

**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 March 31, 2007

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: 000-26091

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)

110 Turnpike Road, Suite 203

Westborough, Massachusetts

(Address of principal executive offices)

01581

(Zip code)

508-871-7046

(Registrant's telephone number, including area code)

Indicate by check mark if 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 April 30, 2007, there were 34,856,086 of the registrant's common units outstanding.

TC PIPELINES, LP

TABLE OF CONTENTS

[PART I](#) **[FINANCIAL INFORMATION](#)**

[Item 1.](#) [Financial Statements](#)

[Consolidated Statement of Income — Three months ended March 31, 2007 and 2006](#)

[Consolidated Statement of Comprehensive Income — Three months ended March 31, 2007 and 2006](#)

[Consolidated Balance Sheet — March 31, 2007 and December 31, 2006](#)

[PART II OTHER INFORMATION](#)

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

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

TC PipeLines, LP

Consolidated Statement of Income

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

Consolidated Statement of Comprehensive Income

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

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet

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

Subsequent events (Note 11)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

(unaudited) (millions of dollars)	Three months ended March 31	
	2007	2006
CASH GENERATED FROM OPERATIONS		
Net income	20.0	12.4
Depreciation	1.6	—
Amortization of other assets	0.1	—
Equity income in excess of distributions received	(7.0)	—
Decrease/(increase) in operating working capital	1.0	(0.1)
	<u>15.7</u>	<u>12.3</u>
INVESTING ACTIVITIES		
Return of capital from Northern Border	4.4	2.3
Return of capital from Tuscarora	—	0.2
Investment in Great Lakes (Note 2)	(733.3)	—
Investment in Northern Border (Note 3)	—	(4.6)
Investment in Tuscarora (Note 4)	0.1	—
Capital expenditures	(0.6)	—
Other assets	(1.1)	—
	<u>(730.5)</u>	<u>(2.1)</u>
FINANCING ACTIVITIES		
Distributions paid	(11.3)	(10.7)
Equity issuances (Note 8)	607.3	—
Long-term debt issued (Note 5)	133.0	—
Long-term debt repaid (Note 5)	(9.0)	—
	<u>720.0</u>	<u>(10.7)</u>

Increase/(decrease) in cash and short-term investments	5.2	(0.5)
Cash and short-term investments, beginning of period	4.0	2.3
Cash and short-term investments, end of period	9.2	1.8
Interest payments made	5.6	0.2

See accompanying notes to the consolidated financial statements

5

Consolidated Statement of Changes in Partners' Equity

(unaudited)	Common Units		General Partner	Accumulated Other Comprehensive Income	Partners' Equity	
	(millions of units)	(millions of dollars)			(millions of dollars)	(millions of units)
Partners' equity at December 31, 2006	17.5	295.6	6.5	1.8	17.5	303.9
Net income	—	17.9	2.1	—	—	20.0
Equity issuances	17.4	594.7	12.6	—	17.4	607.3
Distributions paid	—	(10.5)	(0.8)	—	—	(11.3)
Other comprehensive income	—	—	—	(1.5)	—	(1.5)
Partners' equity at March 31, 2007	34.9	897.7	20.4	0.3	34.9	918.4

See accompanying notes to the consolidated financial statements.

6

Note 1 Organization and Basis of Presentation

TC PipeLines, LP, and its subsidiary limited partnerships, TC PipeLines Intermediate Limited Partnership, TC Tuscarora Intermediate Limited Partnership and TC GL Intermediate Limited Partnership, all Delaware limited partnerships, are collectively referred to herein as TC PipeLines or the Partnership. TC PipeLines was formed by TransCanada PipeLines Limited, a subsidiary of TransCanada Corporation (collectively referred to herein as TransCanada), to acquire, own and participate in the management of United States (U.S.)-based pipeline assets.

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

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

In the opinion of management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and include all adjustments (consisting of normal recurring accruals) necessary to present fairly the results of operations for the three months ended March 31, 2007 and 2006, the financial position as at March 31, 2007 and December 31, 2006, cash flows for the three months ended March 31, 2007 and 2006, and statement of partners' equity at March 31, 2007.

The results of operations for the three months ended March 31, 2007 and 2006 are not necessarily indicative of the results that may be expected for a full fiscal year. The interim financial statements should be read in conjunction with the Partnership's financial statements and notes included in TC PipeLines' annual report on Form 10-K for the year ended December 31, 2006.

Note 2 Investment in Great Lakes Gas Transmission Limited Partnership

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

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

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

Summarized Great Lakes Income Statement

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

Summarized Great Lakes Balance Sheet

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

Note 3 Investment in Northern Border Pipeline Company

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

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

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

Summarized Northern Border Income Statement

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

Summarized Northern Border Balance Sheet

(unaudited) (millions of dollars)	March 31, 2007	December 31, 2006
Assets		
Cash and cash equivalents	23.0	11.0

Other current assets	31.6	35.5
Plant, property and equipment, net	1,461.5	1,475.7
Other assets	23.4	22.5
	<u>1,539.5</u>	<u>1,544.7</u>
Liabilities and Partners' Equity		
Current liabilities	48.3	47.7
Reserves and deferred credits	2.7	2.1
Long-term debt, including current maturities and notes payable	622.3	619.8
Partners' equity		
Partners' capital	865.7	874.1
Accumulated other comprehensive income	0.5	1.0
	<u>1,539.5</u>	<u>1,544.7</u>

Note 4 Investment in Tuscarora Gas Transmission Company

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

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

The following tables set out summarized financial information of Tuscarora:

Summarized Tuscarora Income Statement

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

Summarized Tuscarora Balance Sheet

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

Note 5 Credit Facilities and Long-Term Debt

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

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

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

Note 6 Net Income per Common Unit

Net income per common unit is computed by dividing net income, after deduction of the general partner's allocation, by the weighted average number of common units outstanding. The general partner's allocation is equal to an amount based upon the general partner's two per cent interest, adjusted to reflect an amount equal to incentive distributions. Net income per common unit was determined as follows:

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

11

Note 7 Partners' Equity

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

Note 8 Acquisition

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

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

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

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

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

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

NOTE 9 RELATED PARTY TRANSACTIONS

The Partnership does not have any employees. The management and operating functions are provided by the general partner. The general partner does not receive a management fee or other compensation in connection with its management of the Partnership. The Partnership reimburses the general partner

12

for all costs of services provided, including the costs of employee, officer and director compensation and benefits, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to the Partnership. Such costs include (i) overhead costs (such as office space and equipment) and (ii) out-of-pocket expenses related to the provision of such services. The Partnership Agreement provides that the general partner will determine the costs that are allocable to the Partnership in any reasonable manner determined by the general partner in its sole discretion. Total costs reimbursed to the general partner by the Partnership were \$0.4 million and \$0.3 million for the three months ended March 31, 2007 and 2006, respectively.

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

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

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

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

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

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

Note 10 Financial Instruments

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

Note 11 Subsequent Events

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

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

Cautionary Statement Regarding Forward-Looking Information

A number of statements made by TC PipeLines in this quarterly report are forward-looking and relate to, among other things, anticipated financial performance, business prospects, strategies, market forces and commitments. Much of this information appears in "Management's Discussion and Analysis of Financial Condition and Results of Operations" found herein. All forward-looking statements are based on the Partnership's current beliefs as well as assumptions made by and information currently available to the Partnership. These statements reflect the Partnership's current views with respect to future events. The Partnership assumes no obligation to update any such forward-looking statements to reflect events or circumstances occurring after the date hereof. Words such as "anticipate", "believe", "estimate", "expect", "plan", "intend", "forecast", and similar expressions, identify forward-looking statements. Readers are cautioned not to place undue reliance on this forward-looking information, which is as of the date of this Form 10-Q. These statements reflect the Partnership's current views with respect to future events and are subject to various risks, uncertainties and assumptions including:

- the Partnership's 46.45 per cent general partner interest in Great Lakes and 50 per cent general partner interest in Northern Border represent its most significant assets. As a result, the Partnership is dependent upon Great Lakes and Northern Border for the majority of its available cash;
- regulatory decisions, particularly those of the FERC;

- the ability of Great Lakes and Northern Border to recontract its capacity and the transportation rates at which that capacity is contracted;
- developments in pending FERC proceedings that impact the ability of Great Lakes, Northern Border and Tuscarora to recover income taxes in their rates;
- the failure of a shipper on one of the pipelines in which the Partnership has an interest to perform its contractual obligations;
- the availability of and demand for Western Canadian natural gas for import into the U.S.;
- the amount of storage capacity in Western Canada and overall strong demand for storage injection; and
- prevailing economic conditions, particularly conditions of the capital and equity markets;

and other risks are discussed in the Partnership's filings with the Securities and Exchange Commission (SEC), including under Item 1A, "Risk Factors," in the Partnership's annual report on Form 10-K for the year ended December 31, 2006. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause TC PipeLines' actual results and experience to differ materially from the anticipated results or other expectations expressed in this quarterly report.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations of TC PipeLines, LP

The general partner interests in Great Lakes Gas Transmission Limited Partnership (Great Lakes), Northern Border Pipeline Company (Northern Border) and Tuscarora Gas Transmission Company (Tuscarora) (together "our pipeline assets") were our only material sources of income; therefore, our results of operations were influenced by and reflect the same factors that influenced the financial results of our pipeline assets.

The following discussions of the financial condition and results of operations of TC PipeLines, LP, Great Lakes, Northern Border and Tuscarora should be read in conjunction with the financial statements and notes thereto of the Partnership included elsewhere in this report (see Item 1. Financial Statements).

Overview

TC PipeLines, LP was formed in 1998 as a Delaware limited partnership. TC PipeLines and its subsidiary limited partnerships, TC PipeLines Intermediate Limited Partnership, TC Tuscarora Intermediate Limited Partnership, and TC GL Intermediate Limited Partnership are collectively referred to herein as "TC PipeLines" or "the Partnership." In this report, references to "we", "us" or "our" collectively refer to TC PipeLines or the Partnership. TC PipeLines GP, Inc., an indirect wholly-owned subsidiary of TransCanada, is the general partner of the Partnership.

We own a 46.45 per cent interest in Great Lakes, which we acquired on February 22, 2007 from El Paso Corporation. The other 53.55 per cent interest in Great Lakes is held by TransCanada.

We own a 50 per cent interest in Northern Border including 20 per cent acquired on April 6, 2006. The other 50 per cent interest in Northern Border is held by ONEOK Partners, L.P. (ONEOK), a publicly traded limited partnership. At March 31, 2007, each partner held 50 percent voting interest on the Management Committee of Northern Border.

We also own or control 99 per cent interest in Tuscarora. In September 2000, we acquired a 49 per cent interest from TCPL Tuscarora Ltd., an indirect wholly-own subsidiary of TransCanada, which continues to hold a one per cent general partner interest in Tuscarora. The Partnership purchased its other interest in Tuscarora from Tuscarora Gas Pipeline Co., a wholly-owned subsidiary of Sierra Pacific Resources, on December 19, 2006.

Business of Great Lakes

Great Lakes owns a 2,115-mile U.S. interstate pipeline system which receives natural gas from TransCanada at the Canadian border near Emerson, Manitoba and extends across Minnesota, Northern Wisconsin and Michigan, and redelivers gas to TransCanada at the international border at Sault Ste. Marie, Michigan and St. Clair, Michigan. Great Lakes provides its shippers access to markets along its pipeline system through over 60 receipt and delivery interconnections with multiple pipelines and distribution companies, and access to over 30 Michigan storage fields.

The major policies of Great Lakes are established by the Management Committee, which consists of six members, three of whom are designated by us and three of whom are designated by TransCanada. All decisions by the Management Committee require unanimous consent. An Executive Committee consists of three members: one Partnership Committee Member, one TransCanada Committee Member and the Great Lakes' President, a non-voting member. The Executive Committee has all of the powers of the Management Committee in the management of Great Lakes' business.

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

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

Business of Northern Border

Northern Border owns a 1,249-mile U.S. interstate pipeline system that transports natural gas from the Montana-Saskatchewan border to a terminus near North Hayden, Indiana. Northern Border's transportation network provides pipeline access to the Midwestern U.S. primarily from natural gas reserves in the Western Canada Sedimentary Basin, which is located in the Canadian provinces of Alberta, British Columbia and Saskatchewan. The management committee of Northern Border Pipeline consists of four members. TC PipeLines and ONEOK each designate two members of the management committee and each have 50 per cent of the voting power of the management committee.

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

Business of Tuscarora

Tuscarora owns a 240-mile U.S. interstate pipeline system that originates at an interconnection point with facilities of GTN, a wholly-owned subsidiary of TransCanada, near Malin, Oregon and runs southeast through northeastern California and northwestern Nevada.

On December 19, 2006, the Partnership acquired an additional 49 per cent general partner interest in Tuscarora. Upon the acquisition, TC PipeLines began to consolidate its interest in Tuscarora, as the Partnership owns or controls 99 per cent. In connection with this transaction, TransCanada Northern Border became the operator of Tuscarora. TransCanada Northern Border will provide operating services such as legal, tax, treasury, human resources, other administrative functions, and incur other costs on Northern Border's behalf. These include, but are not limited to, employee benefit costs, property and liability insurance costs, and transition costs.

Recent Developments

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

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

Northern Border — Significant Developments in 2007

Rate Case — In accordance with the provisions of the settlement of Northern Border's 2005 rate case, overall rates were reduced, compared with rates prior to the filing, by approximately 5 per cent beginning January 1, 2007. Additional information about Northern Border's regulatory proceedings is included in this report under "Regulatory Developments".

Amended and Restated Credit Facility — On April 27, 2007, Northern Border entered into a \$250 million five-year revolving credit agreement with certain financial institutions. Additional information about Northern Border's new credit agreement is included in this report under "Debt and Credit Facilities of Northern Border".

Accounting Policies and Estimates

TC PipeLines accounts for its investments in both Great Lakes and Northern Border using the equity method of accounting, as detailed in notes 2 and 3 to the Partnership's financial statements included elsewhere in this report. The equity method of accounting is appropriate where the investor does not control an investee, but rather is able to exercise significant influence over the operating and financial policies of an investee. TC PipeLines is able to exercise significant influence over its investments in Great Lakes and Northern Border because of its representation on their management committees.

The preparation of financial statements in accordance with U.S. 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. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Although we believe these estimates are reasonable, actual results could differ from our estimates.

There have been no changes to the Partnership's accounting policies or critical accounting estimates during the three months ended March 31, 2007.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157), which establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS No. 157 is effective for our fiscal year beginning January 1, 2008. We are currently reviewing the applicability of SFAS No. 157 to our results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115," which permits entities to choose to measure selected financial assets and financial liabilities at fair value. The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses in earnings, on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for our fiscal year beginning January 1, 2008. We are currently reviewing the applicability of SFAS No. 159 to our results of operations and financial position.

Known Trends and Uncertainties

Supply — We estimate that Canadian natural gas available for export declined by approximately 600 MMcf/d for the three months ended March 31, 2007 as compared to the same period last year, as production in the Western Canada Sedimentary Basin declined by approximately 300 MMcf/d and Canadian demand increased by approximately 300 MMcf/d. Some industry analysts continue to predict a total decline in Canadian gas supply available for export by as much

21

as one Bcf/d over the next year due to declining production and rising demand in Alberta due to natural gas consumption associated with the development and production of oil sand reserves. A reduction in the amount of available supply for export is a negative development for all U.S. pipelines that import natural gas from Canada, but the impact on our pipeline assets will depend upon competitive factors and prevailing market conditions.

22

Demand — The Energy Information Administration projects U.S. demand for natural gas in 2007 to increase by approximately three per cent as compared to 2006. Projections from the National Oceanic and Atmospheric Administration of a decrease in cooling degree days due to the return of normal temperatures this summer coupled with higher heating degree days due to a colder winter in 2007 as compared to 2006 imply a decrease in natural gas consumption from the electric power generation sector and an increase in residential natural gas demand.

Supply competition from other natural gas sources can adversely impact demand for transportation on our pipeline assets. Recent growth in supplies available from the Rocky Mountain and Texas regions has led to excess supply in the markets we serve. The Rockies Express Pipeline, a proposed 1,663 mile pipeline system from Rio Blanco County, Colorado to Monroe County, Ohio, may also increase supply competition in Midwestern markets. The western segment of the Rockies Express Pipeline, from Colorado to Missouri, is anticipated to be placed in service by 2008, and initially is expected to add more supply competition in markets served by Northern Border. The eastern segment of the Rockies Express Pipeline, from Missouri to Ohio, is expected to be placed in service by 2009, and is anticipated to transport natural gas further east, potentially mitigating any excess supply in Northern Border's market region. Also, ongoing pipeline projects to move growing East Texas production to markets in the eastern U.S. may reverse the trend of this incremental production flowing into the markets Northern Border serves.

Northern Border — Northern Border expects revenues for 2007 to be lower as compared to 2006 due to the reduction in long-term rates starting January 1, 2007, resulting from the rate case settlement discussed under "Regulatory Developments" in this section. In addition, revenue may be more variable in 2007 due to the implementation of seasonal rates included in Northern Border's tariff. Northern Border's average contracted capacity was 103 per cent and 104 per cent of design capacity for the three months ended March 31, 2007 and 2006, respectively. At March 31, 2007, approximately 76 per cent, 74 per cent and 72 per cent of Northern Border's design capacity was contracted on a firm basis for the second, third and fourth quarters, respectively. Northern Border expects to continue to discount transportation capacity as needed to optimize revenue. Discounting levels in 2007 may vary from discounting levels in 2006 depending on market conditions and available capacity.

Great Lakes — For March 2007, Great Lakes' average contracted capacity compared to Great Lakes' summer design peak day was 113 per cent. As of March 31, 2007, approximately 97 per cent of the summer design peak day capacity is contracted on a firm basis for the remainder of 2007.

Regulatory Developments

The settlement of Northern Border's 2005 rate case was approved by the FERC in November 2006. The settlement established maximum long-term mileage-based rates and charges for transportation on Northern Border's system. Beginning January 1, 2007, overall rates were reduced, compared with rates prior to the filing, by approximately five per cent. The settlement also provided for seasonal rates for short-term transportation services. Seasonal maximum rates vary on a monthly basis from approximately \$0.54 per Dth to approximately \$0.29 per Dth for the full transportation route from Port of Morgan, Montana to the Chicago area.

On August 7, 2006, the FERC approved a settlement reached by Tuscarora, Public Utilities Commission of Nevada and its firm shippers. The settlement resulted in a firm transportation rate of \$0.40/decatherm per day (dth-day) beginning June 1, 2006. This is a 17 per cent reduction to the previous rate of \$0.4811/dth-day, or an approximate \$5 million reduction in Tuscarora's annual revenues. In addition, the settlement results in a moratorium on all rate

actions before the FERC by any party to the settlement for a period of 48 months to May 31, 2010, including rate actions related to expansion projects where Tuscarora proposes to price the expansion at the settlement rate.

Additional information about these regulatory proceedings is included in our annual report on Form 10-K for the year ended December 31, 2006.

First Quarter 2007 Compared with First Quarter 2006

The Partnership reported first quarter 2007 net income of \$20.0 million, an increase of \$7.6 million, or 61 per cent, compared to net income of \$12.4 million for the same quarter last year. The increase was primarily due to increased equity income from the Partnership's investment in Northern Border and the equity income from the Partnership's investment in Great Lakes, offset by increased financial charges.

Equity income from the Partnership's investment in Great Lakes contributed \$7.0 million for the period February 23, 2007 to March 31, 2007. The Partnership's share of Great Lakes' revenue was \$14.1 million which was offset by operating expenses of \$5.5 million and net interest expense of \$1.6 million.

Equity income from Northern Border was \$17.8 million in the first quarter of 2007, an increase of \$6.6 million or 59 per cent, compared to \$11.2 million for the same period last year. The increase in equity income was primarily due to the additional 20 per cent general partner interest which provided an incremental \$7.0 million in equity income for the first quarter; however, Northern Border's net income for the first quarter of 2007 was \$1.3 million lower (an approximate \$0.4 million reduction to the Partnership's net income) when compared to the same period last year. The reduction in Northern Border's net income for the first quarter is primarily due to increased operations and maintenance expenses and decreased operating revenues:

Northern Border's operating revenue decreased \$0.2 million for the three months ended March 31, 2007 compared with the same period last year due to the following:

- \$1.5 million increase in revenue due to contracts related to the Chicago III Expansion Project; and
- \$1.0 million increase in revenue related to increased demand for other transportation services; offset by
- \$2.7 million decrease in revenue primarily related to an increase in volumes sold at a discount and the reduction of long-term rates effective January 1, 2007 as a result of the FERC rate settlement.

Northern Border's operations and maintenance expense increased \$1.0 million for the three months ended March 31, 2007 compared with the same period last year due to the following:

- increased electric compression charges of \$0.5 million primarily related to the Chicago III Expansion project;
- increased expense of \$0.3 million related to the over recovery of the compressor usage surcharge; and
- increased general and administrative expenses of \$0.2 million primarily related to increased expenses of Northern Border's operator and its affiliates attributable to Northern Border's operations.

These decreases resulted in a \$0.6 million decrease in the Partnership's 50 per cent share of equity income from Northern Border.

With the acquisition of an additional 49 per cent general partner interest in Tuscarora on December 19, 2006, the Partnership now consolidates its interest in Tuscarora. The Partnership reported transmission revenues of \$6.9 million and depreciation expense of \$1.6 for the first quarter of 2007 related to its consolidation of the Tuscarora operations.

The Partnership's operations, maintenance and administrative expenses of \$2.0 million in the first quarter of 2007 increased \$1.4 million compared to \$0.6 million for the same period in 2006. The first quarter of 2007 includes \$1.2 million related to the consolidation of Tuscarora operations. Excluding the \$1.2 million of expenses related to Tuscarora, the Partnership's general and

administrative expenses increased \$0.2 million to \$0.8 million in the first quarter of 2007 from \$0.6 million in the same period in 2006. The increase was primarily due to increased finance, tax and accounting costs.

Financial charges were \$8.1 million in the first quarter of 2007, an increase of \$7.9 million, compared to \$0.2 million for the same period last year due to higher average debt outstanding and the consolidation of Tuscarora operations which included \$1.2 million of financial charges. The higher average debt outstanding was the result of additional financing in 2006 and 2007 for acquisitions.

Cash Distributions from Investments

To supplement our financial statements, we have disclosed “cash distributions from investments” and have itemized the cash distributions received from our original general partner interests and the increase in cash distributions due to 2006 acquisitions. We have presented this additional information to enhance an investor’s understanding of the way that management analyzes the Partnership’s financial performance. The segregation of the cash distributions received before and after the impact of 2006 acquisitions provides a comparison of the Partnership’s cash flows for the three months ended March 31, 2007 and 2006. 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.

Cash Distributions from Investments ^(a)

(millions of dollars)	For the three months ended March 31	
	2007	2006
Cash distributions from initial 30% general partner interest in Northern Border	13.3	13.5
Cash distributions from initial 49% general partner interest in Tuscarora	—	2.2
	13.3	15.7
Increase in cash distributions due to 2006 acquisitions ^(b)	8.9	—
Cash distributions from investments ^(a)	22.2	15.7
Less Partnership costs ^(c)	(7.7)	(0.8)
Cash distributions from investments net of Partnership costs ^(c)	14.5	14.9

^(a) Reconciliation of non-GAAP financial measure: Cash distributions from investments is a non-GAAP financial measure which is the sum of equity income from investment in Great Lakes, equity income from investment in Northern Border, equity income from investment in Tuscarora, return of capital from Northern Border and return of capital from Tuscarora, less equity income in excess of distributions received. It is provided as a supplement to results reported in accordance with GAAP. Management believes that this is a meaningful measure to assist investors in evaluating the Partnership’s business performance. Below is a reconciliation of Cash distributions from investments to GAAP financial measures:

(millions of dollars)	For the three months ended March 31	
	2007	2006
Equity income from investment in Great Lakes	7.0	—
Equity income from investment in Northern Border	17.8	11.2
Equity income from investment in Tuscarora	—	2.0
Return of capital from Northern Border	4.4	2.3
Return of capital from Tuscarora	—	0.2
Equity income in excess of distributions received	(7.0)	—
Cash distributions from investments	22.2	15.7

^(b) 2006 acquisitions include a 20 per cent general partner interest in Northern Border on April 6th and a 49 per cent general partner interest in Tuscarora on December 19th.

