limited Partnership)
by its General Partner, TC PipeLines GP, Inc.

By: /s/ Steven D. Becker

Steven D. Becker
President
TC PipeLines GP, Inc. (Principal Executive Officer)

By: /s/ Nathaniel A. Brown

Nathaniel A. Brown
Controller
TC PipeLines GP, Inc. (Principal Financial Officer)

[Table of Contents](#)**EXHIBIT INDEX**

Exhibits designated by an asterisk (*) are filed herewith and those designated with asterisks (**) are furnished herewith; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

No.	Description
3.1	Third Amended and Restated Agreement of Limited Partnership of TC PipeLines, LP dated April 1, 2015 (incorporated by reference from Exhibit 3.1 to TC PipeLines, LP Form 8-K filed April 1, 2015).
101.1*	Contribution Agreement dated April 1, 2015 by and among TC PipeLines, LP, TC PipeLines GP, Inc. and TC PipeLines Intermediate Limited Partnership.
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF** XBRL Taxonomy Definition Linkbase Document.
101.LAB** XBRL Taxonomy Extension Label Linkbase Document.
101.PRE** XBRL Taxonomy Extension Presentation Linkbase Document.

CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT (this “Agreement”), dated as of April 1, 2015 (the “Effective Date”), by and among TC PipeLines, LP, a Delaware limited partnership (the “Partnership”), TC PipeLines GP, Inc., a Delaware corporation, and (the “General Partner”) TC PipeLines Intermediate Limited Partnership, a Delaware limited partnership (the “ILP”) (each of the foregoing parties, individually, a “Party,” and collectively, the “Parties”), is entered into with reference to the following:

RECITALS

A. The Partnership owns a 30% membership interest (the “Interest”) in Gas Transmission Northwest LLC, a Delaware limited liability company (“GTN”). The Interest was acquired on the Effective Date effective 12:01 am Pacific Standard Time in consideration of a purchase price (the “Purchase Price”) comprised of (i) a closing payment of \$262,635,353, which is subject to a further 90-day Purchase Price adjustment in respect of working capital, and (ii) Class B Units having an agreed fair market value of \$95,000,000. In addition, the Partnership incurred transaction costs such as, but not limited to, fees paid for fairness opinions and legal fees (“Transaction Costs”) in connection with the acquisition of the Interest. The ILP owns a 70% membership interest in GTN.

B. The Partnership desires to transfer the Interest to the ILP in part as a \$95,000,000 contribution to the capital of the ILP and in part in consideration of inter-partnership indebtedness payable by the ILP to the Partnership (the “Debt”) in an amount equal to the Purchase Price, plus the Transaction Costs, less the \$95,000,000 value of the Class B Units. The agreed fair market value of the Interest is the Purchase Price plus the Transaction Costs.

C. Pursuant to the Amended and Restated Agreement of Limited Partnership of the ILP dated as of May 28, 1999, the General Partner is required to make a capital contribution contemporaneously with the Partnership’s capital contribution of the Interest in exchange for Class B referred to in Recital A. The General Partner desires to make a cash capital contribution of \$969,387 (1.0101/98.9899ths of \$95,000,000) to the ILP pursuant to this requirement. In addition, the General Partner has contributed to the Partnership \$959,596 (1/99th of 95,000,000), as required by the Partnership’s Third Amended and Restated Partnership Agreement, and the Partnership desires to contribute this \$959,596 to the ILP as a capital contribution. With respect to this additional Partnership contribution to the ILP, the General Partner desires to make an additional contemporaneous capital contribution to the ILP of \$9,792 (1.0101/98.9899ths of 959,596).

D. The ILP is willing to accept the transfer of the Interest by the Partnership and the cash capital contribution by the General Partner and to be obligated to pay the Debt.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the Parties, intending to be bound legally hereby, covenant and agree as follows:

1. Definitions. As used herein, the following terms shall have the following meanings unless otherwise indicated:

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Code” means the Internal Revenue Code of 1986, as amended.