^(c) Reconciliation of non-GAAP financial measure: Cash distributions from investments net of Partnership costs is a non-GAAP financial measure which is equal to Cash distributions from investments less the Partnership’s costs. We exclude Tuscarora’s costs from the Partnership costs so that investors may evaluate our costs independent of costs directly attributable to our investments. Management believes that this is a useful measure to assist the Partnership’s investors in evaluating the Partnership’s business performance. A reconciliation of Partnership costs is summarized below:

(millions of dollars)	For the three months ended March 31	
	2007	2006
Operations, maintenance and administrative expenses	2.0	0.6
Financial charges, net and other	8.1	0.2
Less:		
Operations, maintenance and administrative expenses and financial charges from Tuscarora	(2.4)	—
Partnership costs	7.7	0.8

Total cash distributions received from our investments for the three months ended March 31, 2007 were \$22.2 million, an increase of \$6.5 million, compared to \$15.7 million for the same period last year. The acquisition of an additional 20 per cent general partner interest in Northern Border contributed \$8.9 million. Distributions from Northern Border decreased in the first three months of 2007 compared to the same period in 2006, resulting in a \$0.2 million reduction in distributions received by the Partnership for its original 30 per cent general partner interest.

Tuscarora’s available cash flow has been used to finance the compressor station expansion project in Likely, California. This resulted in a \$2.2 million decrease in distributions from Tuscarora compared to the first three months of 2006.

Partnership costs of \$7.7 million in the first three months of 2007 compared to \$0.8 million in the same period in 2006 increased mainly due to increased financial charges on higher outstanding debt balances to finance the 2006 and 2007 acquisitions.

Liquidity and Capital Resources of TC PipeLines, LP

Cash Distribution Policy of TC PipeLines, LP

The Partnership has made distributions of Available Cash (as defined in the Partnership Agreement) in the following manner:

- First, 98 per cent to the common units, pro rata, and two per cent to the general partner, until there is distributed for each outstanding common unit an amount equal to the minimum quarterly distribution for that quarter; and
- Thereafter, in a manner whereby the general partner has rights (referred to as incentive distribution rights) to receive increasing percentages of excess quarterly cash distributions over specified cash distribution thresholds calculated as follows:

Additional Available Cash from Operating Surplus (as defined in the Partnership Agreement) for that quarter will be distributed among the unitholders and the general partner (as incentive distribution) in the following manner:

- First, 85 per cent to all units, pro rata, and 15 per cent to the general partner, until each unitholder has received a total of \$0.5275 for that quarter;

28

-
- Second, 75 per cent to all units, pro rata, and 25 per cent to the general partner, until each unitholder has received a total of \$0.6900 for that quarter; and
 - Thereafter, 50 per cent to all units, pro rata, and 50 per cent to the general partner.

The distribution to the general partner described above, other than in its capacity as a holder of 2,035,106 units that are in excess of its aggregate two per cent general partner interest, represents the incentive distribution rights.

29

2007 First Quarter Cash Distribution

On April 18, 2007, the Board of Directors of the general partner declared the Partnership's 2007 first quarter cash distribution. The first quarter cash distribution is payable on May 15, 2007 to unitholders of record as of April 30, 2007. The total cash distribution of \$24.9 million will be paid in the following manner: \$22.7 million to common unitholders (including \$1.3 million to the general partner as holder of 2,035,106 common units and \$5.2 million to TransCan Northern Ltd., an indirect wholly-owned subsidiary of TransCanada, as holder of 8,678,045 common units), \$1.7 million to the general partner as holder of the incentive distribution rights, and \$0.5 million to the general partner in respect of its two per cent general partner interest.

Cash Flows from Operating Activities

Cash flows provided by operating activities increased \$3.4 million, or 28 per cent, to \$15.7 million for the three months ended March 31, 2007, compared to \$12.3 million for the same period in 2006. The increase was primarily due to \$3.1 million of higher cash generated from operations from Tuscarora and \$6.6 million of higher cash distributions received from Northern Border, partially offset by \$5.4 million of higher interest payments related to higher debt. The increase in cash generated from Tuscarora is due to the consolidation of \$5.1 million of Tuscarora's cash flows from operating activities in the first three months of 2007 compared to \$2.0 million of distributions received from Tuscarora during the same period in the prior year under the equity method of accounting for cash flows. The increase in cash distributions from Northern Border was primarily due to the Partnership's acquisition of an additional 20 per cent general partner interest. The cash distributions received from Northern Border include \$17.8 million and \$11.2 million classified as distributions in cash flows provided by operating activities in the three months ended March 31, 2007 and 2006, respectively. In addition, the Partnership received \$4.4 million and \$2.5 million of distributions classified as return of capital in the three months ended March 31, 2007 and 2006, respectively. Distributions received in the first three months of 2007 are based on the equity investment financial results from Northern Border for the three months ended December 31, 2006.

Cash Flows from Investing Activities

On February 22, 2007, the Partnership acquired a 46.45 per cent interest in Great Lakes from El Paso Corporation for \$733.3 million in cash, subject to certain closing adjustments.

Cash distributions received from Northern Border, which were classified as return of capital, were \$4.4 million and \$2.3 million for the three months ended March 31, 2007 and 2006, respectively. Cash distributions received from Tuscarora which were classified as return of capital were \$nil and \$0.2 million for the three months ended March 31, 2007 and 2006, respectively.

Tuscarora made capital expenditures of \$0.6 million in the first quarter of 2007 related to the compressor station expansion project in Likely, California.

Cash Flows from Financing Activities

The acquisition of a 46.45 per cent interest in Great Lakes was partially financed through a private placement of 17,356,086 common units at \$34.57 per common unit for gross proceeds of \$600 million. In addition, TC PipeLines GP maintained its two per cent general partner interest in the Partnership by contributing \$12.6 million to the Partnership in connection with the private equity placement. The Partnership funded the balance of the total consideration

with a draw on its senior credit facility, which was amended and restated in connection with this transaction. The Partnership incurred \$1.2 million of costs associated with the amended senior credit facility. The Partnership drew \$126 million under the senior credit facility and borrowed \$7

million under its revolving credit facility. The Partnership repaid \$9 million of the outstanding balance on its revolving credit.

For the three months ended March 31, 2007, the Partnership paid \$11.3 million in cash distributions in the following manner: \$10.5 million to common unitholders (including \$1.4 million to the general partner as holder of 2,305,106 common units), \$0.6 million to the general partner as holder of the incentive distribution rights, and \$0.2 million to the general partner in respect of its 2 per cent general partner interest.

Contractual Obligations

The following table summarizes TC PipeLines' contractual obligations related to long-term debt, operating leases and other long-term obligations as of March 31, 2007:

(millions of dollars)	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Senior Credit Facility	521.0	—	—	521.0	—
Series A Senior Notes due 2010	58.0	3.4	6.3	48.3	—
Series B Senior Notes due 2010	5.9	0.5	1.0	4.4	—
Series C Senior Notes due 2012	7.2	0.8	1.7	1.6	3.1
Interest payments on Senior Credit Facility	150.1	31.6	63.2	55.3	—
Interest payments on Senior Notes	18.3	5.0	9.0	4.2	0.1
Operating Leases	0.2	0.1	0.1	—	—
Commitments ⁽¹⁾	0.5	0.5	—	—	—
Total	\$ 761.2	\$ 41.9	\$ 81.3	\$ 634.8	\$ 3.2

⁽¹⁾ Commitments relate to Tuscarora's contract with a third party for maintenance services on certain components of its pipeline-related equipment. The contract expires in November 2007.

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

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

The Partnership had Series A Senior Secured Notes, Series B Senior Secured Notes and the Series C Secured Notes in the amounts of \$58.0 million, \$5.9 million and \$7.2 million, respectively, outstanding at March 31, 2007 and December 31, 2006 related to Tuscarora. The Series A Senior Secured Notes bear interest at 7.13 per cent and mature in 2010. The Series B Senior Secured Notes bear interest at 7.99 per cent and mature in 2010. The Series C Senior Secured Notes bear interest at 6.89 per cent and are due in 2012.

The Partnership was in compliance with all financial covenants as of March 31, 2007.

Capital Requirements

On April 9, 2007, Northern Border informed the Partnership that a contribution of \$7.5 million is payable on April 30, 2007, representing the Partnership's 50 per cent share of a \$15.0 million cash call issued by Northern Border. The funds will be used by Northern Border to repay indebtedness.

To the extent we have any additional capital requirements with respect to our pipeline assets or make acquisitions during the remainder of 2007, we expect to fund these requirements with operating cash flows, debt and/or equity.

Liquidity and Capital Resources of our Pipeline Assets

As a result of the Partnership's equity investments in both Great Lakes and Northern Border, the following discusses the liquidity and capital resources of our respective pipeline assets.

Great Lakes' and Northern Border's principal sources of liquidity include cash generated from operating activities and debt financing. Great Lakes and Northern Border fund their operating expenses, debt service and cash distributions to their partners primarily with operating cash flow. Capital resources for maintenance and growth expenditures are funded by a variety of sources, including cash generated from operating activities, borrowings under credit

agreements (in the case of Northern Border), issuance of senior notes and/or equity contributions from their partners. Northern Border's and Great Lakes' ability to access the capital markets to issue debt securities under reasonable terms depends on their respective financial condition, credit ratings (in the case of Northern Border) and market conditions. Northern Border and Great Lakes believe that their ability to obtain financing and their history of consistent cash flow from operating activities provide a solid foundation to meet their short-term and long-term liquidity and capital resource requirements.

Debt of Great Lakes

The following table summarizes Great Lakes' debt outstanding as of March 31, 2007:

(millions of dollars)	Total	Payments Due by Period	
		Less than 1 year	Long-term portion
8.74% series Senior Notes due 2007 to 2011	50.0	10.0	40.0
9.09% series Senior Notes due 2012 to 2021	100.0	—	100.0
6.73% series Senior Notes due 2009 to 2018	90.0	—	90.0
6.95% series Senior Notes due 2019 to 2028	110.0	—	110.0
8.08% series Senior Notes due 2021 to 2030	100.0	—	100.0
Total	\$ 450.0	\$ 10.0	\$ 440.0

Under the most restrictive covenants in the Senior Note Agreements, approximately \$242.0 million of Great Lakes' partners' capital is restricted as to distributions as of March 31, 2007.

Debt and Credit Facilities of Northern Border

The following table summarizes Northern Border's debt and credit facilities outstanding as of March 31, 2007:

33

(millions of dollars)	Total	Payments Due by Period	
		Less than 1 year	Long-term portion
\$175 million credit agreement due 2010 ^(a) ^(b)	\$ 23.0	\$ —	\$ 23.0
6.25% senior notes due 2007 ^(b)	\$ 150.0	\$ —	\$ 150.0
7.75% senior notes due 2009	\$ 200.0	\$ —	\$ 200.0
7.50% senior notes due 2021	\$ 250.0	\$ —	\$ 250.0
Total	\$ 623.0	\$ —	\$ 623.0

(a) Northern Border is required to pay a facility fee of 0.075% on the principal commitment amount of its credit agreement.

(b) Short-term debt expected to be refinanced. See "Amended and Restated Credit Agreement" discussion below.

34

Revolving Credit Agreement — As of March 31, 2007, Northern Border had outstanding borrowings of \$23.0 million under its \$175 million revolving credit agreement dated as of May 16, 2005 (the "2005 Credit Agreement") and was in compliance with the covenants of its agreement. The weighted average interest rate related to the borrowings on the 2005 Credit Agreement was 6.22 per cent at March 31, 2007. Amounts outstanding under this credit agreement were refinanced under the 2007 Credit Agreement discussed below.

Amended and Restated Credit Agreement — On April 27, 2007, Northern Border entered into a \$250 million amended and restated revolving credit agreement (the "2007 Credit Agreement") with certain financial institutions. The 2007 Credit Agreement was used to refinance the outstanding indebtedness under its 2005 Credit Agreement and will be used to repay all of the \$150 million of its 6.25 per cent Senior Notes due May 1, 2007. As of March 31, 2007, Northern Border classified with its long-term debt, \$173 million as short-term debt expected to be refinanced. The 2007 Credit Agreement will also be used to finance permitted acquisitions, pay related fees and expenses, issue letters of credit and provide for ongoing working capital needs and for other general business purposes, including capital expenditures.

Northern Border may, at its option, so long as no default or event of default has occurred and is continuing, elect to increase the capacity under its 2007 Credit Agreement by an aggregate amount not to exceed \$100 million, provided that lenders are willing to commit additional amounts. At Northern Border's option, the interest rate on the outstanding borrowings may be the lenders' base rate or the London Interbank Offered Rate plus a spread that is based on Northern Border's long-term unsecured debt ratings. The 2007 Credit Agreement permits Northern Border to specify the portion of the borrowings to be covered by specific interest rate options and to specify the interest rate period. Northern Border is required to pay a commitment fee based on the principal amount of the commitment of \$250 million. The term of the agreement is five years, with options for two one-year extensions.

Under the 2007 Credit Agreement, Northern Border is required to comply with certain financial, operational and legal covenants. Among other things, Northern Border is required to maintain a ratio of total debt to EBITDA (net income plus interest expense, income taxes, depreciation and amortization and all other non-cash charges) of no more than 4.75 to 1. Pursuant to the 2007 Credit Agreement, if one or more acquisitions are consummated in which the aggregate purchase price is \$25 million or more, the allowable ratio of total debt to EBITDA is increased to 5.50 to 1 for the first three calendar quarters following the acquisition. Upon any breach of these covenants, amounts outstanding under the 2007 Credit Agreement may become immediately due and payable.

Great Lakes' and Northern Border's respective management committees determine the amount and timing of their cash distributions to partners. The amount of cash distributions is based on available cash flow as determined by a prescribed formula. The respective management committees have also defined certain minimum requirements in establishing the timing and amounts of required capital contributions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

TC PipeLines is exposed to market risk through changes in interest rates. The Partnership does not have any material foreign exchange risks. TC PipeLines' interest rate exposure results from its Senior Credit Facility, which is subject to variability in LIBOR interest rates. At March 31, 2007, TC PipeLines had \$521 million outstanding on its Senior Credit Facility. If LIBOR interest rates change by one per cent compared to the rates in effect as of March 31, 2007, the Partnership's interest expense for the three months ended March 31, 2007 would have changed by \$2.2 million. This amount has been determined by considering the impact of the hypothetical interest rates on variable rate borrowings outstanding as of March 31, 2007.

The Partnership uses derivatives to assist in managing its exposure to interest rate risk. The fair value of interest rate derivatives has been calculated using period-end market rates. At March 31, 2007, the fair value of the Partnership's interest rate swaps accounted for as hedges was \$0.4 million. The notional amount hedged was \$300 million. The interest rate swaps are structured such that the cash flows match those of the Senior Credit Facility between March 12, 2007 and December 12, 2011.

The Partnership is also influenced by the same factors that influence our pipeline assets. None of our pipeline assets own any of the natural gas they transport; therefore, they do not assume any of the related natural gas commodity price risk.

Northern Border utilizes both fixed- and variable-rate debt and is exposed to market risk due to the floating interest rates on its credit agreement. Northern Border regularly assesses the impact of interest rate fluctuations on future cash flows and evaluates hedging opportunities to mitigate its interest rate risk.

Northern Border maintains a significant portion of its debt at fixed rates to reduce its sensitivity to interest rate fluctuations. As of March 31, 2007, 96 per cent of Northern Border's outstanding debt was at fixed rates and there were no interest rate swap agreements outstanding. On May 1 2007, Northern Border's variable-rate debt will increase as it plans to borrow under its 2007 Credit Agreement to fund the repayment of all of the \$150 million of its 6.25 per cent Senior Notes due May 1, 2007. Additional information about Northern Border's 2007 Credit Agreement is included in this report under "Debt and Credit Facilities of Northern Border".

If interest rates hypothetically increased one per cent on Northern Border's variable-rate borrowings outstanding at March 31, 2007, its interest expense would increase and its 2007 projected net income would decrease by approximately \$0.2 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on their evaluation of the Partnership's disclosure controls and procedures as of the end of the period covered by this quarterly report, the Principal Executive Officer and Principal Financial Officer of the general partner of the Partnership have concluded that the Partnership's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Partnership in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information required to be disclosed by the Partnership in the reports that the Partnership files or submits under the Exchange Act is accumulated and communicated to the management of the general partner of the Partnership, including the Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Partnership's internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Partnership's internal control over financial reporting.

Acquisition of Tuscarora

On December 19, 2006, the Partnership acquired an additional 49 per cent interest in Tuscarora, increasing the Partnership's interest in Tuscarora to 98 per cent. The Partnership is in the process of integrating Tuscarora's historical internal control over financial reporting with the Partnership's internal controls. This integration may lead to the Partnership making changes in its or Tuscarora's historical internal control over financial reporting in future periods.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

The following new or modified risk factor should be read in conjunction with the risk factors disclosed in Part I, Item 1A, "Risk Factors," in our annual report on Form 10-K for the year ended December 31, 2006:

TAX RISKS

If we or our pipeline assets were to become subject to a material amount of entity level taxation for state tax purposes, then our cash available for distribution to our partners and for other business needs may be substantially reduced.

Our tax treatment and cash available for distribution depends on our status as a partnership for federal income tax purposes, as well as not being subject to entity level taxation by any state. Several states are evaluating a variety of ways to subject partnerships to entity level taxation. One prevalent form of such taxation is a tax on gross receipts apportioned to a state. Imposition of such a tax or similar tax on us or our pipeline assets by any state would reduce the cash available for distribution to our partners and for other business needs.

ITEM 6. EXHIBITS

No.	Description
*4.1	Registration Rights Agreement between TC PipeLines, LP, TransCan Northern Ltd., Kayne Anderson MLP Investment Company, Kayne Anderson Energy Total Return Fund, Inc., Kayne Anderson MLP Fund, L.P., Kayne Anderson Capital Income Partners (QP), L.P., Strome MLP Fund, LP, Royal Bank of Canada, Tortoise Energy Infrastructure Corporation, Tortoise Energy Capital Corporation, Tortoise North American Energy Corporation, GPS Income Fund LP, GPS High Yield Equities Fund, HFR RVAGPS Master Trust, GPS New Equity Fund LP, TPG-Axon Partners, LP, Lehman Brothers Inc., Structured Finance Americas, LLC, The Cushing MLP Opportunity Fund I, LP, Swank MLP Convergence Fund, LP, and Citigroup Global Markets, Inc. dated February 22, 2007 (Exhibit 4.1 to TC PipeLines, LP's Form 8-K filed February 23, 2007).
10.1	Transportation Service Agreement FT4760 between Great Lakes Gas Transmission Limited Partnership and TransCanada PipeLines Limited, dated November 30, 2006.
10.2	Transportation Service Agreement FT4761 between Great Lakes Gas Transmission Limited Partnership and TransCanada PipeLines Limited, dated November 4, 2004.
10.3	Transportation Service Agreement FT4762 between Great Lakes Gas Transmission Limited Partnership and TransCanada PipeLines Limited, dated November 4, 2004.
10.4	Transportation Service Agreement FT4763 between Great Lakes Gas Transmission Limited Partnership and TransCanada PipeLines Limited, dated November 4, 2004.
10.5	Transportation Service Agreement FT4764 between Great Lakes Gas Transmission Limited Partnership and TransCanada PipeLines Limited, dated November 30, 2006
10.6	Transportation Service Agreement FT5840 between Great Lakes Gas Transmission Limited Partnership and TransCanada PipeLines Limited, dated December 1, 2005.
10.7	Transportation Service Agreement FT5841 between Great Lakes Gas Transmission Limited Partnership and TransCanada PipeLines Limited, dated December 1, 2005.
10.8	Transportation Service Agreement FT5842 between Great Lakes Gas Transmission Limited Partnership and TransCanada PipeLines Limited, dated November 30, 2006.
10.9	Amended and Restated Agreement of Limited Partnership of Great Lakes Gas Transmission Limited Partnership between TransCanada GL, Inc., TC GL Intermediate Limited Partnership and Great Lakes Gas Transmission Company, dated February 22, 2007.
10.10	Operating Agreement between Great Lakes Gas Transmission Limited Partnership and Great Lakes Gas Transmission Company, dated April 5, 1990.
*10.11	First Amended and Restated General Partnership Agreement of Northern Border Pipeline Company dated April 6, 2006, by and between Northern Border Intermediate Limited Partnership and TC Pipelines Intermediate Limited Partnership (Exhibit 3.1 to Northern Border Pipeline Company's Form 8-K filed April 12, 2006 (File No. 333-87753)).

*10.12	Revolving Credit Agreement, dated as of April 27, 2007, among Northern Border Pipeline Company, the lenders from time to time party thereto, SunTrust Bank, as Administrative Agent, Wachovia Bank National Association, as Syndication Agent, BMO Capital Markets, Citibank, N.A. and Mizuho Corporate Bank, LTD., as Co-Documentation Agents, JP Morgan Chase Bank, N.A. and Export Development Canada, as Managing Agents and Wachovia Capital Markets, LLC and SunTrust Capital Markets, Inc., as Co-Lead Arrangers and Book Managers. (Exhibit 10.1 to Northern Border Pipeline Company's Form 10-Q filed April 30, 2007).
--------	---

- *10.13 Amended and Restated Revolving Credit and Term Loan Agreement among TC PipeLines, LP, the lenders from time to time party thereto, SunTrust Bank as Administrative Agent, UBS Securities LLC and Royal Bank of Canada, as Co-Documentation Agents, BMO Capital Markets Financing Inc. and the Royal Bank of Scotland PLC, as Co-Syndication Agents, Deutsche Bank AG New York Branch and the Bank of Tokyo-Mitsubishi UFJ, Ltd., as Managing Agents, and SunTrust Capital Markets, Inc. as Arranger and Book Manager, dated February 13, 2007 (Exhibit 10.1 to TC PipeLines, LP's Form 8-K filed February 15, 2007).
- *10.14 Subordinated Loan Agreement between TC PipeLines, LP and TransCanada PipeLines Limited, dated February 13, 2007 (Exhibit 10.2 to TC PipeLines, LP's Form 8-K filed February 15, 2007).
- *10.15 Subordination and Intercreditor Agreement among TransCanada PipeLines Limited, TC PipeLines, LP, and SunTrust Bank, as Administrative Agent, dated February 13, 2007 (Exhibit 10.3 to TC PipeLines, LP's Form 8-K filed February 15, 2007).
- *10.16 Common Unit Purchase Agreement by and among TC PipeLines, LP and TransCan Northern Ltd., Kayne Anderson MLP Investment Company, Kayne Anderson Energy Total Return Fund, Inc., Kayne Anderson MLP Fund, L.P., Kayne Anderson Capital Income Partners (QP), L.P., Strome MLP Fund, LP, Royal Bank of Canada, Tortoise Energy Infrastructure Corporation, Tortoise Energy Capital Corporation, Tortoise North American Energy Corporation, GPS Income Fund LP, GPS High Yield Equities Fund, HFR RVAGPS Master Trust, GPS New Equity Fund LP, TPG-Axon Partners, LP, Lehman Brothers Inc., Structured Finance Americas, LLC, The Cushing MLP Opportunity Fund I, LP, Swank MLP Convergence Fund, LP, and Citigroup Global Markets, Inc. dated February 22, 2007 (Exhibit 10.1 to TC PipeLines, LP's Form 8-K filed February 23, 2007).
- 23.1 Consent of Independent Registered Public Accounting Firm
- 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.
- 99.1 Consolidated Balance Sheets of TC PipeLines GP, Inc. as of December 31, 2006 and 2005

* Indicates exhibits incorporated by reference.

SIGNATURES

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

TC PipeLines, LP
(a Delaware Limited Partnership)

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

Date: April 30, 2007

By: /s/ Russell K. Girling
Russell K. Girling
Chairman, Chief Executive Officer and Director
TC PipeLines GP, Inc. (Principal Executive Officer)

Date: April 30, 2007

By: /s/ Amy W. Leong
Amy W. Leong
Controller
TC PipeLines GP, Inc. (Principal Financial Officer)



TRANSPORTATION SERVICE AGREEMENT
Contract Identification FT4760

This Transportation Service Agreement (Agreement) is entered into by Great Lakes Gas Transmission Limited Partnership (Transporter) and TRANSCANADA PIPELINES LIMITED (Shipper).

WHEREAS, Shipper has requested Transporter to transport Gas on its behalf and Transporter represents that it is willing to transport Gas under the terms and conditions of this Agreement.

NOW, THEREFORE, Transporter and Shipper agree that the terms below constitute the transportation service to be provided and the rights and obligations of Shipper and Transporter.

1. **EFFECTIVE DATE:** November 30, 2006
2. **CONTRACT IDENTIFICATION:** FT4760
3. **RATE SCHEDULE:** FT
4. **SHIPPER TYPE:** Other
5. **STATE/PROVINCE OF INCORPORATION:** Canada
6. **TERM:** November 01, 2005 to October 31, 2008
7. **EFFECT ON PREVIOUS CONTRACTS:**

This Agreement supersedes, cancels and terminates, as of the effective date stated above, the following contract(s): Service Agreement dated December 01, 2005 with Contract Identification FT4760.

Shipper's and Transporter's obligations to each other arising for periods prior to the effective date stated above, remain in effect and are not being terminated by any provision of this Agreement.

8. **MAXIMUM DAILY QUANTITY (Dth/Day):** 25,000

Please see Appendix A for further detail.

9. **RATES:**

Unless Shipper and Transporter have agreed to a Discounted Rate, pursuant to Section 19.2 of the General Terms and Conditions, or to a Negotiated Rate, pursuant to Section 4.5 of the Rate Schedule named above, rates shall be Transporter's maximum rates and charges plus all applicable surcharges in effect from time to time under the applicable Rate Schedule (as stated above) on file with the Commission unless otherwise agreed to by the parties in writing. Provisions governing a Discounted Rate shall be set forth in this Paragraph 9. Provisions governing a Negotiated Rate shall be set forth on Appendix B hereto.

Contact ID FT4760

10. **POINTS OF RECEIPT AND DELIVERY:**

The primary receipt and delivery points are set forth on Appendix A.

11. **RELEASED CAPACITY:**

N/A

12. **INCORPORATION OF TARIFF INTO AGREEMENT:**

This Agreement shall incorporate and in all respects be subject to the "General Terms and Conditions" and the applicable Rate Schedule (as stated above) set forth in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, as may be revised from time to time. Transporter may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or provisions set forth in the applicable Rate Schedule (as stated above) and the "General Terms and Conditions" in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, and Transporter shall have the right to place such changes in effect in accordance with the NGA, and this Agreement shall be deemed to include such changes and any such changes which become effective by operation of law and Commission Order, without prejudice to Shipper's right to protest the same.

13. **MISCELLANEOUS:**

No waiver by either party to this Agreement of any one or more defaults by the other in the performance of this Agreement shall operate or be construed as a waiver of any continuing or future default(s), whether of a like or a different character.

Any controversy between the parties arising under this Agreement and not resolved by the parties shall be determined in accordance with the laws of the State of Michigan.

14. OTHER PROVISIONS:

It is agreed that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Partner, agent, management official or employee of the Transporter or any director, officer or employee of any of the foregoing, for any obligation of the Transporter arising under this Agreement or for any claim based on such obligation and that the sole recourse of Shipper under this Agreement is limited to assets of the Transporter.

Upon termination of this Agreement, Shipper's and Transporter's obligations to each other arising under this Agreement, prior to the date of termination, remain in effect and are not being terminated by any provision of this Agreement.

15. NOTICES AND COMMUNICATIONS:

All notices and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other such address(es) as may be designated in writing:

ADMINISTRATIVE MATTERS

Great Lakes Gas Transmission Limited

Partnership
5250 Corporate Drive

Troy, MI 48098
Attn: Transportation Services

TRANSCANADA
PIPELINES
LIMITED
450 - 1st Street S.W.
Calgary, AB T2P
5H1
Canada
Attn: Steve Pohlod

PAYMENT BY ELECTRONIC TRANSFER

Great Lakes Gas Transmission Limited

Partnership

JPMorgan Chase Bank, Detroit, MI
ABA No: 072000326
Account No: 07308-43

TRANSCANADA
PIPELINES
LIMITED
Attn: Adrea
Morrical

AGREED TO BY:

**GREAT LAKES GAS TRANSMISSION
LIMITED PARTNERSHIP**

By: Great Lakes Gas Transmission Company

**TRANSCANADA
PIPELINES
LIMITED**

Operator and Agent for Great Lakes Gas
Transmission Limited Partnership

By: _____ /s/ Martin Wilde
Martin Wilde

Title: Director, Marketing & Business
Operations

By: _____ /s/ Max
Feldman
Signature

Max
Feldman

Please Print

Title: Senior
Vice-
President
Canadian
Pipelines

Please Print

By: /s/ Russell
K. Girling
Signature

Please Print

Title: _____
Please Print

APPENDIX A
Contract Identification FT4760

Date: November 30, 2006
Supersedes Appendix Dated: December 01, 2005

Shipper: TRANSCANADA PIPELINES LIMITED

Maximum Daily Quantity (Dth/Day) per Location:

<u>Begin Date</u>	<u>End Date</u>	<u>Point(s) of Primary Receipt</u>	<u>Point(s) of Primary Delivery</u>	<u>MDQ</u>	<u>(MAOP)</u>
11/01/2005	10/31/2008	EMERSON		25,000	974
11/01/2005	10/31/2008		SAULT STE. MARIE TCPL	25,000	1142



TRANSPORTATION SERVICE AGREEMENT
Contract Identification FT4761

This Transportation Service Agreement (Agreement) is entered into by Great Lakes Gas Transmission Limited Partnership (Transporter) and TRANSCANADA PIPELINES LIMITED (Shipper).

WHEREAS, Shipper has requested Transporter to transport Gas on its behalf and Transporter represents that it is willing to transport Gas under the terms and conditions of this Agreement.

NOW, THEREFORE, Transporter and Shipper agree that the terms below constitute the transportation service to be provided and the rights and obligations of Shipper and Transporter.

1. **CONTRACT DATE:** November 04, 2004
2. **CONTRACT IDENTIFICATION:** FT4761
3. **RATE SCHEDULE:** FT
4. **SHIPPER TYPE:** Other
5. **STATE/PROVINCE OF INCORPORATION:** Canada
6. **TERM:** November 01, 2005 to October 31, 2010

Transporter and Shipper agree that Shipper may extend the primary term of this Agreement by exercising a contractual Right of First Refusal, pursuant to the procedures set forth in Section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

7. **EFFECT ON PREVIOUS CONTRACTS:**

This Agreement supersedes, cancels and terminates, as of the effective date stated above, the following contract(s): N/A

8. **MAXIMUM DAILY QUANTITY (Dth/Day):** 361,000

Please see Appendix A for further detail.

9. **RATES:**

Unless Shipper and Transporter have agreed to a Discounted Rate, pursuant to Section 19.2 of the General Terms and Conditions, or to a Negotiated Rate, pursuant to Section 4.5 of the Rate Schedule named above, rates shall be Transporter's maximum rates and charges plus all applicable surcharges in effect from time to time under the applicable Rate Schedule (as stated above) on file with the Commission unless otherwise agreed to by the parties in writing. Provisions governing a Discounted Rate shall be set forth in this Paragraph 9. Provisions governing a Negotiated Rate shall be set forth on Appendix B hereto.

Shipper and Transporter agree that for service under this Agreement from the point(s) of receipt listed on Appendix A to the point(s) of delivery listed on Appendix A, the Reservation Fee to be charged shall be \$9.520.

10. **POINTS OF RECEIPT AND DELIVERY:**

The primary receipt and delivery points are set forth on Appendix A.

Contract Identification FT4761

11. **RELEASED CAPACITY:**

N/A

12. **INCORPORATION OF TARIFF INTO AGREEMENT:**

This Agreement shall incorporate and in all respects be subject to the "General Terms and Conditions" and the applicable Rate Schedule (as stated above) set forth in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, as may be revised from time to time. Transporter may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or provisions set forth in the applicable Rate Schedule (as stated above) and the "General Terms and Conditions" in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, and Transporter shall have the right to place such changes in effect in accordance with the NGA, and this Agreement shall be deemed to include such changes and any such changes which become effective by operation of law and Commission Order, without prejudice to Shipper's right to protest the same.

13. MISCELLANEOUS:

No waiver by either party to this Agreement of any one or more defaults by the other in the performance of this Agreement shall operate or be construed as a waiver of any continuing or future default(s), whether of a like or a different character.

Any controversy between the parties arising under this Agreement and not resolved by the parties shall be determined in accordance with the laws of the State of Michigan.

14. OTHER PROVISIONS:

It is agreed that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Partner, agent, management official or employee of the Transporter or any director, officer or employee of any of the foregoing, for any obligation of the Transporter arising under this Agreement or for any claim based on such obligation and that the sole recourse of Shipper under this Agreement is limited to assets of the Transporter.

Upon termination of this Agreement, Shipper's and Transporter's obligations to each other arising under this Agreement, prior to the date of termination, remain in effect and are not being terminated by any provision of this Agreement.

Notwithstanding the provisions of Number 8 hereof, Shipper may request transportation of quantities of gas in excess of the MDQ, and Transporter agrees to receive, transport, and redeliver Equivalent Quantities of gas to Shipper, or for the account of Shipper, in accordance with Section 11 of the General Terms and Conditions, or succeeding effective provisions, of Transporter's FERC Gas Tariff, Second Revised Volume No. 1, up to an aggregate excess quantity of 133,333 Dth per day or such other aggregate excess quantity authorized by Commission orders. All deliveries in excess of Shipper's MDQ shall be deemed to be advance deliveries or post deliveries, as the case may be, of contract quantities, rather than excess quantities and shall be billed at the applicable Utilization Fee under Rate Schedule FT. If for the twelve months of any Contract Year ended October 31, the total quantities delivered are in excess of the contract quantity multiplied by the number of days, exclusive of *force majeure* days, in said Contract Year, then Transporter will bill Shipper the Rate Schedule FT Overrun Charge (reduced by the Utilization Fee) times the excess quantities of gas delivered, such amount to be billed at the end of each Contract Year. The provisions of this section are not intended to modify the provisions of Section 4.1(a)(2), or succeeding effective provisions, of Rate Schedule FT with respect to periods of force majeure on Great Lakes' system, and the sum of the quantities delivered during such periods shall be excluded from all calculations provided herein.

15. NOTICES AND COMMUNICATIONS:

All notices and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other such address(es) as may be designated in writing:

ADMINISTRATIVE MATTERS

Great Lakes Gas Transmission Limited

Partnership
5250 Corporate Drive
Troy, MI 48098
Attn: Transportation Services

TRANSCANADA
PIPELINES LIMITED
450 - 1st Street S.W.
Calgary, AB T2P 5H1
Canada
Attn: Ches Maciorowski

PAYMENT BY ELECTRONIC TRANSFER

Great Lakes Gas Transmission Limited
Partnership
Bank One, Detroit, MI ABA No. 072000326
Account No: 07308-43

TRANSCANADA
PIPELINES LIMITED
Attn: Adrea Morriral

AGREED TO BY:

**GREAT LAKES GAS TRANSMISSION
LIMITED PARTNERSHIP**
By: **Great Lakes Gas Transmission Company**

**TRANSCANADA
PIPELINES
LIMITED**

Operator and Agent for Great Lakes Gas
Transmission Limited Partnership

By: _____ /s/ Martin Wilde
Martin Wilde
Title: Director, Marketing & Business
Operations

By: _____ /s/ Craig Frew
Signature

Craig Frew
Please Print

Title: Vice President
Gas
Transmission
East
TransCanada
Please Print

By: /s/ Rhonda E. S.
Grant
Signature

Rhonda E. S.
Grant
Please Print

Title: Vice-President,
Communications
and Corporate
Secretary
Please Print

APPENDIX A
Contract Identification FT4761

Date: November 04, 2004
Supersedes Appendix Dated: Not Applicable

Shipper: TRANSCANADA PIPELINES LIMITED

Maximum Daily Quantity (Dth/Day) per Location:

<u>Begin Date</u>	<u>End Date</u>	<u>Point(s) of Primary Receipt</u>	<u>Point(s) of Primary Delivery</u>	<u>MDQ</u>	<u>(MAOP)</u>
11/01/2005	10/31/2010	EMERSON		361,000	974
11/01/2005	10/31/2010	SOUTH CHESTER		37,988	974
11/01/2005	10/31/2010	DEWARD		37,988	974
11/01/2005	10/31/2010	FARWELL		37,988	974
11/01/2005	10/31/2010	CAPAC		37,988	974
11/01/2005	10/31/2010	MUTTONVILLE-ANR		37,988	974
11/01/2005	10/31/2010	BELLE RIVER MILLS		37,988	974
11/01/2005	10/31/2010		FARWELL	29,377	974
11/01/2005	10/31/2010		ST. CLAIR	361,000	974



TRANSPORTATION SERVICE AGREEMENT
Contract Identification FT4762

This Transportation Service Agreement (Agreement) is entered into by Great Lakes Gas Transmission Limited Partnership (Transporter) and TRANSCANADA PIPELINES LIMITED (Shipper).

WHEREAS, Shipper has requested Transporter to transport Gas on its behalf and Transporter represents that it is willing to transport Gas under the terms and conditions of this Agreement.

NOW, THEREFORE, Transporter and Shipper agree that the terms below constitute the transportation service to be provided and the rights and obligations of Shipper and Transporter.

1. **CONTRACT DATE:** November 04, 2004
2. **CONTRACT IDENTIFICATION:** FT4762
3. **RATE SCHEDULE:** FT
4. **SHIPPER TYPE:** Other
5. **STATE/PROVINCE OF INCORPORATION:** Canada
6. **TERM:** November 01, 2005 to October 31, 2009

Transporter and Shipper agree that Shipper may extend the primary term of this Agreement by exercising a contractual Right of First Refusal, pursuant to the procedures set forth in Section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

7. **EFFECT ON PREVIOUS CONTRACTS:**

This Agreement supersedes, cancels and terminates, as of the effective date stated above, the following contract(s): N/A

8. **MAXIMUM DAILY QUANTITY (Dth/Day):** 80,000

Please see Appendix A for further detail.

9. **RATES:**

Unless Shipper and Transporter have agreed to a Discounted Rate, pursuant to Section 19.2 of the General Terms and Conditions, or to a Negotiated Rate, pursuant to Section 4.5 of the Rate Schedule named above, rates shall be Transporter's maximum rates and charges plus all applicable surcharges in effect from time to time under the applicable Rate Schedule (as stated above) on file with the Commission unless otherwise agreed to by the parties in writing. Provisions governing a Discounted Rate shall be set forth in this Paragraph 9. Provisions governing a Negotiated Rate shall be set forth on Appendix B hereto.

Shipper and Transporter agree that for service under this Agreement from the point(s) of receipt listed on Appendix A to the point(s) of delivery listed on Appendix A, the Reservation Fee to be charged shall be \$9.673.

Contract Identification FT4762

10. **POINTS OF RECEIPT AND DELIVERY:**

The primary receipt and delivery points are set forth on Appendix A.

11. **RELEASED CAPACITY:**

N/A

12. **INCORPORATION OF TARIFF INTO AGREEMENT:**

This Agreement shall incorporate and in all respects be subject to the "General Terms and Conditions" and the applicable Rate Schedule (as stated above) set forth in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, as may be revised from time to time. Transporter may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or provisions set forth in the applicable Rate Schedule (as stated above) and the "General Terms and Conditions" in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, and Transporter shall have the right to place such changes in effect in accordance with the NGA, and this Agreement shall be deemed to include such changes and any such changes which become effective by operation of law and Commission Order, without prejudice to Shipper's right to protest the same.

13. MISCELLANEOUS:

No waiver by either party to this Agreement of any one or more defaults by the other in the performance of this Agreement shall operate or be construed as a waiver of any continuing or future default(s), whether of a like or a different character.

Any controversy between the parties arising under this Agreement and not resolved by the parties shall be determined in accordance with the laws of the State of Michigan.

14. OTHER PROVISIONS:

It is agreed that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Partner, agent, management official or employee of the Transporter or any director, officer or employee of any of the foregoing, for any obligation of the Transporter arising under this Agreement or for any claim based on such obligation and that the sole recourse of Shipper under this Agreement is limited to assets of the Transporter.

Upon termination of this Agreement, Shipper’s and Transporter’s obligations to each other arising under this Agreement, prior to the date of termination, remain in effect and are not being terminated by any provision of this Agreement.

15. NOTICES AND COMMUNICATIONS:

All notices and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other such address(es) as may be designated in writing:

ADMINISTRATIVE MATTERS

Great Lakes Gas Transmission Limited
Partnership
5250 Corporate Drive
Troy, MI 48098
Attn: Transportation Services

TRANSCANADA PIPELINES LIMITED
450 - 1st Street S.W.
Calgary, AB T2P 5H1
Canada
Attn: Ches Maciorowski

PAYMENT BY ELECTRONIC TRANSFER

Great Lakes Gas Transmission Limited
Partnership
Bank One, Detroit, MI ABA No. 072000326
Account No: 07308-43

TRANSCANADA PIPELINES LIMITED
Attn: Adrea Morrical

AGREED TO BY:

**GREAT LAKES GAS TRANSMISSION
LIMITED PARTNERSHIP**

By: Great Lakes Gas Transmission Company

TRANSCANADA PIPELINES LIMITED

Operator and Agent for Great Lakes Gas
Transmission Limited Partnership

By: _____
/s/ Martin Wilde
Martin Wilde
Title: Director, Marketing & Business
Operations

By: _____
/s/ Craig Frew
Signature

Craig Frew
Please Print

Title: Vice President Gas Transmission East
TransCanada

Please Print

By: _____
/s/ Rhonda E. S. Grant
Signature

Rhonda E. S. Grant
Please Print

Title: Vice-President, Communications and Corporate
Secretary

Please Print

APPENDIX A
Contract Identification FT4762

Date: November 04, 2004
Supersedes Appendix Dated: Not Applicable

Shipper: TRANSCANADA PIPELINES LIMITED

Maximum Daily Quantity (Dth/Day) per Location:

<u>Begin Date</u>	<u>End Date</u>	<u>Point(s) of Primary Receipt</u>	<u>Point(s) of Primary Delivery</u>	<u>MDQ</u>	<u>(MAOP)</u>
11/01/2005	10/31/2009	EMERSON		80,000	974
11/01/2005	10/31/2009		ST. CLAIR	80,000	974



TRANSPORTATION SERVICE AGREEMENT
Contract Identification FT4763

This Transportation Service Agreement (Agreement) is entered into by Great Lakes Gas Transmission Limited Partnership (Transporter) and TRANSCANADA PIPELINES LIMITED(Shipper).

WHEREAS, Shipper has requested Transporter to transport Gas on its behalf and Transporter represents that it is willing to transport Gas under the terms and conditions of this Agreement.

NOW, THEREFORE, Transporter and Shipper agree that the terms below constitute the transportation service to be provided and the rights and obligations of Shipper and Transporter.

1. **CONTRACT DATE:** November 04, 2004
2. **CONTRACT IDENTIFICATION:** FT4763
3. **RATE SCHEDULE:** FT
4. **SHIPPER TYPE:** Other
5. **STATE/PROVINCE OF INCORPORATION:** Canada
6. **TERM:** November 01, 2005 to October 31, 2008

Transporter and Shipper agree that Shipper may extend the primary term of this Agreement by exercising a contractual Right of First Refusal, pursuant to the procedures set forth in Section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

7. **EFFECT ON PREVIOUS CONTRACTS:**

This Agreement supersedes, cancels and terminates, as of the effective date stated above, the following contract(s): N/A

8. **MAXIMUM DAILY QUANTITY (Dth/Day):** 170,000

Please see Appendix A for further detail.

9. **RATES:**

Unless Shipper and Transporter have agreed to a Discounted Rate, pursuant to Section 19.2 of the General Terms and Conditions, or to a Negotiated Rate, pursuant to Section 4.5 of the Rate Schedule named above, rates shall be Transporter's maximum rates and charges plus all applicable surcharges in effect from time to time under the applicable Rate Schedule (as stated above) on file with the Commission unless otherwise agreed to by the parties in writing. Provisions governing a Discounted Rate shall be set forth in this Paragraph 9. Provisions governing a Negotiated Rate shall be set forth on Appendix B hereto.

Shipper and Transporter agree that for service under this Agreement from the point(s) of receipt listed on Appendix A to the point(s) of delivery listed on Appendix A, the Reservation Fee to be charged shall be \$9.825.

Contract ID: FT4763

10. **POINTS OF RECEIPT AND DELIVERY:**

The primary receipt and delivery points are set forth on Appendix A.

11. **RELEASED CAPACITY:**

N/A

12. **INCORPORATION OF TARIFF INTO AGREEMENT:**

This Agreement shall incorporate and in all respects be subject to the "General Terms and Conditions" and the applicable Rate Schedule (as stated above) set forth in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, as may be revised from time to time. Transporter may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or provisions set forth in the applicable Rate Schedule (as stated above) and the "General Terms and Conditions" in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, and Transporter shall have the right to place such changes in effect in accordance with the NGA, and this Agreement shall be deemed to include such changes and any such changes which become effective by operation of law and Commission Order, without prejudice to Shipper's right to protest the same.

APPENDIX A
Contract Identification FT4763

Date: November 04, 2004
Supersedes Appendix Dated: Not Applicable

Shipper: TRANSCANADA PIPELINES LIMITED

Maximum Daily Quantity (Dth/Day) per Location:

<u>Begin Date</u>	<u>End Date</u>	<u>Point(s) of Primary Receipt</u>	<u>Point(s) of Primary Delivery</u>	<u>MDQ</u>	<u>(MAOP)</u>
11/01/2005	10/31/2008	EMERSON		170,000	974
11/01/2005	10/31/2008		ST. CLAIR	170,000	974



TRANSPORTATION SERVICE AGREEMENT
Contract Identification FT4764

This Transportation Service Agreement (Agreement) is entered into by Great Lakes Gas Transmission Limited Partnership (Transporter) and TRANSCANADA PIPELINES LIMITED (Shipper).

WHEREAS, Shipper has requested Transporter to transport Gas on its behalf and Transporter represents that it is willing to transport Gas under the terms and conditions of this Agreement.

NOW, THEREFORE, Transporter and Shipper agree that the terms below constitute the transportation service to be provided and the rights and obligations of Shipper and Transporter.

1. **EFFECTIVE DATE:** November 30, 2006
2. **CONTRACT IDENTIFICATION:** FT4764
3. **RATE SCHEDULE:** FT
4. **SHIPPER TYPE:** Other
5. **STATE/PROVINCE OF INCORPORATION:** Canada
6. **TERM:** November 01, 2005 to October 31, 2009

Transporter and Shipper agree that Shipper may extend the primary term of this Agreement by exercising a contractual Right of First Refusal, pursuant to the procedures set forth in Section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

7. **EFFECT ON PREVIOUS CONTRACTS:**

This Agreement supersedes, cancels and terminates, as of the effective date stated above, the following contract(s): Service Agreement dated November 04, 2004 with Contract Identification FT4764.

Shipper's and Transporter's obligations to each other arising for periods prior to the effective date stated above, remain in effect and are not being terminated by any provision of this Agreement.

8. **MAXIMUM DAILY QUANTITY (Dth/Day):** 180,000

Please see Appendix A for further detail.