“Encumbrance” means any (a) mortgage, pledge, lien, security interest, charge, hypothecation, right of setoff, right of counterclaim, right of recoupment, or other encumbrance, security agreement, security arrangement, assignment, assignment in trust, conditional sale, title retention agreement or adverse claim of any kind, (b) purchase or option agreement or put arrangement, (c) subordination agreement or arrangement or (d) agreement to create or effect any of the foregoing.

“Governmental Agency” means the government of any federal, state, municipal or other political subdivision, including all agencies and instrumentalities of such governments.

“Material Adverse Effect” means a material adverse effect on (a) the ability of the Partnership or the ILP, as the case may be, to perform its obligations under this Agreement, (b) the legality, validity or enforceability of this Agreement, or (c) the interest of ILP in the Interest, taken as a whole.

“Person” means any individual, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Agency.

2. Transfer of Interest; Cash Contribution. The Partnership hereby transfers all of its right, title and interest in the Interest to the ILP and agrees to make a cash capital contribution to the ILP in the amount of \$959,596. This transfer shall be effective on the Effective Date immediately after the Partnership's acquisition of the Interest, as referred to in Recital A. The Partnership shall execute any and all forms and certificates as may be necessary to effect such transfer.

3. General Partner Approval; Cash Contribution. The General Partner hereby consents to the Partnership's contribution of the Interest to the ILP and agrees to make a cash capital contribution to the ILP in the amount of \$979,179 as of the Effective Date.

4. Inter-Partnership Debt. The ILP shall be obligated to pay the Debt to the Partnership. For any period when there is a balance due on the Debt, the ILP shall be responsible for paying all interest and fees incurred by the Partnership in connection with indebtedness incurred by the Partnership to acquire the Interest. The amount of the Debt shall be adjusted for any post-closing adjustments or indemnity payments in connection with the Partnership's acquisition of the Interest as referred to in Recital A. The terms of the Debt, including

2

repayment, adjustments, interest and fees, shall be as mutually agreed from time to time by the Partnership and the ILP.

5. Acknowledgments Regarding Tax Matters. The Parties agree to treat the contributions of the Interest by the Partnership as a transaction governed by Section 1.708-1(c)(3)(i) of the Treasury Regulations (assets – over merger), to the extent allowable by law, with the transfer of the portion of the Interest by the Partnership in exchange for the Debt being treated as a sale of such portion of the Interest as permitted by Section 1.708-1(c)(3)(ii) of the Treasury Regulations. The Parties agree to treat the cash contribution by the General Partner to the ILP as a transaction governed by Section 721 of the Code. The Parties shall cooperate on the tax reporting of the transaction, which shall be consistent with the tax reporting of the Partnership's acquisition of the Interest to the extent pertinent.

6. Representations and Warranties. The Partnership represents and warrants to the ILP as of the Effective Date that:

- (a) Powers. The Partnership has full power and authority to execute, deliver, and perform its obligations under this Agreement.
- (b) No Conflict or Violation. The Partnership's execution, delivery of and performance of this Agreement will not result in a breach of, or conflict with, any provision of (a) any statute, law, writ, order, rule, or regulation of any Governmental Agency applicable to the Partnership, (b) any judgment, injunction, decree or determination applicable to the Partnership or (c) any contract, indenture, mortgage, loan agreement, note, lease or other instrument by which the Partnership may be bound or to which any of the assets of the Partnership are subject.
- (c) Authorization; Enforceability. This Agreement (a) has been duly and validly executed and delivered by the Partnership and (b) is a legal, valid, and binding obligation of the Partnership, enforceable against the Partnership in accordance with its terms, except as such enforceability may be limited by (x) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (y) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The transfer of the Interest pursuant to this Agreement is effective and enforceable against the Partnership as of the Effective Date in accordance with the terms of this Agreement.
- (d) Consents and Approvals. No notice to, registration with, consent or approval of, or any other action by, any Governmental Agency or other Person is or will be required for the Partnership to execute, deliver, and perform its obligations under this Agreement other than such notices, registrations, consents and approvals which have been duly obtained or made, or, if not duly obtained or made, would not have a Material Adverse Effect.