9. **RATES:**

Unless Shipper and Transporter have agreed to a Discounted Rate, pursuant to Section 19.2 of the General Terms and Conditions, or to a Negotiated Rate, pursuant to Section 4.5 of the Rate Schedule named above, rates shall be Transporter's maximum rates and charges plus all applicable surcharges in effect from time to time under the applicable Rate Schedule (as stated above) on file with the Commission unless otherwise agreed to by the parties in writing. Provisions governing a Discounted Rate shall be set forth in this Paragraph 9. Provisions governing a Negotiated Rate shall be set forth on Appendix B hereto.

Contract Identification FT4764

Shipper and Transporter agree that for service under this Agreement from the point(s) of receipt listed on Appendix A to the point(s) of delivery listed on Appendix A, the Reservation Fee to be charged shall be \$9.977 per Dth.

10. **POINTS OF RECEIPT AND DELIVERY:**

The primary receipt and delivery points are set forth on Appendix A.

11. **RELEASED CAPACITY:**

N/A

12. **INCORPORATION OF TARIFF INTO AGREEMENT:**

This Agreement shall incorporate and in all respects be subject to the "General Terms and Conditions" and the applicable Rate Schedule (as stated above) set forth in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, as may be revised from time to time. Transporter may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or

APPENDIX A
Contract Identification FT4764

Date: November 30, 2006
Supersedes Appendix Dated: November 04, 2004

Shipper: TRANSCANADA PIPELINES LIMITED

Maximum Daily Quantity (Dth/Day) per Location:

<u>Begin Date</u>	<u>End Date</u>	<u>Point(s) of Primary Receipt</u>	<u>Point(s) of Primary Delivery</u>	<u>MDQ</u>	<u>(MAOP)</u>
11/01/2005	10/31/2009	EMERSON		180,000	974
11/01/2005	10/31/2009		ST. CLAIR	180,000	974



TRANSPORTATION SERVICE AGREEMENT
Contract Identification FT5840

This Transportation Service Agreement (Agreement) is entered into by Great Lakes Gas Transmission Limited Partnership (Transporter) and TRANSCANADA PIPELINES LIMITED(Shipper).

WHEREAS, Shipper has requested Transporter to transport Gas on its behalf and Transporter represents that it is willing to transport Gas under the terms and conditions of this Agreement.

NOW, THEREFORE, Transporter and Shipper agree that the terms below constitute the transportation service to be provided and the rights and obligations of Shipper and Transporter.

1. **CONTRACT DATE:** December 01, 2005
2. **CONTRACT IDENTIFICATION:** FT5840
3. **RATE SCHEDULE:** FT
4. **SHIPPER TYPE:** Other
5. **STATE/PROVINCE OF INCORPORATION:** Canada
6. **TERM:** November 01, 2006 to October 31, 2011

Transporter and Shipper agree that Shipper may extend the primary term of this Agreement by exercising a contractual Right of First Refusal, pursuant to the procedures set forth in section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

7. **EFFECT ON PREVIOUS CONTRACTS:**

This Agreement supersedes, cancels and terminates, as of the effective date stated above, the following contract(s): N/A

8. **MAXIMUM DAILY QUANTITY (Dth/Day):** 105,965

Please see Appendix A for further detail.

9. **RATES:**

Unless Shipper and Transporter have agreed to a Discounted Rate, pursuant to Section 19.2 of the General Terms and Conditions, or to a Negotiated Rate, pursuant to Section 4.5 of the Rate Schedule named above, rates shall be Transporter's maximum rates and charges plus all applicable surcharges in effect from time to time under the applicable Rate Schedule (as stated above) on file with the Commission unless otherwise agreed to by the parties in writing. Provisions governing a Discounted Rate shall be set forth in this Paragraph 9. Provisions governing a Negotiated Rate shall be set forth on Appendix B hereto.

Shipper and Transporter agree that for service under this Agreement from the point(s) of receipt listed on Appendix A to the point(s) of delivery listed on Appendix A, the Reservation Fee to be charged shall be \$9.520.

Contract Identification FT5840

10. **POINTS OF RECEIPT AND DELIVERY:**

The primary receipt and delivery points are set forth on Appendix A.

11. **RELEASED CAPACITY:**

N/A

12. **INCORPORATION OF TARIFF INTO AGREEMENT:**

This Agreement shall incorporate and in all respects be subject to the "General Terms and Conditions" and the applicable Rate Schedule (as stated above) set forth in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, as may be revised from time to time. Transporter may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or provisions set forth in the applicable Rate Schedule (as stated above) and the "General Terms and Conditions" in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, and Transporter shall have the right to place such changes in effect in accordance with the NGA, and this Agreement shall be deemed to include such changes and any such changes which become effective by operation of law and Commission Order, without prejudice to Shipper's right to protest the same.

13. MISCELLANEOUS:

No waiver by either party to this Agreement of any one or more defaults by the other in the performance of this Agreement shall operate or be construed as a waiver of any continuing or future default(s), whether of a like or a different character.

Any controversy between the parties arising under this Agreement and not resolved by the parties shall be determined in accordance with the laws of the State of Michigan.

14. OTHER PROVISIONS:

It is agreed that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Partner, agent, management official or employee of the Transporter or any director, officer or employee of any of the foregoing, for any obligation of the Transporter arising under this Agreement or for any claim based on such obligation and that the sole recourse of Shipper under this Agreement is limited to assets of the Transporter.

Upon termination of this Agreement, Shipper's and Transporter's obligations to each other arising under this Agreement, prior to the date of termination, remain in effect and are not being terminated by any provision of this Agreement.

15. NOTICES AND COMMUNICATIONS:

All notices and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other such address(es) as may be designated in writing:

ADMINISTRATIVE MATTERS

Great Lakes Gas Transmission Limited

Partnership
5250 Corporate Drive

Troy, MI 48098
Attn: Transportation Services

TRANSCANADA
PIPELINES
LIMITED
450 - 1st Street S.W.
Calgary, AB T2P
5H1
Canada
Attn: Ches
Maciorowski

PAYMENT BY ELECTRONIC TRANSFER

Great Lakes Gas Transmission Limited

Partnership

JPMorgan Chase Bank, Detroit, MI
ABA No: 072000326
Account No: 07308-43

TRANSCANADA
PIPELINES
LIMITED
Attn: Adrea
Morrical

AGREED TO BY:

**GREAT LAKES GAS TRANSMISSION
LIMITED PARTNERSHIP**

By: Great Lakes Gas Transmission Company

Operator and Agent for Great Lakes Gas
Transmission Limited Partnership

**TRANSCANADA
PIPELINES
LIMITED**

By: _____ /s/ Martin Wilde
Title: Martin Wilde
Director, Marketing & Business
Operations

By: /s/ Craig Frew
Signature
 Craig Frew
Please Print

Title: Vice
President
Gas
Transmission
East
TransCanada

By: /s/ Max
Feldman
Signature

Max Feldman
Please Print

Title: Vice-
President
Gas
Transmission
West
Please Print

APPENDIX A
Contract Identification FT5840

Date: December 01, 2005
Supersedes Appendix Dated: Not Applicable

Shipper: TRANSCANADA PIPELINES LIMITED

Maximum Daily Quantity (Dth/Day) per Location:

<u>Begin Date</u>	<u>End Date</u>	<u>Point(s) of Primary Receipt</u>	<u>Point(s) of Primary Delivery</u>	<u>MDQ</u>	<u>(MAOP)</u>
11/01/2006	10/31/2011	EMERSON		105,965	974
11/01/2006	10/31/2011		ST. CLAIR	105,965	974



TRANSPORTATION SERVICE AGREEMENT
Contract Identification FT5841

This Transportation Service Agreement (Agreement) is entered into by Great Lakes Gas Transmission Limited Partnership (Transporter) and TRANSCANADA PIPELINES LIMITED (Shipper).

WHEREAS, Shipper has requested Transporter to transport Gas on its behalf and Transporter represents that it is willing to transport Gas under the terms and conditions of this Agreement.

NOW, THEREFORE, Transporter and Shipper agree that the terms below constitute the transportation service to be provided and the rights and obligations of Shipper and Transporter.

1. **CONTRACT DATE:** December 01, 2005
2. **CONTRACT IDENTIFICATION:** FT5841
3. **RATE SCHEDULE:** FT
4. **SHIPPER TYPE:** Other
5. **STATE/PROVINCE OF INCORPORATION:** Canada
6. **TERM:** November 01, 2006 to October 31, 2008

Transporter and Shipper agree that Shipper may extend the primary term of this Agreement by exercising a contractual Right of First Refusal, pursuant to the procedures set forth in section 16 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

7. **EFFECT ON PREVIOUS CONTRACTS:**

This Agreement supersedes, cancels and terminates, as of the effective date stated above, the following contract(s): N/A

8. **MAXIMUM DAILY QUANTITY (Dth/Day):** 50,000

Please see Appendix A for further detail.

9. **RATES:**

Unless Shipper and Transporter have agreed to a Discounted Rate, pursuant to Section 19.2 of the General Terms and Conditions, or to a Negotiated Rate, pursuant to Section 4.5 of the Rate Schedule named above, rates shall be Transporter's maximum rates and charges plus all applicable surcharges in effect from time to time under the applicable Rate Schedule (as stated above) on file with the Commission unless otherwise agreed to by the parties in writing. Provisions governing a Discounted Rate shall be set forth in this Paragraph 9. Provisions governing a Negotiated Rate shall be set forth on Appendix B hereto.

Shipper and Transporter agree that for service under this Agreement from the point(s) of receipt listed on Appendix A to the point(s) of delivery listed on Appendix A, the Reservation Fee to be charged shall be \$9.673.

Contract Identification FT5841

10. **POINTS OF RECEIPT AND DELIVERY:**

The primary receipt and delivery points are set forth on Appendix A.

11. **RELEASED CAPACITY:**

N/A

12. **INCORPORATION OF TARIFF INTO AGREEMENT:**

This Agreement shall incorporate and in all respects be subject to the "General Terms and Conditions" and the applicable Rate Schedule (as stated above) set forth in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, as may be revised from time to time. Transporter may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or provisions set forth in the applicable Rate Schedule (as stated above) and the "General Terms and Conditions" in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, and Transporter shall have the right to place such changes in effect in accordance with the NGA, and this Agreement shall be deemed to include such changes and any such changes which become effective by operation of law and Commission Order, without prejudice to Shipper's right to protest the same.

13. MISCELLANEOUS:

No waiver by either party to this Agreement of any one or more defaults by the other in the performance of this Agreement shall operate or be construed as a waiver of any continuing or future default(s), whether of a like or a different character.

Any controversy between the parties arising under this Agreement and not resolved by the parties shall be determined in accordance with the laws of the State of Michigan.

14. OTHER PROVISIONS:

It is agreed that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Partner, agent, management official or employee of the Transporter or any director, officer or employee of any of the foregoing, for any obligation of the Transporter arising under this Agreement or for any claim based on such obligation and that the sole recourse of Shipper under this Agreement is limited to assets of the Transporter.

Upon termination of this Agreement, Shipper's and Transporter's obligations to each other arising under this Agreement, prior to the date of termination, remain in effect and are not being terminated by any provision of this Agreement.

15. NOTICES AND COMMUNICATIONS:

All notices and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other such address(es) as may be designated in writing:

ADMINISTRATIVE MATTERS

Great Lakes Gas Transmission Limited

Partnership
5250 Corporate Drive

Troy, MI 48098
Attn: Transportation Services

TRANSCANADA
PIPELINES
LIMITED
450 - 1st Street S.W.
Calgary, AB T2P
5H1
Canada
Attn: Ches
Maciorowski

PAYMENT BY ELECTRONIC TRANSFER

Great Lakes Gas Transmission Limited

Partnership

JPMorgan Chase Bank, Detroit, MI
ABA No: 072000326
Account No: 07308-43

TRANSCANADA
PIPELINES
LIMITED
Attn: Adrea
Morrical

AGREED TO BY:

**GREAT LAKES GAS TRANSMISSION
LIMITED PARTNERSHIP**

By: Great Lakes Gas Transmission Company

**TRANSCANADA
PIPELINES
LIMITED**

Operator and Agent for Great Lakes Gas
Transmission Limited Partnership

By: _____ /s/ Martin Wilde
Title: Martin Wilde
Director, Marketing & Business
Operations

By: /s/ Craig Frew
Signature

Please Print

Title: Vice
President
Gas
Transmission
East
TransCanada

By: /s/ Max
Feldman
Signature

Max Feldman
Please Print

Title: Vice
President
Gas
Transmission
West
Please Print

APPENDIX A
Contract Identification FT5841

Date: December 01, 2005
Supersedes Appendix Dated: Not Applicable

Shipper: TRANSCANADA PIPELINES LIMITED

Maximum Daily Quantity (Dth/Day) per Location:

<u>Begin Date</u>	<u>End Date</u>	<u>Point(s) of Primary Receipt</u>	<u>Point(s) of Primary Delivery</u>	<u>MDQ</u>	<u>(MAOP)</u>
11/01/2006	10/31/2008	EMERSON		50,000	974
11/01/2006	10/31/2008		ST. CLAIR	50,000	974



TRANSPORTATION SERVICE AGREEMENT
Contract Identification FT5842

This Transportation Service Agreement (Agreement) is entered into by Great Lakes Gas Transmission Limited Partnership (Transporter) and TRANSCANADA PIPELINES LIMITED (Shipper).

WHEREAS, Shipper has requested Transporter to transport Gas on its behalf and Transporter represents that it is willing to transport Gas under the terms and conditions of this Agreement.

NOW, THEREFORE, Transporter and Shipper agree that the terms below constitute the transportation service to be provided and the rights and obligations of Shipper and Transporter.

1. **EFFECTIVE DATE:** November 30, 2006
2. **CONTRACT IDENTIFICATION:** FT5842
3. **RATE SCHEDULE:** FT
4. **SHIPPER TYPE:** Other
5. **STATE/PROVINCE OF INCORPORATION:** Canada
6. **TERM:** November 01, 2006 to October 31, 2008
7. **EFFECT ON PREVIOUS CONTRACTS:**

This Agreement supersedes, cancels and terminates, as of the effective date stated above, the following contract(s): Service Agreement dated December 01, 2005 with Contract Identification FT5842.

Shipper's and Transporter's obligations to each other arising for periods prior to the effective date stated above, remain in effect and are not being terminated by any provision of this Agreement.

8. **MAXIMUM DAILY QUANTITY (Dth/Day):** 350,000

Please see Appendix A for further detail.

9. **RATES:**

Unless Shipper and Transporter have agreed to a Discounted Rate, pursuant to Section 19.2 of the General Terms and Conditions, or to a Negotiated Rate, pursuant to Section 4.5 of the Rate Schedule named above, rates shall be Transporter's maximum rates and charges plus all applicable surcharges in effect from time to time under the applicable Rate Schedule (as stated above) on file with the Commission unless otherwise agreed to by the parties in writing. Provisions governing a Discounted Rate shall be set forth in this Paragraph 9. Provisions governing a Negotiated Rate shall be set forth on Appendix B hereto.

Contract Identification FT5842

10. **POINTS OF RECEIPT AND DELIVERY:**

The primary receipt and delivery points are set forth on Appendix A.

11. **RELEASED CAPACITY:**

N/A

12. **INCORPORATION OF TARIFF INTO AGREEMENT:**

This Agreement shall incorporate and in all respects be subject to the "General Terms and Conditions" and the applicable Rate Schedule (as stated above) set forth in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, as may be revised from time to time. Transporter may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or provisions set forth in the applicable Rate Schedule (as stated above) and the "General Terms and Conditions" in Transporter's FERC Gas Tariff, Second Revised Volume No. 1, and Transporter shall have the right to place such changes in effect in accordance with the NGA, and this Agreement shall be deemed to include such changes and any such changes which become effective by operation of law and Commission Order, without prejudice to Shipper's right to protest the same.

13. **MISCELLANEOUS:**

No waiver by either party to this Agreement of any one or more defaults by the other in the performance of this Agreement shall operate or be construed as a waiver of any continuing or future default(s), whether of a like or a different character.

Any controversy between the parties arising under this Agreement and not resolved by the parties shall be determined in accordance with the laws of the State of Michigan.

14. OTHER PROVISIONS:

It is agreed that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Partner, agent, management official or employee of the Transporter or any director, officer or employee of any of the foregoing, for any obligation of the Transporter arising under this Agreement or for any claim based on such obligation and that the sole recourse of Shipper under this Agreement is limited to assets of the Transporter.

Upon termination of this Agreement, Shipper's and Transporter's obligations to each other arising under this Agreement, prior to the date of termination, remain in effect and are not being terminated by any provision of this Agreement.

15. NOTICES AND COMMUNICATIONS:

All notices and communications with respect to this Agreement shall be in writing and sent to the addresses stated below or at any other such address(es) as may be designated in writing:

ADMINISTRATIVE MATTERS

Great Lakes Gas Transmission Limited

Partnership
5250 Corporate Drive

Troy, MI 48098
Attn: Transportation Services

TRANSCANADA
PIPELINES
LIMITED
450 - 1st Street S.W.
Calgary, AB T2P
5H1
Canada
Attn: Steve Pohlod

PAYMENT BY ELECTRONIC TRANSFER

Great Lakes Gas Transmission Limited

Partnership

JPMorgan Chase Bank, Detroit, MI
ABA No: 072000326
Account No: 07308-43

TRANSCANADA
PIPELINES
LIMITED
Attn: Adrea
Morrical

AGREED TO BY:

**GREAT LAKES GAS TRANSMISSION
LIMITED PARTNERSHIP**

By: Great Lakes Gas Transmission Company

**TRANSCANADA
PIPELINES
LIMITED**

Operator and Agent for Great Lakes Gas
Transmission Limited Partnership

By: _____ /s/ Martin Wilde
Martin Wilde

By: _____ /s/ Max
Feldman
Signature

Title: Director, Marketing & Business
Operations

Max
Feldman

Please Print

Title: Senior
Vice
President,
Canadian
Pipelines

Please Print

By: /s/ Russell
K. Girling
Signature

Please Print

Title: _____
Please Print

APPENDIX A
Contract Identification FT5842

Date: November 30, 2006
Supersedes Appendix Dated: December 01, 2005

Shipper: TRANSCANADA PIPELINES LIMITED

Maximum Daily Quantity (Dth/Day) per Location:

<u>Begin Date</u>	<u>End Date</u>	<u>Point(s) of Primary Receipt</u>	<u>Point(s) of Primary Delivery</u>	<u>MDQ</u>	<u>(MAOP)</u>
11/01/2006	10/31/2008	EMERSON		350,000	974
11/01/2006	10/31/2008		ST. CLAIR	350,000	974

AMENDED AND RESTATED
 AGREEMENT OF LIMITED PARTNERSHIP
 OF
 GREAT LAKES GAS TRANSMISSION
 LIMITED PARTNERSHIP

TABLE OF CONTENTS

	Page
ARTICLE I ORGANIZATIONAL MATTERS	
1.1 Formation	1
1.2 Name	1
1.3 Purpose	1
1.4 Registered Office; Principal Office	1
1.5 Qualification in other Jurisdictions	2
1.6 Term	2
ARTICLE II DEFINITIONS	
ARTICLE III CAPITAL CONTRIBUTIONS	
3.1 Capital Contributions	6
3.2 Additional Capital Contributions and Issuances of Limited Partnership Interests and other Securities	6
3.3 Capital Accounts	8
3.4 No Preemptive Rights	10
3.5 Interest	10
3.6 No Withdrawal	10
3.7 Loans from Partners	11
3.8 Voluntary Contributions	11
ARTICLE IV ALLOCATIONS AND DISTRIBUTIONS	
4.1 Allocations for Capital Account Purposes	11
4.2 Allocations for Tax Purposes	13
4.3 General Partners	14
4.4 Distributions	14
ARTICLE V ACCOUNTING AND TAXATION	
5.1 Fiscal Year	14
5.2 Location of Records	14
5.3 Books of Account	14
5.4 Annual Financial Statements and Tax Information	14
5.5 Taxation	15
5.6 Governmental Reports	16
5.7 Inspection of Facilities and Records	16
5.8 Deposit and Withdrawal of Funds	16

	Page
ARTICLE VI MANAGEMENT OF THE PARTNERSHIP	
6.1 Control by General Partners	16
6.2 Management Committee	17
6.3 Management Officials	20
6.4 Compensation and Reimbursement of the General Partners	22
6.5 Outside Activity	22
6.6 Dealings with the General Partners	22
6.7 Indemnification	23
6.8 Liability	24
6.9 Other Matters Concerning the General Partners	25

6.10 Title to Partnership Assets	25
ARTICLE VII LIMITATION OF LIABILITIES	
7.1 Limitation of Liability of Limited Partners	26
7.2 Limitation of Authority of Partners	26
7.3 Cross-Indemnification	26
7.4 Limited Recourse	26
ARTICLE VIII TRANSFER OR PLEDGE OF PARTNERSHIP INTERESTS	
8.1 Additional Definitions	27
8.2 Transfer	28
8.3 Right of First Refusal	29
8.4 Mechanics of Transfer	29
8.5 Further Restrictions on Transfer	30
ARTICLE IX ADMISSION OF PARTNERS	
9.1 Admission of Additional Limited Partners	30
9.2 Admission of Additional General Partners	30
9.3 Admission of Successor General Partners	30
9.4 Amendment of Agreement and of Certificate of Limited Partnership	30
ARTICLE X WITHDRAWAL AND REMOVAL OF PARTNERS	
10.1 Withdrawal of General Partners	31
10.2 Removal of General Partners	31
10.3 Withdrawal of Limited Partners	31
10.4 Liability of Withdrawing Partner	31
ARTICLE XI DISSOLUTION AND LIQUIDATION	
11.1 Dissolution	31

	<u>Page</u>
11.2 Winding Up and Liquidation	32
11.3 Cancellation of Certificate of Limited Partnership	32
11.4 Return of Capital	32
11.5 Waiver of Partition	33
11.6 Continuance of Partnership	33
11.7 Termination Subject to Natural Gas Act	33
ARTICLE XII AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE	
12.1 Amendments to be Adopted Solely by the General Partners	34
12.2 Amendment Procedures	35
ARTICLE XIII DISPUTE RESOLUTION	
13.1 Agreement to Arbitrate	35
13.2 Procedure	35
ARTICLE XIV GENERAL PROVISIONS	
14.1 Notices	36
14.2 Further Assurances	37
14.3 Applicable Law	37
14.4 Counterparts	37
14.5 Headings	37
14.6 Waiver	37
14.7 Laws and Regulatory Bodies	37
14.8 Section Numbers	37
14.9 References to Money	37
14.10 Severability	37
14.11 Third Persons	38
14.12 Binding Effect	38
14.13 Integration	38
14.14 Survival	38

**AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
GREAT LAKES GAS TRANSMISSION LIMITED PARTNERSHIP**

This AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP is entered into by and among TransCanada GL, Inc., a Delaware corporation, TC GL Intermediate Limited Partnership, a Delaware limited partnership and Great Lakes Gas Transmission Company, a Delaware corporation.

All capitalized terms used herein and not otherwise defined are defined in Article II.

ARTICLE I

ORGANIZATIONAL MATTERS

1.1 **Formation.** On April 5, 1990, the Certificate of Limited Partnership was filed with the Secretary of State of the State of Delaware in accordance with the Partnership Act, thereby forming the Partnership. The General Partners shall execute and cause to be filed, as appropriate, such further amendments to the Certificate of Limited Partnership and other documents as are or become necessary or advisable, as determined by the General Partners acting through the Management Committee. The Partners hereby amend and restate the Prior Agreement in its entirety. This amendment and restatement shall become effective on the date of this Agreement.

1.2 **Name.** The name of the Partnership shall be, and the business of the Partnership shall be conducted under the name of, "Great Lakes Gas Transmission Limited Partnership". The words "Limited Partnership" or the abbreviation "L.P." shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partners may change the name of the Partnership upon written notice to the Partners, with such variations thereof as may be necessary to comply with the laws of other states, or Canadian provinces, within which the Partnership may do business.

1.3 **Purpose.** The purpose and business of the Partnership shall be any business that may lawfully be conducted by a limited partnership organized pursuant to the Partnership Act, including, without limitation, the management, operation and disposition of the Initial Facilities and any Incremental Expansion; the carrying on of any business relating thereto or arising therefrom; the entering into of any partnership, joint venture or other similar arrangement to engage in any of the foregoing or the ownership of interests in any entity engaged in any of the foregoing; and anything incidental or necessary to the foregoing.

1.4 **Registered Office; Principal Office.** The address of the registered office of the Partnership in the state of Delaware shall be Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership shall be 5250 Corporate Drive, Troy, MI 48098, or such other place as the Management Committee may from time to time determine. Written notice of any change in such offices shall be given to each Partner.

1.5 **Qualification in other Jurisdictions.** The General Partners shall cause the Partnership to be qualified or registered under assumed or fictitious names or foreign limited partnership statutes or similar laws, or take other appropriate action, in any jurisdiction in which the Partnership owns property or transacts business if such qualification, registration or other appropriate action is reasonably necessary or reasonably anticipated to be necessary, in order to protect the limited liability of the Limited Partner(s), or to permit the Partnership lawfully to own property or transact business in such jurisdiction. The General Partners shall execute and cause to be filed and published all such certificates, notices, statements or other instruments reasonably necessary or reasonably anticipated to be necessary to permit the Partnership to conduct business as a limited partnership in all jurisdictions where the Partnership elects to do business and to maintain the limited liability of the Limited Partner(s).

1.6 **Term.** The Partnership commenced upon the filing of the Certificate of Limited Partnership of the Partnership in accordance with the Partnership Act and shall continue in existence until April 5, 2040, or until the earlier termination of the Partnership in accordance with the provisions of Article XI.

ARTICLE II

DEFINITIONS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

Additional Limited Partner. A Partner admitted to the Partnership as a Limited Partner pursuant to Section 9.2 and shown as a Limited Partner on the books of the Partnership.

Adjusted Basis. With respect to Partnership assets as of any date of determination, the Partnership's adjusted basis of such assets, as determined for Federal income tax purposes, pursuant to Section 1011 of the Code.

Adjusted Capital Account Deficit. With respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year or other period, after giving effect to the following adjustments:

- (a) Credit to such Capital Account any amounts that such Partner is obligated to restore or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulation Section 1.704-1T(b)(4)(iv)(f) and 1.704-1T(b)(4)(iv)(h)(5), as the case may be;
- (b) Debit to such Capital Account the items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6), taking into account for purposes of this third cited Treasury Regulation Section any offsetting increase described in the proviso of Treasury Regulation Section 1.704-1T(b)(4)(iv)(e)(3); and

(c) Credit and debit to such Capital Account, in the sole discretion of the Management Committee, any other items required or permitted under Section 704(b) of the Code and Treasury Regulations thereunder.

Adjusted Property. A Partnership property, the Carrying Value of which has been adjusted pursuant to Section 3.3(c).

Affiliate. Any Person which, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with any Person, including, but not limited to: (a) a Parent of a Partner; (b) a corporation more than 50% of the outstanding voting stock of which is owned directly or indirectly by a Partner or a Parent of a Partner; or (c) a corporation more than 50% of the outstanding voting stock of which is owned directly or indirectly by a corporation more than 50% of the outstanding voting stock of which is owned directly or indirectly by a Partner or by a Parent of a Partner. For the purposes of this Agreement, no General Partner shall be considered to be an Affiliate of any other General Partner.

Agreed Value. With respect to any property contributed to the Partnership or distributed by the Partnership to any Partner, the gross fair market value of such property (i.e., without regard to any liabilities assumed by the Partnership or to which such property is subject) as determined in good faith by the Management Committee.

Agreement. This Amended and Restated Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time.

Arbitrator. Arbitrator shall have the applicable meaning set forth in Section 13.2.

Capital Account. The capital account maintained for a Partner pursuant to Section 3.3. The Capital Accounts of the Partners established pursuant to this Agreement shall not be deemed to be, nor have the same meaning as, the capital account of the Partnership under the Natural Gas Act.

Capital Contribution. Any cash or Contributed Property that a Partner has contributed to the Partnership as of the date of this Agreement or will contribute to the Partnership pursuant to Article III.

Carrying Value. With respect to (a) any Contributed Property, the Agreed Value of such property and (b) any property other than Contributed Property, the Adjusted Basis of such property for Federal income tax purposes, in both cases reduced (but not below zero) by all depreciation and cost recovery deductions charged to the Partners' Capital Accounts. The Carrying Value of the Partnership properties shall be adjusted from time to time in accordance with Section 3.3(c) and to reflect additions to basis and other adjustments deemed appropriate by the Management Committee in accordance with the terms of this Agreement.

Certificate of Limited Partnership. The Certificate of Limited Partnership with respect to the Partnership that was filed with the Secretary of State of the State of Delaware on April 5, 1990.

Certified Public Accountants. A firm of independent public accountants selected from time to time by the Management Committee.

Code. The Internal Revenue Code of 1986, as amended (and any successor thereto).

Contributed Property. Each Contributing Partner's interest in each property (at the time of contribution to the Partnership) or other consideration, in such form as may be permitted by the Partnership Act, but excluding cash, contributed to the Partnership by such Contributing Partner, including the Initial Facilities.

Contributing Partner. Each Partner contributing a Contributed Property to the Partnership in exchange for a Partnership Interest.

DOE. The Department of Energy or any department, commission, agency or other governmental body succeeding to the powers of such department.

Event of Withdrawal. An event of withdrawal as specified in Section 17-402 of the Partnership Act.

Facilities. The Initial Facilities and any and all Incremental Expansions.

FERC. The Federal Energy Regulatory Commission or any commission, agency or other governmental body succeeding to the powers of such commission.

General Partner. TransCanada GP, TCGL GP or any successor to either such Person in its respective capacity as a general partner of the Partnership.

General Partnership Interest. A Partnership Interest of a General Partner in its capacity as a General Partner.

Great Lakes. Great Lakes Gas Transmission Company, a Delaware corporation.

Incremental Expansion. Any facilities installed to modify, improve or expand the Facilities or any portion thereof, except in connection with customary maintenance, to permit the delivery capacity of the Initial Facilities to be increased after the date of this Agreement.

Initial Facilities. The real, personal and mixed property (whether tangible or intangible) owned and operated by the Partnership for the transmission of natural gas as of the date of this Agreement.

Limited Partner. (a) Great Lakes, (b) any Additional Limited Partner and (c) any Substituted Limited Partner, but excluding any Person who transfers its Limited Partnership Interest to any Substituted Limited Partner in accordance with the terms hereof.

Limited Partnership Interest. A Partnership Interest of a Limited Partner in its capacity as a Limited Partner.

4

Majority Interest. Limited Partners holding more than 50% of the aggregate Percentage Interest of all Limited Partners.

Management Committee. The Management Committee provided for in Article VI.

Minimum Gain. Minimum Gain shall have the meaning set forth in Section 4.1(c) hereof.

Net Agreed Value. (a) In the case of any Contributed Property, the Agreed Value of such property or other consideration reduced by any indebtedness or liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed and (b) in the case of any property distributed to a Partner pursuant to Article IV or distributed to a Partner in liquidation of the Partnership pursuant to Article XI, the fair market value of such property at the time such property is distributed (as determined under such provisions of this Agreement) reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject when distributed.

Operating Agreement. The Operating Agreement dated April 5, 1990 between Great Lakes and the Partnership, as it may be amended, supplemented or restated from time to time with the approval of the Management Committee.

Parent. Any Person which owns, directly or indirectly, more than 50% of the outstanding equity interests of a Partner.

Partner. Each of the Persons executing this Agreement (whether so executing as a General Partner or a Limited Partner), any Substituted Limited Partner and any Additional Limited Partner, but excluding any Person for whom another Person has been substituted as a Partner in the Partnership pursuant to this Agreement.

Partnership. The Delaware limited partnership formed pursuant to Section 1.1 of this Agreement.

Partnership Act. The Revised Uniform Limited Partnership Act of the State of Delaware, as amended.

Partnership Interest. The interest of a Partner in the Partnership.

Percentage Interest. As to each Partner, the percentage set forth opposite the Partner's name on the Schedule of Percentage Interests attached hereto as Exhibit A (as such Exhibit may be updated from time to time to account for any Additional Limited Partners or Substituted Limited Partners).

Person. An individual, corporation, voluntary association, joint stock company, business trust, partnership or other entity.

Prior Agreement. The Agreement of Limited Partnership of the Partnership dated as of April 5, 1990.

5

Recapture Income. Any gain recognized upon the sale or other taxable disposition of a Partnership asset that is not capital gain because such gain represents the recapture of deductions previously taken for federal income tax purposes with respect to the asset.

Required Accounting Practice. The accounting rules and regulations, if any, at the time prescribed by the regulatory body or bodies under the jurisdiction of which the Partnership is at the time operating and, to the extent of matters not covered by such rules and regulations, generally accepted accounting principles as practiced in the United States at the time prevailing for companies engaged in a business similar to that of the Partnership.

Section 754 Election. An election under Section 754 of the Code relating to the adjustment of the adjusted basis of the Partnership Assets as provided in Sections 734 and 743 of the Code.

Substituted Limited Partner. A Person who becomes a Limited Partner to the Partnership pursuant to Article VIII in place of and with all the rights of a Limited Partner.

TCGL GP. TC GL Intermediate Limited Partnership, a Delaware limited partnership.

TransCanada GP. TransCanada GL, Inc., a Delaware corporation.

Treasury Regulations. The regulations promulgated under the Code, as such regulations may be amended from time to time.

Unrealized Gain. The excess, if any, of the fair market value of Partnership property (as determined under Section 3.3(c)) as of the date of determination over the Carrying Value of such property as of such date of determination.

Unrealized Loss. The excess, if Any, of the Carrying Value of Partnership property (as determined under Section 3.3(c)) as of the date of determination over the fair market value of such property as of such date of determination.

ARTICLE III

CAPITAL CONTRIBUTIONS

3.1 Capital Contributions. As of the execution of this Agreement, the initial Percentage Interest of each Partner is as set forth in Exhibit A. The General Partners shall from time to time update Exhibit A to reflect any changes in Percentage Interests and/or any Additional Limited Partners and Substituted Limited Partners, in each case as contemplated by, and in accordance with the terms and conditions of, this Agreement.

3.2 Additional Capital Contributions and Issuances of Limited Partnership Interests and other Securities. In order to raise additional capital or to acquire assets, to redeem or retire Partnership debt, or for any other Partnership purposes, the Management Committee is authorized (x) to cause the General Partners to make a capital contribution to the Partnership, or (y) to cause the Partnership to issue Limited Partnership Interests at any time or from time to time to any General Partner, to Limited Partners or to other Persons and to admit them to the

6

Partnership as Additional Limited Partners, all without any consent or approval of the Limited Partners or any percentage thereof. With respect to any additional capital contribution or issuance of Limited Partnership Interests hereunder, the Management Committee shall have sole and complete discretion in determining the resulting Percentage Interest of each Partner, the allocations of items of Partnership income, gain, loss, deduction and credit to each Partner and the consideration and terms and conditions with respect to any future issuance of Limited Partnership Interests. In addition, the Management Committee shall have sole and complete discretion to cause the Partnership to issue Limited Partnership Interests from time to time in one or more classes, or one or more series of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to existing classes and series of Limited Partnership Interests, as shall be fixed by the Management Committee in the exercise of its sole and complete discretion, including, without limitation, (i) the allocation of items of Partnership income, gain, loss, deduction and credit to each such class or series of Limited Partnership Interests; (ii) the right of each such class or series of Limited Partnership Interests to share in Partnership distributions; (iii) the rights of each such class or series of Limited Partnership Interests upon dissolution and liquidation of the Partnership; (iv) the price at which and the terms and conditions upon which each such class or series of Limited Partnership Interests may be redeemed by the Partnership; (v) the rate at which and the terms and conditions upon which each such class or series of Limited Partnership Interests may be converted into another class or series of Limited Partnership Interests of the Partnership; (vi) the terms and conditions upon which each such class or series of Limited Partnership Interests will be issued, evidenced by certificates and assigned or transferred; and (vii) the right of each such class or series of Limited Partnership Interests to vote on Partnership matters, including matters relating to the relative rights, preferences and privileges of each such class or series. Upon or prior to the issuance of any class or series of Limited Partnership Interests that shall not be identical to the Limited Partnership Interests that have been issued to the then Limited Partners, the General Partners, without the consent at the time of any Partner, each Partner hereby consenting to any and each such amendment, may amend any provision of this Agreement and the General Partners may execute, swear to, acknowledge, deliver, file and record such documents as the General Partners acting through the Management Committee may in their sole discretion determine to be necessary or appropriate in connection therewith in order to reflect the authorization and issuance of each such class or series of Limited Partnership Interests and the relative rights and preferences as to the matters set forth in the preceding sentence. The Management Committee is also authorized to cause the Partnership to issue any other type of security (including, without limitation, secured and unsecured debt obligations of the Partnership, debt obligations of the Partnership convertible into any class or series of Limited Partnership Interests that may be issued by the Partnership, or options, rights, warrants or appreciation rights relating to any class or series of Limited Partnership Interests, any debt obligations or any combination of any of the foregoing) from time to time to any General Partner, Limited Partner or other Person on terms and conditions established in the sole and complete discretion of the Management Committee. The Management Committee shall do all things it deems to be appropriate or necessary to comply with the Partnership Act and are authorized and directed to do all things they deem to be necessary or advisable in connection with any such future issuance, including compliance with any statute, rule, regulation or guideline of any Federal, state or other governmental agency or any securities exchange on which any such security is listed for trading.

7

3.3 Capital Accounts. (a) The Partnership shall maintain for each Partner a separate Capital Account in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be credited with (i) the amount of cash and Net Agreed Value of property contributed to the Partnership pursuant to this Agreement and (ii) all items of income and gain (including income and gain exempt from tax) computed in accordance with this Section 3.3 and allocated pursuant to Section 4.1 and debited by (iii) the cash distributions and the Net Agreed Value of all distributions of property made with respect to a Partnership Interest and (iv) all items of deduction and loss computed in accordance with this Section 3.3 and allocated pursuant to Section 4.1.

(b) For purposes of computing the amount of each item of income, gain, deduction or loss to be reflected in the Capital Accounts of the Partners, the determination, recognition and classification of such items shall be the same as its determination, recognition and classification for Federal income tax purposes (including any method of depreciation, cost recovery or amortization used for this purpose), provided that:

(i) In accordance with Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to a Contributed Property shall be determined as if the Adjusted Basis of such property on the date it was contributed to the Partnership was equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 3.3(c) to the Carrying Value of any Partnership Property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined as if the Adjusted Basis of such property was equal to the Carrying Value of such property immediately following such adjustment. For any period, depreciation, cost recovery or amortization attributable to any property described in this Section 3.3(b)(i) shall be an amount that bears the same relationship to the Agreed Value (in the case of Contributed Property) or Carrying Value (immediately following any adjustment referred to in the preceding sentence), as the case may be, of such property at the beginning of the period as the Federal income tax depreciation, cost recovery or amortization deduction with respect to such property for the period bears to the Adjusted Basis of such property at the beginning of the period; provided, that if such property has a zero Adjusted Basis, the depreciation, cost recovery or amortization may be determined under any reasonable method selected by the Management Committee. For all purposes of this Section 3.3, depreciation, cost recovery or amortization shall be in lieu of any Federal income tax depreciation, cost recovery or amortization deductions with respect to such property.

(ii) Any item of income, gain, loss or deduction attributable to the taxable disposition of any Partnership asset shall be determined by the Partnership as if the Adjusted Basis of such asset as of such date of disposition was equal in amount to the Partnership's

(iii) If the Partnership's Adjusted Basis in any property subject to depreciation or cost recovery is reduced for Federal income tax purposes pursuant

to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall be treated as an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 4.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall be treated as an item of income or gain and allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(iv) The computation of all items of income, gain, loss and deduction shall be made without regard to any Section 754 Election which may be made by the Partnership (except to the extent required by Treasury Regulation Section 1.704-1(b)(2)(iv)(m)) and, as to those items described in Section 705(a)(1)(B) or Section 705(a)(2)(B) of the Code (including items treated as Section 705(a)(2)(B) expenditures under Treasury Regulation Section 1.704-1(b)(2)(iv)(i)), without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalizable for Federal income tax purposes.

(c) (i) Upon the acquisition of an additional interest in the Partnership by any new or existing Partner in exchange for more than a de minimis Capital Contribution, the Capital Accounts of all Partners (and the Carrying Values of all Partnership properties) shall be adjusted upwards or downwards to reflect any Unrealized Gain or Unrealized Loss attributable to the Partnership properties as if such Unrealized Gain or Unrealized Loss has been recognized upon an actual sale of such properties immediately prior to such issuance and was allocated to the Partners, at such time, pursuant to Section 4.1. In determining such Unrealized Gain or Unrealized Loss, the fair market value of Partnership property shall be determined by the Management Committee using such reasonable method of valuation as it deems appropriate.

(ii) Immediately prior to the distribution of more than a de minimis amount of cash or any Partnership property as consideration for an interest in the Partnership (whether in liquidation of the Partnership or otherwise), the Capital Accounts of all Partners (and the Carrying Value of all Partnership properties) shall, immediately prior to any such distribution, be adjusted upwards or downwards to reflect any Unrealized Gain or Unrealized Loss attributable to all Partnership properties as if such Unrealized Gain or Unrealized Loss has been recognized upon an actual sale of such properties immediately prior to such distribution and was allocated to the Partners, at such time, pursuant to Section 4.1. In determining such Unrealized Gain or Unrealized Loss, the fair market value of Partnership property shall be determined by the Management Committee using such reasonable method of valuation as it deems appropriate.

(iii) Notwithstanding anything to the contrary in this Section 3.3(c), any adjustment pursuant to Section 3.3(c)(i) or 3.3(c)(ii) shall be made only if the Management Committee reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership.

(d) The determination of the amount of any liability for purposes of this Section 3.3 (including, without limitation, the computation of Agreed Value, Unrealized Gain and Unrealized Loss) shall be made in accordance with Section 752(c) of the Code and any other applicable provisions of the Code and Treasury Regulations thereunder.

(e) In the event all or a portion of an interest in the Partnership is transferred in accordance with the terms of this Agreement, the Capital Account of the transferee shall be determined in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(1).

(f) It is the intention of the Partners that Capital Accounts shall be determined in a manner so that the allocations in, this Agreement will have, or be deemed to have, substantial economic effect under Section 704(b) of the Code and Treasury Regulations thereunder. In the event that the Management Committee determines that it is prudent to modify the manner in which Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities that are secured by contributed or distributed property or that are assumed by the Partnership or the Partners or their Affiliates) are computed in order to comply with such Treasury Regulations, the Management Committee shall make such modification, but only if such modification is not likely to have a material effect on the amounts distributable to the Partners pursuant to Article XI. In the event that unanticipated events might otherwise cause this Agreement not to comply with such Treasury Regulations, the Management Committee, consistent with the prior sentence, shall make such modifications as it deems appropriate.

(g) Negative Capital Accounts. Subject to Section 11.4, no Partner shall be required to pay to the Partnership or to any other Partner or other Person any deficit or negative balance which may exist in such Partner's Capital Account upon liquidation of the Partnership or such Partner's interest in the Partnership.

3.4 No Preemptive Rights. Except as otherwise provided in Articles X or XI hereof, no Partner shall have any preemptive or preferential right, including any such right with respect to (a) additional Capital Contributions; (b) issuance or sale of Partnership Interests, whether unissued, held in the treasury or thereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such unissued Partnership Interests held in treasury; (d) issuance of any right of, subscription to or right to receive, or any warrant or option for the purchase of, any of the foregoing securities; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

3.5 Interest. No interest shall be paid by the Partnership on Capital Contributions or on balances in Partners' Capital Accounts.

3.6 No Withdrawal. Except as otherwise provided herein or consented to by each of the General Partners, no Partner shall be entitled to withdraw any part of his or its (or his or its predecessor's) Capital Contribution or Capital Account or to receive any distribution from the Partnership.

10

3.7 Loans from Partners. Loans by a Partner to the Partnership shall not be considered Capital Contributions. If any Partner shall advance funds to the Partnership in excess of the amounts required hereunder to be contributed by him or it to the capital of the Partnership, the making of such advances shall not result in any increase in the amount of the Capital Account of such Partner. The amounts of any such advances shall be a debt of the Partnership to such Partner and shall be payable or collectible only out of the Partnership assets in accordance with the terms and conditions upon which such advances are made.

3.8 Voluntary Contributions. No Partner shall make any Capital Contribution except pursuant to this Article III.

ARTICLE IV

ALLOCATIONS AND DISTRIBUTIONS

4.1 Allocations for Capital Account Purposes. (a) For purposes of maintaining the Capital Accounts and determining the rights of the Partners among themselves, the Partnership items of income, gain, loss and deduction shall be computed as provided in Section 3.3 and, except as provided below, shall be allocated among the Partners in proportion to their respective Percentage Interests. Notwithstanding the foregoing, if, upon the sale or other taxable disposition of substantially all of the Partnership's property, the Capital Accounts of the Partners are not in the ratio of the Percentage Interests of the Partners, gain or loss from such sale or disposition shall be first allocated among the Partners to cause the Capital Accounts to be in the ratio of such Percentage Interests, with the balance of such gain or loss, if any, allocated among the Partners in proportion to their respective Percentage Interests.

(b) In the event that any Partner unexpectedly receives an adjustment, allocation or distribution described in clauses (4), (5) or (6) of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) that results in such Partner having an Adjusted Capital Account Deficit, such Partner shall be allocated Partnership items of income and gain in an amount and manner sufficient to eliminate, to the extent required by such regulations, the Adjusted Capital Account Deficit of such Partner as quickly as possible; provided, that an allocation pursuant to this Section 4.1(b) shall be made only if and to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 4.1 have been tentatively made as if this Section 4.1(b) were not in this Agreement. This Section 4.1(b) is intended to constitute a "qualified income offset" within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(3) and shall be interpreted consistently with such provisions.

(c) In accordance with and pursuant to Treasury Regulation Section 1.704-1T(b)(4)(iv)(e), (f) and (h), if there is a net decrease in the Partnership's Minimum Gain during any taxable year, all Partners shall be allocated, before any other allocation is made of Partnership items for such taxable year, items of income and gain for such year (and, if necessary, subsequent years) in an amount equal to the greater of (a) each such Partner's share of the net decrease in Minimum Gain that is allocable to the disposition of Partnership property subject to one or more nonrecourse liabilities of the Partnership, as determined pursuant to Treasury Regulation Section 1.704-1T(b)(4)(iv)(f) and (h), as

11

applicable, or (b) if such Partner would otherwise have an Adjusted Capital Account Deficit at the end of such year, an amount sufficient to eliminate such Adjusted Capital Account Deficit. This Section 4.1(c) is intended to comply with the "minimum gain chargeback" requirement in such Treasury Regulations and shall be interpreted consistently therewith.

(d) All items of loss, deduction or expenditure that in accordance with the principles of Treasury Regulation Section 1.704-1T(b)(4)(iv)(h)(3) are attributable to a Partner nonrecourse debt (as defined in Treasury Regulation Section 1.704-1T(b)(4)(iv)(k)(4)) shall be allocated to the Partner that bears the economic risk of loss with respect to such Partner nonrecourse debt within the meaning of Treasury Regulation Section 1.704-1T(b)(4)(iv)(k)(1).

(e) No allocation of loss or item thereof shall be made to any Partner to the extent such allocation would create or increase an Adjusted Capital Account Deficit of such Partner. Any losses or items thereof that cannot be allocated to Partners by reason of the prior sentence (the "Excess Loss") shall, subject to the prior sentence, be allocated to the other Partners in proportion to such other Partners' Percentage Interests, and this method of allocation shall continue until such Excess Loss shall have been completely allocated.