3

- (e) Good Title. Immediately prior to the transfer by the Partnership of the Interest pursuant to this Agreement, the Partnership was the legal and beneficial owner of, and had good title to, the Interest, free and clear of any Encumbrance, and the Interest was not subject to any prior sale, transfer, assignment, options or participation by the Partnership or any agreement to assign, convey, transfer, or participate, in whole or in part, other than this Agreement.
- (f) Litigation. No proceedings are pending or, to the knowledge of the Partnership, threatened against the Partnership before any Governmental Agency that, individually or in the aggregate, would have a Material

Adverse Effect. Without limiting the foregoing, neither the Partnership nor any of its Affiliates has received notice of any such proceedings.

- (g) Liabilities. There are no liabilities, obligations or Encumbrances of any kind (whether fixed, contingent, conditional, or otherwise) with respect to the Interest.
- (h) Brokers. No broker, finder, or other Person acting under the Partnership's authority is entitled to any broker's commission or other fee in connection with the transactions contemplated by this Agreement for which ILP could be responsible.

7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to any conflict-of-law provisions.

8. Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

9. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be construed in order to carry out the intentions of the Parties as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

10. Entire Agreement. This Agreement constitutes the entire agreement of the Parties about the subject matter hereof, and supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subject matter, all of which have become merged and finally integrated into this Agreement.

11. Further Assurances. Each Party agrees (a) to execute and deliver, or to cause to be executed and delivered, all such instruments, and (b) to take all such actions as the other Party may reasonably request, to effectuate the intent and purposes, and to carry out the terms, of this Agreement, including the procurement of any third-party consents.

4

12. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes but all of which together shall constitute one and the same instrument.

[Signature Page Follows]

5

IN WITNESS WHEREOF, the Parties have caused this Contribution Agreement to be executed as of the day and year first above written.

TC PIPELINES, LP

By: /s/ Jon A. Dobson

Name: Jon A. Dobson

Title: Corporate Secretary

TC PIPELINES GP, INC.

By: /s/ Jon A. Dobson

Name: Jon A. Dobson

Title: Corporate Secretary

TC PIPELINES INTERMEDIATE LIMITED PARTNERSHIP

By: /s/ Jon A. Dobson

Name: Jon A. Dobson

Title: Corporate Secretary



CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER

I, Steven D. Becker, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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 7, 2015

/s/ Steven D. Becker

Steven D. Becker

Principal Executive Officer and President

TC PipeLines GP, Inc., as General Partner of

TC PipeLines, LP

CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER

I, Nathaniel A. Brown, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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 7, 2015

/s/ Nathaniel A. Brown

Nathaniel A. Brown

Principal Financial Officer and Controller

TC PipeLines GP, Inc., as General Partner of

TC PipeLines, LP

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER**

I, Steven D. Becker, Principal Executive Officer and President 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, to the best of my knowledge, in connection with the Partnership's Quarterly Report on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission (the Report) on the date hereof, that:

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

Dated: August 7, 2015

/s/ Steven D. Becker

Steven D. Becker

Principal Executive Officer and President

TC PipeLines GP, Inc., as General Partner of

TC PipeLines, LP

**CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER**

I, Nathaniel A. Brown, Principal Financial Officer and Controller 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, to the best of my knowledge, in connection with the Partnership's Quarterly Report on Form 10-Q for the period ended June 30, 2015 as filed with the Securities and Exchange Commission (the Report) on the date hereof, that:

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

Dated: August 7, 2015

/s/ Nathaniel A. Brown

Nathaniel A. Brown

Principal Financial Officer and Controller

TC PipeLines GP, Inc., as General Partner of

TC PipeLines, LP