(f) To the extent of any Recapture Income resulting from the sale or other taxable disposition of a Partnership asset, the amount of any gain allocated to each of the Partners shall be Recapture Income to the extent such Partner (or a predecessor in interest) has been allocated or has claimed any deduction directly or indirectly giving rise to the treatment of such gain as Recapture Income.

(g) Notwithstanding any other provision of this Section 4.1 other than Sections 4.1(b) through 4.1(e) (the "Required Allocations"), the Required Allocations shall be taken into account in making the allocations under Section 4.1(a) (the "Agreed Allocations") so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each Partner under the Agreed Allocations had the Required Allocations not otherwise been provided for in this Section 4.1.

(h) It is the intent of the parties to this Agreement that the chargeback provisions and the limitation on loss allocation provisions provided herein satisfy the "allocation of nonrecourse deduction" rules provided in Treasury Regulation Section 1.704-1T(b)(4)(iv) and the requirements of Treasury Regulation Section 1.704-1T(b)(2)(ii)(d) (relating to the alternate test for economic effect and qualified income offset). It is further intended that the allocations under this Section shall effect an allocation for Federal income tax purposes in a manner so that allocations in this Agreement will have, or be deemed to have, substantial economic effect under Section 704(b) of the Code and the Treasury Regulations

amend these provisions if it receives an opinion of counsel that such an amendment is necessary to reflect allocations consistent with such regulations.

(i) The Partnership shall allocate items of income, gain, loss, deduction and credit attributable to a Partnership Interest that is assigned during a year between the assignor and assignee of such Partnership Interest or to a newly issued Partnership interest in accordance with any method that the Management Committee determines is likely to be upheld under Section 706 of the Code.

4.2 Allocations for Tax Purposes. (a) For Federal and state income tax purposes, except as otherwise provided in this Section 4.2, each item of Partnership income, gain, loss and deduction shall be allocated to the Partners consistent with the allocations of income, gain, loss and deduction heretofore described in Section 4.1.

(b) In accordance with Section 704(c) of the Code and the Treasury Regulations thereunder (and any corresponding provisions of applicable state law), income, gain, loss, and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for Federal income tax purposes and its Agreed Value.

In the event the Carrying Value of any Partnership asset is adjusted pursuant to Section 3.3(c) hereof, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take into account any variation between adjusted basis of such asset for Federal income tax purposes and its Carrying Value in the same manner as under Section 704(c) of the Code and the Treasury Regulations thereunder.

(c) All items of income, gain, loss, deduction, credit and basis allocation recognized by the Partnership for Federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code that may be made by the Partnership; provided, that such allocations, once made, shall be adjusted, as necessary or appropriate, to take into account those adjustments permitted by Sections 734 and 743 of the Code and, where appropriate, to provide only Partners recognizing gain on Partnership distributions covered by Section 734 of the Code with the Federal income tax benefits attributable to the increased basis in Partnership property resulting from any election under Section 754 of the Code.

(d) Any credits of the Partnership shall be allocated to the Partners in accordance with their respective Percentage Interests or as required by the Code and Treasury Regulations thereunder.

(e) Allocations pursuant to this Section 4.2 are solely for Federal, state and local tax purposes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of income, gain, loss and deduction or distributions pursuant to any provision of this Agreement.

(f) The Partners are aware of the income and other tax consequences of the allocations made by this Article IV and hereby agree to be bound by the provisions of this Article IV in reporting their shares of items of Partnership income, gain, loss, deduction and credit.

4.3 General Partners. Notwithstanding anything to the contrary that may be expressed or implied in this Agreement, the interests of the General Partners as General Partners, taken together, in each material item of Partnership income, gain, loss, deduction or credit shall be equal to at least 1% of each such item at all times during the existence of the Partnership, subject to the temporary allocations required under Section 704(b) and (c) of the Code provided for in this Agreement.

4.4 Distributions. (a) Within 75 days after the end of each of its fiscal years, the Partnership shall distribute cash to the Partners in proportion to their respective Percentage Interests in an aggregate amount equal to the Federal taxable income of the Partnership allocated to the Partners multiplied by the sum of the highest Federal corporate income tax rate (currently 35%) and an assumed combined state and local income tax rate of 3%.

(b) Other than the distributions required to be made under Section 4.4(a) above, the Management Committee may from time to time in its sole discretion cause the Partnership to distribute cash or other property to the Partners in accordance with their respective Percentage Interests.

(c) No reimbursement for expenses made pursuant to this Agreement and no payment described in Section 707(c) of the Code shall be deemed to be distributions for purposes of this Agreement.

ARTICLE V

ACCOUNTING AND TAXATION

5.1 Fiscal Year. The fiscal year of the Partnership shall be the calendar year.

5.2 Location of Records. The books of account for the Partnership shall be kept and maintained at the principal office of the Partnership or at such other place as the Management Committee shall determine.

5.3 Books of Account. The books of account for the Partnership shall be:

- (a) Maintained on an accrual basis in accordance with Required Accounting Practice; and
- (b) Audited by the Certified Public Accountants at the end of each fiscal year.

5.4 Annual Financial Statements and Tax Information. As soon as practicable following the end of each fiscal year of the Partnership, the Management Committee shall cause to be prepared and delivered to each Partner:

14

-
- (a) A profit and loss statement and a statement of cash flow for such fiscal year and a balance sheet as of the end of such fiscal year, together with a report thereon of the Certified Public Accountants; and
 - (b) Such Federal, state and local income tax returns and such other accounting, tax information and schedules as shall be necessary for the preparation by each Partner of its Federal, state and local income tax returns for such fiscal year.

5.5 Taxation. The Parties intend that the Partnership shall be treated as a “partnership” for Federal and state tax purposes. The Partnership’s state and Federal income tax returns shall be approved by the Management Committee and subject to review by the Certified Public Accountants, counsel or other Person or Persons designated by the Management Committee for such purpose. All of the Partnership elections for state and Federal income tax purposes shall be determined by the Management Committee.

(a) Tax Controversies. TransCanada GP is designated the “Tax Matters Partner” (as defined in Section 6231 of the Code), and is authorized and required to represent the Partnership (at the Partnership’s expense) in connection with all examinations of the Partnership’s affairs by tax authorities, including, without limitation, administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith; provided, however, that the Tax Matters Partner shall not take any action as such Tax Matters Partner unless such action shall have been approved by the Management Committee. Each Partner agrees to cooperate with the Management Committee and to do or refrain from doing any and all things reasonably required by the Management Committee to conduct such proceedings.

(b) Withholding. Notwithstanding any other provision of this Agreement, the Management Committee is authorized to take any action that it determines to be necessary or appropriate to cause the Partnership to comply with any Federal, state and local withholding requirement with respect to any allocation, payment or distribution by the Partnership to any Partner or other Person. All amounts so withheld shall be treated as distributions to the Partners under Article IV or XI, as the case may be. If any such withholding requirement with respect to any Partner exceeds the amount distributable to such Partner under Article IV or XI, or if any such withholding requirement was not satisfied with respect to any amount previously allocated or distributed to such Partner under Article IV or XI, such Partner and any successor or assignee with respect to such Partner’s interest in the Partnership hereby indemnifies and agrees to hold harmless the General Partners and the Partnership for such excess amount or such withholding requirement, as the case may be.

(c) Tax Elections. The Partnership shall make the election under Section 754 of the Code in accordance with applicable Treasury Regulations thereunder for the first fiscal year in which such election could apply, subject to the reservation of the right to seek to revoke any such election upon the Management Committee’s determination that such revocation is in the best interests of the Partners. In addition to the foregoing, the Management Committee shall, in its sole discretion, determine whether to make any other

15

available tax elections and select any other appropriate tax accounting methods and conventions for any purpose under this Agreement.

5.6 Governmental Reports. Under the direction of the Management Committee, the Partnership shall prepare and file, or cause to be prepared and filed, all reports prescribed by FERC and any other commission or governmental agency having jurisdiction over the Partnership.

5.7 Inspection of Facilities and Records. Each Partner shall have the right at all reasonable times during usual business hours to inspect the facilities of the Partnership and to audit, examine and make copies of the books of account and other records of the Partnership. Such right may be exercised through any agent or employee of such Partner designated in writing by it or by an independent public accountant, petroleum engineer, attorney or other consultant so designated. The Partner making the request shall bear all costs and expenses incurred in any inspection, examination or audit made at such Partner’s behest.

5.8 Deposit and Withdrawal of Funds. Funds of the Partnership shall be deposited in such banks or other depositories as shall be designated from time to time by the Management Committee. All withdrawals from any such depository shall be made only as authorized by the Management Committee and shall be made only by check, wire transfer, debit memorandum or other written instruction.

ARTICLE VI

MANAGEMENT OF THE PARTNERSHIP

6.1 Control by General Partners. The General Partners through the operation of the Management Committee shall conduct, direct and exercise full control over all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partners which powers shall be exercised solely through the operation of the Management Committee, and no Limited Partner shall have any management power over the business and affairs of the Partnership. The General Partners through the operation of the Management Committee shall have full power and authority to do or cause the Partnership to do all things deemed necessary or desirable by them, in their sole discretion, in connection with or to conduct the business of the Partnership, including, without limitation, (A) the establishing of reserves, the making of any expenditures, the lending of money, the borrowing of money, the guaranteeing or assumption of indebtedness and other liabilities, the

issuance of indebtedness and other liabilities, the issuance of evidences of indebtedness, and the securing of the same by mortgage, deed of trust, or other lien or encumbrance, and the incurring of any obligations it deems necessary for the conduct of the activities of the Partnership, (B) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership and the merger of the Partnership with or into another entity, (C) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose and on any terms it sees fit, including, without limitation, the financing of the conduct of the operations of the Partnership, the lending of funds to other Persons and the repayment of obligations of the Partnership, (D) the negotiation and execution on any terms deemed desirable in its sole

discretion and the performance of any contracts, conveyances or other instruments that it considers useful or necessary to the conduct of the Partnership's operations or the implementation of its powers under this Agreement, (E) the distribution of Partnership cash, (F) the selection and dismissal of employees and outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring, (G) the maintenance of insurance and the adoption of fringe benefit plans for the benefit of the Partnership, the Partners and officers, employees and agents of the Partnership as it deems necessary, (H) the formation of any further limited or general partnerships, joint ventures or other relationships that it deems desirable, (I) the control of any matters affecting the rights and obligations of the Partnership, including, without limitation, the conduct of litigation, the incurring of legal expenses and the settlement of claims and litigation, (J) the issuance, purchase, sale or other acquisition or disposition of Partnership Interests or any security of the Partnership, and the cancellation of acquired Partnership Interests or any security of the Partnership, at such times and on such terms as they deem to be in the best interest of the Partnership and the Partners and (K) the acts necessary to enter into leases for real or personal property or agreements in connection with sale and leaseback transactions. No General Partner shall have the power to bind the Partnership or otherwise undertake any action on behalf of the Partnership without the consent of or at the direction of the Management Committee.

6.2 Management Committee. (a) The General Partners hereby designate a Management Committee to consist of six individual members; three of whom shall be designated by TCGL GP (the "TCGL Committee Members") and three of whom shall be designated by TransCanada GP (the "TransCanada Committee Members") (The TCGL Committee Members and the TransCanada Committee Members are sometimes hereinafter referred to as the "Committee Members"). The business of the Partnership shall be managed by the General Partners through the Management Committee which shall exercise all of the powers of the General Partners. Each member of the Management Committee shall be a duly authorized officer or representative of the entity that so designated him and shall be duly authorized to act on behalf of and bind such entity in its capacity as a general partner of the Partnership. All actions taken by the members of the Management Committee shall be taken by such individuals in their capacity as duly authorized agents for the General Partners. Each Committee Member shall remain a member of the Management Committee until his successor has been duly designated, or upon his earlier resignation or removal. Any Committee Member may resign at any time upon notice to the Partnership and the General Partners. The TCGL Committee Members and the TransCanada Committee Members may be removed with or without cause only by TCGL GP or TransCanada GP, respectively. Vacancies resulting from the removal, resignation or other incapacity of a TCGL Committee Member or a TransCanada Committee Member may be filled only by TCGL GP or TransCanada GP, respectively.

(b) The Management Committee may hold meetings, both regular and special, either within or without the State of Delaware, as follows:

(i) The Management Committee shall hold regular meetings without notice at such time and at such place as may from time to time be determined by the Management Committee.

(ii) At all meetings of the Management Committee, the presence of four Committee Members shall constitute a quorum for the transaction of business and the unanimous act of the Committee Members present at any meeting at which there is a quorum shall be the act of the Management Committee. If a quorum shall not be present at any meeting of the Management Committee, the Management Committee members present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

(iii) Any action required or permitted to be taken at any meeting of the Management Committee may be taken without a meeting, if all the members of the Management Committee consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Management Committee.

(iv) Committee Members may participate in a meeting of the Management Committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting.

(c) Without the requisite approval of the Management Committee, the General Partners, the Management Committee and other committees of the Partnership, and the management officials, employees and agents of the Partnership, shall not, nor shall any of them permit, allow or cause the Partnership to:

- (i) amend, modify or waive any of the terms or conditions of this Agreement;
- (ii) admit any Person to the Partnership as a general or limited partner or permit any Person to make a capital contribution to the Partnership;
- (iii) change rate schedules in effect or proposed at any time;
- (iv) execute any gas purchase, gas sale or transportation contract;

(v) enter into, execute, amend, modify or waive any of the terms or conditions of the Operating Agreement or any replacement Operating Agreement;

(vi) approve entering into of any contract with an Affiliate of a Partner pursuant to Section 6.6(b);

(vii) undertake any proposed Incremental Expansion, or any other construction project or execute any construction contract which involves expenditures or commitments by the Partnership in excess of \$500,000;

(viii) determine any tax or accounting election or policy;

18

(ix) arrange for insurance, applications for insurance policies and authorization of insurance contracts with respect to any property of the Partnership;

(x) finance or refinance the Partnership or authorize, issue and/or sell General or Limited Partnership Interests or other securities of the Partnership or create any lien on or security interest in any of the assets of the Partnership in connection therewith; provided that the Partnership may, in the normal course of business, borrow on an unsecured basis from commercial banks up to \$1,000,000 at any one time outstanding without the approval of the Management Committee as herein required;

(xi) grant any bonuses or options or make other arrangements for the sale of Partnership Interests to officers or employees, all employee pension or other benefit plans and arrangements;

(xii) redeem or purchase Partnership Interests or other outstanding securities of the Partnership or distribute cash or other assets of the Partnership to the Partners;

(xiii) appoint or retain counsel, independent auditors and consultants;

(xiv) file any application or other request for authority (including any material amendments thereto) with any governmental authority with respect to any of the foregoing including:

(A) file any application for, or commence any proceeding with respect to, obtaining any certificate of public convenience and necessity or other certificate of authority from FERC or from any other governmental authority having jurisdiction over the Partnership, its business or assets,

(B) file any application to FERC or any other governmental authority having jurisdiction for any increase, decrease or other change in the Partnership's rates or other tariff provisions, and

(C) file any application, declaration or registration statement to be filed with the Securities and Exchange Commission; and

(xv) file any suit, appeal or other court proceeding in connection with any of the foregoing.

(d) The General Partners hereby designate an Executive Committee which shall consist of three members: one TCGL Committee Member, one TransCanada Committee Member and the President of the Partnership, who shall be a non-voting member of the Executive Committee and shall provide assistance to the other members. The Management Committee may designate other committees, each such committee to consist of at least one TCGL Committee Member and one TransCanada Committee Member. To the extent provided by the Management Committee, the Executive

19

Committee and any other committee shall have and may exercise any or all of the powers of the Management Committee in the management of the business of the Partnership, including the power to approve any or all of the designated actions set forth in Section 6.2(c), provided that with respect to any action set forth in Section 6.2(c) which is taken by a subcommittee, such action may be taken only with the unanimous consent of each voting member of the subcommittee.

6.3 **Management Officials.** (a) Other than as expressly set forth in this Agreement, the Management Committee is hereby authorized to (i) create titles for management officials of the Partnership; (ii) establish the power and authority associated with such titles to act as the agent of the General Partners to represent the Partnership in dealings with third parties, provided that the General Partners shall have no power to grant to any management official any control over the affairs of the Partnership, which control shall remain solely vested in the General Partners; (iii) elect, appoint and remove such management officials to and from the positions so created; and (iv) indemnify and hold harmless such management officials against any loss, expense or damage suffered by reason that such Person was a management official of the Partnership. The appointment of such management officials shall not constitute such management officials as general partners of the Partnership and shall not affect the rights, duties and obligations of the General Partners as general partners, or the Management Committee under this Agreement. All Persons elected as management officials of the Partnership shall report to the Management Committee which, on behalf of the General Partners, in all respects shall retain the ultimate management authority and control over the affairs of the Partnership. All officials of the Partnership other than the management officials shall report to the management officials.

(b) The management officials of the Partnership shall be a President, a Vice President and a Secretary. The Management Committee in its discretion may also choose a Chairman, additional Vice Presidents, one or more Assistant Secretaries, a Treasurer, one or more Assistant

Treasurers and other management officials. Any number of positions may be held by the same Person, unless otherwise prohibited by law or this Agreement. The Management Committee shall elect the management officials of the Partnership (other than the President who shall be appointed by TransCanada GP in its sole discretion) who shall hold their positions for such terms and shall exercise such powers and perform such duties, as shall be determined from time to time by the Management Committee; and all management officials of the Partnership shall hold such position until their successors are chosen and qualified, or until their earlier resignation or removal. Any management official elected by the Management Committee may be removed at any time by the Management Committee. Any vacancy occurring in any position of the Partnership shall be filled by the Management Committee (or, in the case of the President, by TransCanada GP). The salaries of all management officials of the Partnership, if any, shall be fixed by the Management Committee. The responsibilities and duties of the management officials are as follows:

(i) The President shall be the chief executive officer of the Partnership and, subject to the Management Committee, on behalf of the General Partners, having full and complete control over the business and affairs of the Partnership, each shall have general supervision of the business of the Partnership and shall see that all orders and resolutions of the Management Committee are carried into

20

effect. The President may execute all bonds, mortgages, contracts and other instruments of the Partnership, except where required or permitted by law to be otherwise signed and executed and except that the other management officials of the Partnership may sign and execute documents when so authorized by the Management Committee. The President shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by the Management Committee.

(ii) At the request of the President or in his absence or in the event of his inability or refusal to act, the Vice President so designated by the Management Committee shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Each Vice President shall perform such other duties and have such other powers as the Management Committee from time to time may prescribe.

(iii) The Secretary shall attend all meetings of the Partners of the Partnership and the Management Committee and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for any standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the Partners of the Partnership and shall perform such other duties as may be prescribed by the Management Committee under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the Partners of the Partnership, and if there shall be no Assistant Secretary, then the Management Committee may choose another management official to cause such notice to be given. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

(iv) The Treasurer shall have the custody of the Partnership funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Partnership and shall deposit all moneys and other valuable effects in the name and to the credit of the Partnership in such depositories as may be designated by the Management Committee. The Treasurer shall disburse the funds of the Partnership as may be ordered by the Management Committee, taking proper vouchers for such disbursements, and shall render to the President and the Management Committee an account of all his transactions as Treasurer and of the financial condition of the Partnership. If required by the Management Committee, the Treasurer shall give the Partnership a bond in such sum and with such surety or sureties as shall be satisfactory to the Management Committee for the faithful performance of the duties of his office and for the restoration to the Partnership, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Partnership.

(v) Other Management Officials. Such other management officials as the Management Committee may choose shall perform such duties and have such

21

powers as from time to time may be assigned to them by the Management Committee.

6.4 Compensation and Reimbursement of the General Partners. (a) Except as provided in this Section 6.4 and elsewhere in this Agreement, no General Partner shall be compensated for his or its services as General Partner to the Partnership.

(b) Subject to approval by the Management Committee, each General Partner shall be reimbursed for all expenses, disbursements and advances incurred or made in connection with the qualification of the Partnership and the General Partners to do business, and any issuance of Partnership Interests or other securities by the Partnership.

(c) Subject to approval by the Management Committee, each General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partners may determine in their sole discretion, for all direct expenses it incurs or makes on behalf of the Partnership (including amounts paid to any Person to perform services to the Partnership). The General Partners shall determine the expenses which are allocable to the Partnership in any reasonable manner. Such reimbursements shall be in addition to any reimbursement to a General Partner as a result of indemnification pursuant to Section 6.7.

(d) Any amount reimbursed to a General Partner pursuant to Sections 6.4(b) or 6.4(c) which is disallowed by FERC shall be reimbursed to the Partnership by such General Partner.

6.5 Outside Activity. (a) Neither of the General Partners shall enter into or conduct any business except in connection with its performance of its duties and obligations as a General Partner under the terms of this Agreement.

(b) Any Affiliate of a General Partner and any equity holder, director, officer or employee of a General Partner may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities which conflict with or are in direct competition with the Partnership for his or its own account and for the account of others, and may own interests in the same properties as those in which the Partnership owns an interest, without having or incurring any obligation to offer any interest in such properties, businesses or activities to the Partnership or any Partner, and, except as specified in Section 6.5(a), no other provision of this Agreement shall be deemed to prohibit any such Person from conducting such other businesses and other activities. Neither the Partnership nor any of the Partners shall have any rights by virtue of this Agreement or the partnership relationship created hereby in any business ventures of any such Person or any of the revenues, profits or losses derived therefrom.

6.6 Dealings with the General Partners. (a) Any General Partner or Affiliate thereof with the consent of the General Partners may lend to the Partnership funds needed by the Partnership for such periods of time as the General Partners may determine; provided, however, that such General Partner or Affiliate may not charge the Partnership interest at a rate greater

22

than the rate (including points or other financing charges or fees) that would be charged the Partnership (without reference to the General Partner's financial abilities or guaranties) by unrelated lenders on comparable loans. The Partnership shall reimburse such General Partner or Affiliate for any costs incurred by him or it in connection with the borrowing of funds obtained by such General Partner or Affiliate and loaned to the Partnership.

(b) Either of the General Partners may itself, or may enter into an agreement with an Affiliate to, render services to the Partnership. Any service rendered to the Partnership by a General Partner or any such Affiliate shall be on terms that are fair and reasonable to the Partnership. Approval by the Management Committee of the terms of any such agreement shall constitute an acknowledgement that the terms contained in such agreement are fair and reasonable to the Partnership. The General Partner, other than the General Partner or the Affiliate thereof which is providing the services, shall have the right to require the Partnership to conduct an audit of such services. The provisions of Section 6.4 shall apply to the rendering of services described in this Section 6.6(b).

(c) Neither any General Partner nor any Affiliate thereof shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership.

6.7 Indemnification. (a) To the fullest extent permitted by law, the Partnership shall indemnify any Person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, by reason of the fact that the Person is or was a General Partner or an equity holder, director or officer of a General Partner or management official of the Partnership, or is or was serving at the request of a General Partner or the Partnership as an equity holder, director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Person in connection with such action, suit or proceeding, unless such Person failed to act in good faith and in a manner that such Person actually believed to be in or not opposed to the best interests of the Partnership. This indemnification shall continue as to any Person who has ceased to serve in any or all of the foregoing capacities and shall inure to the benefit of the heirs, executors and administrators of any deceased Person. The right to this indemnification shall be deemed a contract right and shall include the right to be advanced currently the expenses incurred in connection with any such action, suit or proceeding.

(b) If a claim under paragraph (a) of this Section is not paid in full by the Partnership within 60 days after a written claim has been received by the Partnership, except in the case of a claim for the advancement of expenses incurred in connection with any action, suit or proceeding in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the Partnership to recover the unpaid amount of the claim. If successful in whole or in part in any suit or in a suit brought by the Partnership to recover the advancement of expenses incurred in connection with any action, suit or proceeding, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such a claim. In any action brought by the

23

indemnitee to enforce a right to indemnification hereunder or by the Partnership to recover the advancement of expenses incurred in connection with any action, suit or proceeding, the Partnership shall have the burden of proving by clear and convincing evidence that the indemnitee is not entitled to be indemnified under this Section or otherwise. No unilateral determination by the Partnership that the indemnitee has not met the standard of conduct set forth in paragraph (a) of this Section shall create a presumption that the indemnitee has not met that standard of conduct or, in the case of an action brought by the indemnitee under this paragraph (b), be a defense to the action.

(c) The right to indemnification and the advancement of expenses conferred in this Section shall not be exclusive of any other right that any Person may have or hereafter acquire under any statute, agreement or otherwise.

(d) The Partnership may maintain insurance, at its expense, to protect any Person against any expense, liability or loss, whether or not the Partnership would have the power to indemnify such Person against such expense, liability or loss under the Partnership Act.

(e) The Partnership may, to the extent authorized from time to time by the Management Committee, grant rights to indemnification and the advancement of expenses to any employee or agent of the Partnership lesser than or coextensive with the rights set forth above in this Section.

(f) In no event may an indemnitee subject the Limited Partners to personal liability by reason of these indemnification provisions.

(g) An indemnitee shall not be denied indemnification in whole or in part under this Section 6.7 because the indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

6.8 Liability. (a) Neither any General Partner nor any equity holder, director or officer of a General Partner or any management official of the Partnership (the "Management Group") shall be liable to the Partnership, any General Partner, any Limited Partner for monetary damages as a result of any loss, costs, damage or other injury suffered by such Person as a result of the act or omission of a member of the Management Group (including a breach of fiduciary duty or duty of care to any of the foregoing), unless the Partnership, a General Partner, Limited Partner satisfies his or its burden of proof to show by clear and convincing evidence that the Person sought to be held liable (i) breached a duty of loyalty to the Partnership, (ii) acted in bad faith or engaged in intentional misconduct or a knowing violation of law or (iii) derived an improper personal benefit.

(b) Each General Partner may exercise any of the powers granted to him or it by this Agreement and perform any of the duties imposed upon him or it hereunder either directly or by or through its agents, and such General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by such General Partner in good faith.

24

(c) Whenever in this Agreement any General Partner is permitted or required to make a decision (i) in his or its "sole discretion" or "discretion," with "complete discretion" or under a grant of similar authority or latitude, such General Partner shall be entitled to consider only such interests and factors as he or it desires and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Partnership, the Limited Partners, or (ii) in his or its "good faith" or under another express standard, such General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein. Each Limited Partner hereby agrees that any standard of care or duty imposed in this Agreement or any other agreement contemplated herein or under the Partnership Act or any other applicable law, rule or regulation shall be modified, waived or limited in each case as required to permit each General Partner to act under this Agreement or any other agreement contemplated herein and to make any decision pursuant to the authority prescribed in this Section 6.8(c).

6.9 Other Matters Concerning the General Partners. (a) Each General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by him or it to be genuine and to have been signed or presented by the proper party or parties.

(b) When any provision in this Agreement requires any action by or approval or consent of the General Partners, each of the General Partners must agree to take such action or give or deny such approval or consent.

(c) Each General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers, and other consultants and advisers selected by it, and any opinion of such Person as to matters which such General Partner believes to be within such Person's professional or expert competence shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by such General Partner hereunder in good faith and in accordance with such opinion.

6.10 Title to Partnership Assets. All Partnership assets, whether real, personal or mixed, tangible or intangible, shall be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such or all of the Partnership assets as may be held in the name of the Partnership or one or more nominees, as the General Partners may determine. Each General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of a General Partner shall be held in trust by such General Partner for the sole use and benefit of the Partnership in accordance with the terms and provisions of this Agreement. All the Partnership assets shall be recorded as the property of the Partnership on its books and records, irrespective of the name in which legal title to such Partnership assets is held.

25

ARTICLE VII

LIMITATION OF LIABILITIES

7.1 Limitation of Liability of Limited Partners. No Limited Partner shall be liable for or subject to any obligations, losses, debts or liabilities of the Partnership at any time in excess of the sum of (a) the amount of such Limited Partner's Capital Account at such time, and (b) as specifically required by the Partnership Act.

7.2 Limitation of Authority of Partners. Except as otherwise provided in the Operating Agreement, no Partner shall have the authority to act for, or assume any obligation or responsibility on behalf of, any other Partner, without the prior written approval of such other Partner.

7.3 Cross-Indemnification. Each Partner (for purposes of this Section 7.3, the "indemnitor") shall indemnify and hold harmless each of the other Partners (for purposes of this Section 7.3, the "indemnitee") and the Affiliates, directors, officers, partners (other than the Partners to this Agreement), employees, agents and representatives of the indemnitee from and against any costs, losses, claims, damages and liabilities arising out of any act of the indemnitor or any of its Affiliates, directors, officers, partners (other than the Partners to this Agreement), employees, agents or representatives which has the effect of binding the indemnitee, or which has the effect of making the indemnitee liable without its consent, or arising out of any assumption of any obligation or responsibility by the indemnitor or any of its Affiliates, directors, officers, partners (other than the Partners to this Agreement), employees, agents or representatives which has the effect of binding the indemnitee, or which has the effect of making the indemnitee liable without its consent (including, without limitation, sales or other acts entirely on its part which may give rise to product liability claims); provided, however, that this Section 7.3 shall have no application with respect to any actions taken (a) on behalf of the Partnership by, or on behalf of, the Management Committee in conformance

with this Agreement, (b) on behalf of one Partner by another Partner in conformance with this Agreement or (c) by, or on behalf of, the Operator (as that term is defined in the Operating Agreement) in conformance with the Operating Agreement.

7.4 Limited Recourse. Unless otherwise consented to by the Management Committee, all agreements entered into by or on behalf of the Partnership, including any indenture, note or other evidence of indebtedness, shall provide that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Partner, agent, management official or employee of the Partnership or any director, officer or employee of any of the foregoing for any obligation of the Partnership under such agreement or for any claim based on such obligation and that the sole recourse of other parties to such agreements shall be limited to the assets of the Partnership.

ARTICLE VIII

TRANSFER OR PLEDGE OF PARTNERSHIP INTERESTS

8.1 Additional Definitions. The following definitions shall apply for purposes of this Article VIII:

Beneficial Owner. Any “Beneficial Owner” within the meaning of Rule 13d-3 of the Exchange Act.

Change of Control Transaction. A change in the beneficial ownership of the equity interests of the subject Person or a change in management of the subject Person as follows:

- (a) any Exchange Act Person (other than (i) the subject Person, (ii) any entity owned, directly or indirectly, by the equityholders of the subject Person in substantially the same proportions as their ownership of equity of the subject Person, and (iii) any trustee or other fiduciary holding securities under an employee benefit plan of the subject Person or its Affiliates or such proportionately owned entity) becomes, through acquisitions of securities of the subject Person after the date of this Agreement, the Beneficial Owner, directly or indirectly, of securities of the subject Person representing 50% or more of the then-outstanding equity interests of the subject Person;
- (b) a merger or consolidation of the subject Person with any other Person, other than (i) a merger or consolidation which would result in the equity interests of the subject Person outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into equity interests of the surviving entity) more than 50% of the equity interests of the subject Person or such surviving entity outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the subject Person (or similar transaction) in which no Person acquires more than 15% of the then outstanding equity interests of the subject Person;
- (c) the consummation of a plan of complete liquidation of the subject Person or the sale or disposition by the subject Person of all or substantially all of the assets of the subject Person (or any transaction having a similar effect);
- (d) if the subject Person has a Managing Board, during any 24 month period, individuals who at the beginning of such period constitute the Managing Board of the subject Person, and any new members of the Managing Board (other than members of the Managing Board designated by a Person who has entered into an agreement with the subject Person to effect a transaction described in paragraph (a), (b) or (c) above) whose election by the Managing Board or nomination for election by the equityholders of the subject Person was approved by a vote of at least two-thirds of the members of the Managing Board then still in office who either were members of the Managing Board at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or

(e) if the subject Person does not have a Managing Board, a change in the Person or group of Persons, or any combination thereof, which controls directly or indirectly the subject Person unless (i) such Person or Persons acquiring control are Affiliates of the Persons or group of persons giving up control or (ii) such Person or Persons giving up control are widely held and publicly-traded.

Exchange Act. The Securities Exchange Act of 1934, as amended.

Exchange Act Person. Any “Person” within the meaning of Sections 3(a)(9), 13(d) and 14(d)(2) of the Exchange Act.

Managing Board. The board of directors or similar management board or committee, if any, of the subject Person.

8.2 Transfer. (a) From and after the date hereof, no Partner shall, and each Partner shall cause each of their respective Affiliates not to:

- (i) directly sell, assign, transfer, give, hypothecate, pledge, encumber or otherwise dispose of, whether voluntarily or by operation of law or otherwise (a “Direct Transfer”); or
- (ii) effect or be subject to a Change of Control Transaction that results in an indirect sale, assignment, transfer, gift, hypothecation, pledge, encumbrance or otherwise disposition of, whether voluntarily or by operation of law or otherwise,

all or any portion of the Partnership Interests of such Partner (the transactions described in the foregoing clauses (i) and (ii) being collectively referred to herein as a “Transfer”) without the prior consent of the Management Committee (“Management Committee Consent”), and any Transfer or attempt to effect a Transfer without such consent shall be void; provided that notwithstanding the foregoing, Management Committee Consent shall not be required in connection with a Transfer (A) effected in accordance with the provisions of Sections 8.2(b) or 8.3, or (B) resulting from a Change in Control Transaction involving (x) in the case of Great Lakes or TransCanada GP, TransCanada Corporation (or any successor thereto), (y)

in the case of TCGL GP, TC PipeLines, LP (or any successor thereto), and (z) in the case of any other Partner, the then-existing ultimate Parent entity of such Partner.

(b) A Partner or any of its respective Affiliates may, without receiving Management Committee Consent and without complying with Section 8.3 (if applicable) but subject to compliance with Sections 8.4 and 8.5 (if applicable), at any time effect a Transfer of its Partnership Interest to any Affiliate (which for such purposes means, in respect of any Person, an Affiliate which, directly or indirectly, owns completely, or is owned completely, or shares common ownership completely in respect of such Person). Any Partner who effects a Direct Transfer of a Partnership Interest in accordance with this Section 8.2(b) shall, upon the consummation of such Direct Transfer, cease to have any further rights or obligations with respect to such Partnership Interest.

28

8.3 **Right of First Refusal.** (a) In the event a Partner (the “Transferring Partner”) accepts a *bona fide* offer to effect a Direct Transfer of all of its Partnership Interest (the “Subject Interest”) to a Person (the “Offeror”) in exchange for cash by entering into a written agreement with the Offeror with respect to such offer (the “Third Party Agreement”), then, prior to consummating the transactions contemplated by the Third Party Agreement, the Transferring Partner shall give written notice thereof (the “Disposition Notice”) to the other Partners enclosing a true and complete copy of the Third Party Agreement, which Third Party Agreement (i) must contain all of the terms and conditions of the proposed transaction between the Transferring Partner and the Offeror (the “Proposed Transaction”), and (ii) cannot provide for the Transfer of, or otherwise address or take into account, any assets or liabilities of the Transferring Partner or any of its Affiliates other than the Subject Interest.

(b) The Partners other than the Transferring Partner shall have a right of first refusal, exercisable for a period beginning on the date of the delivery of the Disposition Notice and ending on the 90th day after delivery of the Disposition Notice (the “Exercise Period”), to purchase the Subject Interest on the terms set forth in the Third Party Agreement (with only those changes as are necessary to reflect that the applicable Partner, as opposed to the Offeror, is the buyer of the Subject Interests), on a *pro rata* basis (determined by dividing each such non-Transferring Partner’s Percentage Interest by the sum of the Percentage Interests of all the Partners other than the Transferring Partner).

(c) If more than one Partner elects to purchase any portion of the Subject Interest, such Partners may allocate the purchase of the Subject Interest among themselves on a basis unanimously agreed to by such Partners, provided that such Partners collectively agree to purchase 100% of the Subject Interest and failing agreement shall purchase their *pro rata* share of the Subject Interest.

(d) If no Partner makes a timely election to exercise its right of first refusal in accordance with this Section 8.3, the Transferring Partner shall thereafter be free to complete the Subject Transaction with the Offeror on the terms set forth in the Third Party Agreement. If the Transferring Partner does not complete the Subject Transaction within 90 days after the expiration of the Exercise Period, the Transferring Partner shall be prohibited from completing with Proposed Transaction without again complying with the terms of this Section 8.3.

8.4 **Mechanics of Transfer.** (a) Any Person (other than a Partner) who is the transferee of Partnership Interests pursuant to a Direct Transfer in compliance with the terms and conditions of this Article VIII shall, in order to validly effect the Direct Transfer in accordance with this Article VIII, agree in writing to be bound by this Agreement (as modified to reflect any changes that, in the determination of the Management Committee, may be necessary or reasonably appropriate to give effect to such Direct Transfer and the addition of such Person as a Partner) and, in doing so, shall be deemed to have: (i) agreed to comply with and be bound by and to have executed this Agreement, (ii) represented and warranted that such transferee has authority to enter into this Agreement, (iii) appointed each General Partner attorney-in-fact to execute any document that either of them may deem necessary or appropriate to be executed in connection with such transfer, and (iv) made the consents and waivers contained herein.

29

(b) Each distribution in respect of Partnership Interests shall be paid by the Partnership, directly or through its agent, only to the Partner of record. Such payment shall constitute full payment and satisfaction of the Partnership’s liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

8.5 **Further Restrictions on Transfer.** In addition to the other limitations on Transfers set forth in this Article VIII and elsewhere in this Agreement to the contrary, no Partner shall, and each Partner shall cause their respective Affiliates not to, effect a Transfer of any Partnership Interest if such Transfer would (a) violate the then applicable Federal and state securities laws or rules and regulations of the Securities and Exchange Commission, any state securities commission or any other governmental authorities with jurisdiction over such transfer, (b) result in the Partnership being treated as a corporation for Federal income tax purposes (including Section 7704 of the Code) or being terminated under Section 708(b) of the Code, unless in the case of a termination under Section 708(b) of the Code, such termination would not have a material adverse effect on any non-transferring Partner’s present or future allocable share of Partnership taxable income or loss with respect to its Partnership Interest (also taking into account any recapture of credits) as compared to its present or future allocable share of Partnership taxable income or loss if there had not been such a termination, or (c) affect the Partnership’s existence or qualification as a limited partnership under the Partnership Act.

ARTICLE IX

ADMISSION OF PARTNERS

9.1 **Admission of Additional Limited Partners.** A Person (other than Great Lakes) who makes a Capital Contribution to the Partnership shall be admitted to the Partnership as an Additional Limited Partner upon furnishing to the Management Committee (a) acceptance, in form satisfactory to the Management Committee, of all the terms and conditions of the Agreement and (b) such other documents or instruments as may be required in order to effect his admission as a Limited Partner, and such admission shall become effective on the date that the Management Committee determines in its sole discretion that such conditions have been satisfied and when any such admission is shown on the books and records of the Partnership.

9.2 Admission of Additional General Partners. The General Partners may admit to the Partnership one or more additional General Partners at any time and from time to time and shall establish the rights, powers and privileges of such additional General Partners.

9.3 Admission of Successor General Partners. A successor General Partner selected pursuant to Section 10.1 shall be admitted to the Partnership as a General Partner, effective immediately prior to the withdrawal of a General Partner pursuant to Section 10.1.

9.4 Amendment of Agreement and of Certificate of Limited Partnership. For the admission to the Partnership of any additional or successor General Partner (including in respect of a transfer of a General Partner Interest in accordance with Article VIII), the General Partners shall take all steps necessary and appropriate to prepare and file as soon as practical an amendment of this Agreement and, if required by law, the Certificate of Limited Partnership.

30

ARTICLE X

WITHDRAWAL AND REMOVAL OF PARTNERS

10.1 Withdrawal of General Partners. Each General Partner covenants and agrees that, without the consent of the other General Partners, it will not withdraw as a General Partner. The foregoing notwithstanding, a Person will cease to be a General Partner and will be deemed to have withdrawn as a General Partner upon the occurrence of an Event of Withdrawal. Upon the withdrawal by a General Partner upon the occurrence of an Event of Withdrawal or otherwise in violation of this Agreement, the Partnership shall terminate and dissolve unless the remaining General Partners agree to continue the Partnership. If the remaining General Partners so agree, the Partnership shall be continued, without dissolution, the withdrawing general partner shall not be entitled to receive any distribution from the Partnership except as otherwise provided in Article XI, the Partnership Interests of the withdrawing General Partner shall immediately be converted into that of a Limited Partner, and all rights, powers and privileges of the withdrawing General Partner under this Agreement shall be vested in the remaining General Partners. Prior to the effective date of such a withdrawal, if any, the remaining General Partners may select a successor General Partner to the withdrawing General Partner with such rights, powers and privileges as designated by the remaining General Partner. If a successor General Partner is selected, it shall be admitted immediately prior to the withdrawal of the withdrawing General Partner. Upon withdrawal of the last remaining General Partner, the Partnership shall be dissolved pursuant to Section 11.1.

10.2 Removal of General Partners. A General Partner may not be removed by the other General Partners or the Limited Partners.

10.3 Withdrawal of Limited Partners. No Limited Partner shall have any right to withdraw from the Partnership; provided, however, that upon a permitted transfer of a Limited Partnership Interest, such Limited Partner shall cease to be a Limited Partner with respect to the Partnership Interest so transferred. No Limited Partner shall be entitled to the return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement.

10.4 Liability of Withdrawing Partner. A Partner who has withdrawn from the Partnership shall remain liable for all of its obligations or liabilities as of the date of withdrawal whether known or unknown or fixed or contingent at that time.

ARTICLE XI

DISSOLUTION AND LIQUIDATION

11.1 Dissolution. Except as otherwise provided below, the Partnership shall not be dissolved by the admission of Additional Limited Partners or Substituted Limited Partners, by the admission of additional General Partners or successor General Partners or by the removal of a General Partner in accordance with the terms of this Agreement. The Partnership shall dissolve, and its affairs shall be wound up, upon:

31

(a) the expiration of its term as provided in Section 1.6;

(b) the withdrawal with respect to the last remaining General Partner or the withdrawal of a General Partner as provided in Section 10.1, unless the remaining General Partners agree to continue the Partnership, provided that the Partnership shall not be dissolved and shall not be required to be wound up by reason of such withdrawal if, within 90 days after the withdrawal all remaining Partners agree in writing to continue the business of the Partnership; or

(c) an election to dissolve the Partnership by the General Partners.

11.2 Winding Up and Liquidation. Upon the dissolution of the Partnership, the Management Committee shall continue to exercise its powers under this Agreement for the purpose of winding up the business of the Partnership and liquidating its assets in an orderly manner, but the Partnership shall engage in no new business during the period of such winding up.

(a) The assets of the Partnership remaining after the payment, or provision for payment, of all the liabilities of the Partnership shall be distributed to the Partners in accordance with the positive balances in their respective Capital Accounts, after taking all adjustments to Capital Accounts for all periods, provided, however, that if the Capital Accounts of the Partners, as adjusted for all periods, are not in the ratio of the Percentage Interests of the Partners, then first to such Partners to cause the Capital Accounts to be in such Percentage Interests.

(b) No termination or dissolution of the Partnership shall relieve a Partner from any obligation accruing or accrued to the date of such termination or dissolution.

11.3 Cancellation of Certificate of Limited Partnership. Upon the completion of the distribution Partnership property as provided in Section 11.2, the Partnership shall be terminated, and the Management Committee (or the General Partners and Limited Partners if necessary) shall cause the cancellation of the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware and shall take such other actions as may be necessary to terminate the Partnership.

11.4 Return of Capital. Upon dissolution of the Partnership, the General Partners shall contribute to the Partnership an amount equal to the lesser of: (i) any deficit balances in their Capital Accounts; or (ii) the excess of 1.01% of the sum of the cash amount and Net Agreed Value of all Capital Contributions of the Limited Partners as limited partners of the Partnership over the sum of the cash amount and the Net Agreed Value of all Capital Contributions previously contributed by the General Partners as general partners of the Partnership. Other than as provided in the preceding sentence, no General Partner shall be personally liable for the return of the Capital Contributions of the Limited Partners, or any portion thereof, it being expressly understood that (x) any such return shall be made solely from Partnership assets and (y) neither a deficit in a Partner's Capital Account, nor the General Partners' obligation to contribute amounts to the Partnership pursuant to this Section 11.4, shall constitute a Partnership asset.

32

11.5 Waiver of Partition. Each Partner hereby waives any right to partition of the Partnership property.

11.6 Continuance of Partnership. If, notwithstanding Section 11.1 of this Agreement, the Partnership is at any time deemed by operation of law and other than pursuant to Section 10.1 or 10.2 to be dissolved, each of the Partners hereby covenants and agrees with the other Partners as follows:

(a) The business and affairs of the Partnership shall continue without interruption and be carried out by a new limited partnership (the "Successor Partnership");

(b) The General Partners and Limited Partner(s) of the Successor Partnership shall be the Persons who were General Partners and Limited Partner(s) respectively, hereunder at the time of such dissolution;

(c) The Successor Partnership and the Partners thereof shall be governed by the terms of this Agreement as if the Successor Partnership were the Partnership;

(d) Each of the Partners covenants and agrees to execute such further agreements, including (without limitation) notes, novations and accommodations, as may be necessary to continue the business of the Partnership and to protect and perfect any lien or security interest granted by the Partnership;

(e) Each of the Partners waives and releases, to the full extent it may lawfully do so, all rights to a winding up or liquidation of the business of the Partnership, notwithstanding that the dissolution of the Partnership may be caused wrongfully or otherwise in contravention of this Agreement by such Partner or any other Partner, and further notwithstanding that, at the time of such dissolution, such Partner shall be, or be deemed to be or thereby become, a withdrawing Partner pursuant to this Agreement; and

(f) As used in this Section 11.6, the term "Partnership," at any point in time, shall mean the Partnership originally formed pursuant to this Agreement or the Successor Partnership which at such time is continuing the business and affairs of the Partnership originally so formed.

11.7 Termination Subject to Natural Gas Act. The right and power to terminate the Partnership shall at all times be subject to the obligations and duties of the Partnership as a "natural gas company" under the Natural Gas Act or any successor or parallel statutes and the jurisdiction of the FERC thereunder, and no termination shall be effected unless all provisions of such Act shall have been complied with and any transfer of the Partnership's business and assets, including all certificates of public convenience and necessity issued under such Act, shall have been validly consummated or abandoned under the provisions of such Act and other applicable law.

33

ARTICLE XII

AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

12.1 Amendments to be Adopted Solely by the General Partners. The General Partners through the Management Committee, without the consent of any Partner, may amend any provision of this Agreement, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect or effectuate:

(a) a change in the name of the Partnership; the location of the principal place of business of the Partnership; the registered office of the Partnership in the State of Delaware or the registered agent for service of process on the Partnership in the State of Delaware;

(b) the continuance of the Partnership in accordance with the provisions of this Agreement;

(c) any necessary or appropriate changes to satisfy any requirements or conditions of applicable law;

(d) any changes required, contemplated or expressly permitted by this Agreement;

(e) the admission, substitution, removal or withdrawal of Partners in accordance with this Agreement;

(f) the cure of any ambiguity, or the correction or supplementation of any provision of this agreement which may be inconsistent with any other provision herein, or the correction of any stenographic or clerical errors or omissions in order that this Agreement shall accurately reflect the agreement among the Partners;

(g) a change that the General Partners in their sole discretion have determined to be reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or that is necessary or advisable in the opinion of the General Partners to ensure that the Partnership will not be treated as an association taxable as a corporation for Federal income tax purposes;

(h) a change (i) that in the sole discretion of the General Partners does not adversely affect the other Partners in any material respect, (ii) that is necessary or desirable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any Federal or state agency or judicial authority or contained in any Federal or state statute or that is necessary or desirable to facilitate the registration of any of the securities of the Partnership under the Securities Act of 1933, or comply with any rule, regulation, guideline or requirement of any securities exchange on which such securities are or will be listed for trading, compliance with any of which the

General Partners deem to be in the best interests of the Partnership and the other Partners, or (iii) that is required or contemplated by this Agreement;

(i) an amendment that is necessary, in the opinion of counsel to the Partnership, to prevent the Partnership, any General Partner or any equity holder, director, officer or employee of a General Partner from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or “plan asset” regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, whether or not substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(j) an amendment that in the sole discretion of the General Partners is necessary or desirable in connection with additional Capital Contributions made by the General Partners or the issuance of any class or series of Partnership Interests pursuant to Section 3.2;

(k) any amendment described in Section 9.5; or

(l) any other amendments similar to the foregoing.

Any Person (including the Partnership or any Partner) seeking legal or equitable relief concerning any such amendment by the General Partners shall have the burden of proving by clear and convincing evidence that the amendment falls outside the scope of the foregoing provisions of this Section 12.1.

12.2 Amendment Procedures. Except as provided in Section 9.5, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments of this Agreement may be proposed only by the General Partners. If an amendment is proposed, the General Partners shall seek the written consent of a Majority Interest or call a meeting of the Limited Partners to consider and vote on the proposed amendment. A proposed amendment shall be effective upon its approval by a Majority Interest. The General Partners shall notify all Partners upon final adoption of any proposed amendment.

ARTICLE XIII

DISPUTE RESOLUTION

13.1 Agreement to Arbitrate. In the event that any dispute, difference or question arises between any Partners as to the meaning or interpretation of any provision of this Agreement or as to the performance of a Partner of its obligations hereunder, whether before or after the termination of this Agreement, and upon which such Partners cannot agree, then every such dispute, difference or question shall be referred to arbitration in accordance with the provisions of Section 13.2. No action may be brought by any Partner with respect to any such matter but the same shall be determined only by arbitration.

13.2 Procedure. If any Partner wishes to submit a dispute, difference or question to arbitration as provided in Section 13.2, it shall do so by giving notice of arbitration to the other

Partners, setting out in such notice the dispute, difference or question to be determined by arbitration. Upon receipt of such notice by the other Partners, the Partners party to the dispute (the “Disputing Partners”) shall proceed to appoint a single arbitrator (the “Arbitrator”). If the Disputing Partners do not agree on the appointment of a single arbitrator within 20 days after the receipt of notice of arbitration by the Disputing Partner(s) to whom such notice is given, or within such greater period as the Disputing Partners may agree in writing, any Disputing Partner may appoint an arbitrator and give notice to the other Disputing Partner(s) of the appointment of such arbitrator. The Disputing Partner receiving such notice within 20 days thereafter shall appoint a second arbitrator; if such party fails to name a second arbitrator within the said period of 20 days, a second arbitrator may be appointed by the first Disputing Partner. The two arbitrators so appointed shall appoint a third arbitrator. If the two arbitrators are unable to agree as to the third arbitrator, any of the Disputing Partners may request the Chief Justice of the Ontario Court of Justice, General Division or the Senior Federal District Judge of the United States District Court, Eastern District of Michigan, to appoint a third arbitrator and the person so appointed by the Chief Justice of the Ontario Court of Justice, General Division or by the Senior Federal District Judge of the United States District Court, Eastern District of Michigan, shall be the third arbitrator (in such case, such panel of three arbitrators shall be the “Arbitrator”). The decision of the Arbitrator shall be final and binding, and the Partners agree that judgment on the Arbitrator’s award may be entered by any circuit court of the State of Michigan or by any other court of competent jurisdiction. Except as otherwise provided herein or required by law, the arbitration shall be conducted under the rules of the American Arbitration Association.

GENERAL PROVISIONS

14.1 Notices. Notice to all Partners shall be deemed to be notice to the Partnership. If any Partner receives a notice to or on behalf of the Partnership, such Partner shall immediately transmit such notice to all Partners. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given upon hand delivery or on the first business day following delivery to a nationally recognized United States or Canadian overnight courier service, fee prepaid, return receipt or other confirmation of delivery requested, or on the third business day following delivery to the United States or Canadian Postal Service as certified or registered mail return receipt requested, postage prepaid, if addressed to the Partnership and each Partner at the addresses set forth below, or when telecopied or sent by facsimile transmission to the numbers designated in writing by each Partner to be followed within three (3) business days by delivery of written copy of such communication:

(a) To each of the Partners at the address as shown in the records of the Partnership or at such other address as may be designated from time to time by any Partner by written notice to each other Partner and the Partnership; and

(b) To the Partnership at its principal office or such other address as may be designated from time to time by written notice to each of the Partners. Any Partner may request that copies of notices be given to any Affiliate at such address designated by such Partner by written notice to each other Partner and to the Partnership, provided that any

36

failure to give such notice shall not affect the validity of any notice given to any Partner or the Partnership in accordance with this Section 14.1. Each of the Partners agrees to give such notice to any such Affiliate.

14.2 Further Assurances. Each of the Partners agrees to execute and deliver all such other and additional instruments and documents and to do such other acts and things as may be reasonably necessary more fully to effectuate this Partnership and carry on the Partnership business in accordance with this Agreement.

14.3 Applicable Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware without regard to the principles of conflicts of laws. In the event that any provision of this Agreement shall be deemed to conflict with any provision of the Partnership Act, the provisions of the Partnership Act shall, to the extent required by the Partnership Act, be controlling.

14.4 Counterparts. This Agreement may be executed in counterparts (including counterparts provided for the execution by an Additional Partner), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.5 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

14.6 Waiver. No waiver by any Person of any default by any Partner or Partners in the performance of any provision, condition or requirement herein shall be deemed to be a waiver of, or in any manner release the said Partner or Partners from performance of any other provision, condition or requirement herein; nor shall such waiver be deemed to be a waiver of, or in any manner a release of, said Partner or Partners from future performance of the same provision, condition or requirement. Any delay or omission of any Partner to exercise any right hereunder shall not impair the exercise of any such right, or any like right, accruing to it thereafter. No waiver of a right created by this Agreement by one or more Partners shall constitute a waiver of such right by the other Partners except as may otherwise be required by law with respect to Persons not parties hereto. The failure of one or more Partners to perform its or their obligations hereunder shall not release the other Partners from the performance of such obligations.

14.7 Laws and Regulatory Bodies. This Agreement and the obligations of the Partners hereunder are subject to all applicable laws, rules, orders and regulations of governmental authorities having jurisdiction and, in the event of conflict, such laws, rules, orders and regulations of governmental authorities having jurisdiction shall control.

14.8 Section Numbers. Unless otherwise indicated, references to section numbers are to sections of this Agreement.

14.9 References to Money. All references in this Agreement to, and transactions hereunder in, money shall be to or in Dollars of the United States of America.

14.10 Severability. Should any provision of this Agreement be deemed in contradiction with the laws of any jurisdiction in which it is to be performed or unenforceable for any reason, such provision shall be deemed null and void, but this Agreement shall remain in force in all

37

other respects. Should any provision of this Agreement be or become ineffective because of changes in applicable laws or interpretations thereof, should this Agreement fail to include a provision that is required as a matter of law, the validity of the other provisions of this Agreement shall not be affected thereby. If such circumstances arise, the parties hereto shall negotiate in good faith appropriate modifications to this Agreement to reflect those changes that are required by law.

14.11 Third Persons. Except as expressly provided in this Agreement, nothing herein expressed or implied is intended or shall be construed to confer upon or to give any Person not a party hereto any rights or remedies under or by reason of this Agreement.

14.12 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

14.13 Integration. This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

14.14 Survival. All indemnities and reimbursement obligations made pursuant to this Agreement shall survive dissolution and liquidation of the Partnership until expiration of the longest applicable statute of limitations (including extensions and waivers) with respect to the matter for which a party would be entitled to be indemnified or reimbursed, as the case may be.

* * *

IN WITNESS WHEREOF, the Partners have caused this Agreement to be executed by their respective duly authorized officers as of February 22, 2007.

TRANSCANADA GL, INC.

By: /s/ Ronald L. Cook

By: /s/ Donald J. DeGrandis

TC GL INTERMEDIATE LIMITED
PARTNERSHIP, by its general partner, TC
PIPELINES GP INC.

By: /s/ Ronald L. Cook

By: /s/ Donald J. DeGrandis

GREAT LAKES GAS TRANSMISSION
COMPANY

By: /s/ Lee G. Hobbs

By: _____

EXHIBIT A
PERCENTAGE INTERESTS

<u>Partner</u>	<u>Percentage Interest</u>
TransCanada GL, Inc.	46.45%
TC GL Intermediate Limited Partnership	46.45%
Great Lakes Gas Transmission Company	7.10%

OPERATING AGREEMENT

This Agreement dated as of the 5th day of April, 1990, by and between GREAT LAKES GAS TRANSMISSION LIMITED PARTNERSHIP, a Delaware limited partnership (the "Partnership"), and GREAT LAKES GAS TRANSMISSION COMPANY, a Delaware corporation ("GLGTC" or the "Operator").

WITNESSETH:

WHEREAS, the Partnership was formed pursuant to a Limited Partnership Agreement effective as of April 5, 1990 ("Partnership Agreement"); and the purpose of the Partnership is to acquire, expand and operate an inter-state natural gas pipeline, now beginning at a point on the international border near Emerson, Manitoba and passing through the states of Minnesota, Wisconsin, and Michigan to points on the international border near Sault Ste. Marie and St. Clair, Michigan, to transport natural gas on behalf of various Shippers;

WHEREAS, GLGTC has owned and operated the facilities for over twenty years and has the experience and the staff required to efficiently carry on the operation of the Facilities after the transfer thereof to the Partnership;

WHEREAS, accordingly, pursuant to the Partnership Agreement, the Partnership has designated GLGTC as

Operator of the Facilities in accordance with and pursuant to the terms of this Agreement; and

WHEREAS, Operator is willing and able to assume such responsibilities on the terms and conditions set forth below;

NOW THEREFORE, in consideration of the representations, covenants and premises hereinafter set forth, the Parties agree as follows:

1. Definitions.

As used in this Agreement, the definitions used in the Partnership Agreement shall, except as specifically provided herein, have the same meanings in this Agreement. In addition, the following words and terms shall have the meanings set forth herein:

1.1. Accounting Procedure. The accounting procedure set forth in Exhibit "A" hereto.

1.2. Day. A period of twenty-four (24) consecutive hours commencing at noon Eastern Standard Time.

2

1.3. Month. A period of time beginning on the first Day of a calendar month and ending at the same time on the first Day of the next succeeding calendar month.

1.4. Year. Each twelve (12)-Month period beginning on the first Day of a calendar year and ending at the beginning of the first Day of the next calendar year; provided that the first year hereunder shall begin on the formation date of the Partnership and shall end at the beginning of the first Day of the following calendar year; and further provided that the last contract year shall end at the termination of this Agreement as provided for in Section 9.1 of this Agreement.

1.5. Party. Partnership or Operator, and "Parties" shall mean both Partnership and Operator.

1.6. Partnership. The Great Lakes Gas Transmission Limited Partnership and any successor entities thereto.

3

1.7. Required Accounting Practice. The accounting rules and regulations, if any, at the time prescribed by the regulatory body or bodies under the jurisdiction of which the Partnership is at the time operating and, to the extent of matters not covered by such rules and regulations, generally accepted accounting principles as practiced in the United States at the time prevailing for companies engaged in a business similar to that of the Partnership.

2. Relationship of the Parties.

2.1. Appointment as Operator. Upon and subject to the terms and conditions of this Agreement, the Partnership hereby appoints GLGTC as the Operator of the Facilities and GLGTC hereby accepts such appointment and agrees to act pursuant to the provisions hereof.

2.2. Operator's Authority to Execute Contracts. Subject to the direction and prior approval of the Management Committee and subject to any procedures established by the Management

4

Committee, any contracts relating to Partnership business may be executed by the Operator on behalf of the Partnership.

Copies of all contracts entered into by the Operator which affect the Partnership or the Facilities shall be provided to the Partnership.

3. Operator's Design, Construction, Operation, Maintenance, and Administration Responsibilities.

- 3.1. Operator's Responsibilities. Subject to the provisions of the Partnership Agreement, and pursuant to the direction and supervision of the Management Committee, and subject to its prior approval, the Operator shall have the general responsibility for the design, construction, operation, maintenance, and repair of the Facilities, including any Incremental Expansion, and the administration of the business of the Partnership, as set forth herein:

5

-
- 3.1.1. The Operator shall provide the labor, materials, supplies and supervision required for the operation and maintenance of the Facilities and shall provide administrative, management, liaison, and related services to the Partnership, including but not limited to accounting, administrative, construction, engineering, marketing, planning, public relations, personnel, purchasing, legal, treasury, repair, replacement, operational planning, budgeting, technical services, insurance administration, tax services, and regulatory matters.
- 3.1.2. The Operator shall prepare, file and prosecute applications for regulatory and governmental authority required by the Partnership, and make on behalf of the Partnership periodic filings

6

required of the Partnership by governmental or regulatory agencies having jurisdiction.

- 3.1.3. The Operator shall prepare financing plans for the Partnership (but not for the individual Partners) and negotiate for financing commitments, if any, to be entered into by the Partnership for the financing of the operation or construction of any Facilities.
- 3.1.4. The Operator shall maintain accurate accounting records in accordance with the Required Accounting Practice for the design, planning, construction, operation and maintenance of the Facilities, together with any information requested by the Partnership relating to such records.

7

-
- 3.1.5. The Operator shall prepare proposed budgets and schedules for the review and approval of the Partnership pursuant to Section 5.2 of this Agreement.
- 3.1.6. The Operator shall prepare financial statements as required and when directed by the Management Committee.
- 3.1.7. The Operator shall cause any proposed incremental Expansion to be designed and constructed in accordance with the requirements of all federal, state, or other governmental agencies having jurisdiction, including but not limited to the requirements of the United States Department of Transportation set forth in 49 CFR Part 192, and in accordance with sound and prudent natural gas pipeline industry practices and provide or

8

cause to be provided such appropriate supervisory, audit, administrative, technical and other services as may be required.

- 3.1.8. The Operator shall assist the Partnership in the preparation of tax returns required of the Partnership and pay such taxes as are required and approved to be paid by the Partnership.
- 3.1.9. The Operator shall maintain custody of funds, notes, drafts, acceptances, commercial paper and other securities belonging to the Partnership; keep funds belonging to the Partnership on deposit in one or more banking institutions selected by the Management Committee; and disburse such funds; provided that the Partnership's funds shall not be commingled with funds belonging to the Operator.

9

- 3.1.10. The Operator shall negotiate service agreements with counsel, Certified Public Accountants, and financial and other consultants.
- 3.1.11. The Operator shall supervise, negotiate and administer contracts and the Partnership's service agreements and tariffs, including, but not limited to, preparation and collection of all bills for services rendered thereunder and payment of all bills for services received.
- 3.1.12. The Operator shall make reports to and consult with the Management Committee regarding all duties, responsibilities and actions of the Operator under this Agreement in the form and at the times requested by the Management Committee.

10

- 3.1.13. The Operator shall prepare and negotiate in the name of and on behalf of the Partnership rights-of-way, land in fee, permits and contracts necessary for planning, construction, operation and maintenance of the Facilities; resist the perfection of any involuntary liens against Partnership property and, to the extent permitted by law, hold Partnership property free of all involuntary liens.
- 3.1.14. The Operator shall make reports to . the Partnership of all non-routine occurrences that the Operator determines may have a significant adverse impact upon the operation of the Facilities.
- 3.1.15. The Operator shall promptly make any and all repairs of a non-routine nature to the Facilities

11

as may be required, provided that repairs requiring unbudgeted expenditures in excess of \$500,000 shall not be made without the prior approval of the Management Committee except in emergencies, in which case the Operator shall promptly take all required remedial action and shall notify the Partnership as soon as practicable of the nature of the emergency and the actions taken and to be taken.

- 3.1.16. Except as otherwise provided by applicable governmental regulations, or as directed by the Management Committee, the Operator shall retain all charts, records, books of account, Partnership Tax Returns, plans, designs, studies and reports and other documents related to the design, construction, operation and maintenance of the Facilities for a period of a

12

least three (3) years from the date of completion of the activity to which such records relate.

- 3.1.17. The Operator shall perform such other duties as are requested by the Management Committee or as are necessary or appropriate to discharge the Operator's responsibilities under this Agreement.

- 3.2. Operator's Right To Request Instructions From Management Committee. The Operator may at any time, if it reasonably deems it to be necessary or appropriate, request instructions from the Management Committee with respect to any matter contemplated by this Agreement and may defer action thereon pending the receipt of such instructions. The Operator shall be fully protected in acting in accordance with the instructions of the Management Committee or in omitting to act pending the receipt of such instructions, and shall have no liability for any act in

13

good faith in compliance therewith, or for its good faith failure to act pending receipt thereof.

4. Employees, Consultants and Subcontractors.

4.1. Operator's Employees, Consultants and Sub-contractors.

The Operator shall employ or retain and have supervision over the Persons (including consultants and professional service or other organizations) required by the Operator to perform its duties and responsibilities hereunder in an efficient and economically prudent manner. The Operator shall pay all reasonable expenses in connection therewith, including compensation, salaries, wages, overhead, administrative expense, and fees incurred by Operator and its Affiliates, and, if applicable, social security taxes, workers' compensation insurance, retirement and insurance benefits and other such expenses. The compensation to be paid to and other employee benefits (including without limitation retirement plans, life,

14

health, accident and other insurance coverages and insurance programs) provided to the Operator's employees shall be determined by the Operator. All necessary or appropriate expenses incurred by the Operator pursuant to this Section shall be reimbursed to the Operator by the Partnership as provided in the Accounting Procedure.

- 4.2. Affiliates of Operator or Partners. The Operator shall be authorized to utilize, as it deems necessary, the services of its corporate Affiliates, provided that such services are utilized under contracts on terms materially no less favorable to the Partnership than those prevailing at the time for comparable services of unaffiliated independent parties.
- 4.3. Standard for Operator and its Employees. The Operator shall perform its services and carry out its responsibilities hereunder and shall require all of its employees and contractors, subcontractors, and materialmen

15

furnishing labor, material or services for the construction, operation and maintenance of the Facilities to carry out their responsibilities, in accordance with sound, workmanlike and prudent practices of the gas pipeline industry and in compliance with all material laws, statutes, ordinances, safety codes, regulations and rules of governmental authorities having jurisdiction.

- 4.4. Equal Employment Opportunity. The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin or because he or she is a disabled veteran or veteran of the Vietnam era or because of physical or mental handicaps in regard to any position for which he or she is qualified and will comply with the provisions of 41 CFR §60-1.4(a)(1)-(7), 41 CFR §60-250.4(a)-(m) and 41 CFR §60-741.4(a)-(f), all of which are incorporated herein by reference.

16

5. Financial and Accounting.

5.1. Accounting and Compensation.

- 5.1.1. The Operator shall keep a full and complete account of all costs, expenses and expenditures incurred by it in connection with its obligations and performance hereunder in the manner set forth in the Accounting Procedure.
- 5.1.2. The Operator shall be reimbursed by the Partnership for all necessary or appropriate costs, expenses and expenditures paid by it pursuant to this Agreement and in connection with its duties and obligations hereunder in the manner set forth in the Accounting Procedure.

- 5.2. Budgets. Each December, the Operator shall submit for approval of the Management Committee operating and capital budgets which the Operator anticipates for the ensuing

17

Year, including such supporting documentation and data as the Management Committee may require. Except as the Management Committee may otherwise direct, the budgets approved by the Partnership and then in effect shall constitute authorization of the Operator to incur the expenditures contained in any such budget and to incur expenditures of up to one million dollars in excess of the amount set forth in any such budget. The Operator shall inform the Management Committee of any facts that the Operator believes may increase any such budget in excess of one million dollars.

- 5.3. Disputed Charges. The Partnership may, within the time provided in the Accounting Procedure, take written exception to any bill or statement rendered by the Operator for any expenditure or any part thereof, on the ground that the same was not a reasonable, authorized, and proper cost incurred by the Operator in connection with the design, construction, operation, maintenance, or administration of the Facilities or its

18

other duties and responsibilities as Operator hereunder. The Partnership shall nevertheless pay in full when due the amount of all statements submitted by the Operator. Such payment shall not be deemed a waiver of the right of the Partnership to recoup any contested portion of any bill or statement. However, if the amount as to which such written exception is taken or any part thereof is ultimately determined not to be a reasonable, authorized, and proper expense incurred by the Operator hereunder, such amount or portion thereof (as the case may be) shall be refunded by the Operator to the Partnership together with interest thereon at a rate (which in no event shall be higher than the maximum rate permitted by applicable law) equal to the rate designated by Citibank, N.A. from time to time as its prime rate during the period from the date of payment by the Partnership to the date of refund by the Operator.

- 5.4. Audit and Examination. Any Partner(s), the Partnership or their designated representatives (including in the case of the Partnership representatives from each Partner), after fifteen (15) Days' notice in writing to the Operator, shall have the right during normal business hours to audit or examine, at the expense of the Person (Partner(s) or Partnership) conducting the audit or examination, all books and records of the Operator as well as the relevant books of account of the Operator's contractors relating to the design, construction, operation, maintenance, and repair of the Facilities and the administrative services provided under this Agreement; provided, however, that the total number of full audits commenced in any Year shall not exceed one. Such right shall include the right to meet with the Operator's internal and independent auditors to discuss matters relevant to the audit or examination. The Partnership shall have two (2) Years after the close of a Year in which to make an audit of the Operator's records

for such Year; provided, however, that any audits relating to construction costs may be made up to twenty-four (24) Months after the date of completion. Absent fraud or intentional concealment or misrepresentation by the Operator or its employees, and except for any adjustments which may arise from FERC compliance audits, the Operator shall neither be required nor permitted to adjust any item unless a claim therefor is presented or adjustment is initiated within two (2) Years after the close of the Year in which the statement therefor is rendered, and in the absence of such timely claims or adjustments, the bills and statements rendered shall be conclusively established as correct; provided, however, this shall not prevent adjustment resulting from physical inventory of the Facilities and other Partnership property or audit adjustments relating to construction costs incurred as set forth in this Section 5.4.

6. Agent.

- 6.1. Agent. In performing services pursuant to this Agreement, the Operator shall be an agent of the Partnership.

7. Intellectual Property and Confidentiality.

- 7.1. Inventions and Copyrights. Any: (i) inventions, whether patentable or not, developed or invented, or (ii) copyrightable material developed by the Operator or its employees while engaged exclusively in the performance of services under this Agreement shall, unless otherwise directed, be assigned to the Partnership, which shall have the exclusive right to the exploitation thereof.
- 7.2. Confidentiality. Because the information and knowledge gained during the performance of services under this Agreement may consist of valuable proprietary information, the misuse or disclosure of which could cause substantial damage to the Partnership, any and all information obtained by the Operator in performance of its obligations under this

Agreement shall be held in strict confidence by the Operator, its employees or agents except as needed to comply with the purposes of this Agreement. Where appropriate, any contracts entered into by the Operator related to its obligations under this Agreement shall contain a provision which similarly restricts the use and disclosure of such information.

8. Indemnification, Litigation, Insurance and Liability.

8.1. Partnership's Indemnity.

- 8.1.1. The Partnership shall indemnify and save harmless the Operator and its directors, officers, agents and employees against all litigation, actions, claims, demands, debts and liabilities, and any costs including without limitation reasonable legal fees and expenses incurred in connection therewith, (to the extent only that such litigation, actions, claims, demands, debts and liabilities are

not satisfied by insurance carried pursuant to Section 8.2.1 below) arising out of the acts (or failure to act) of the Operator, its directors, officers, agents and employees in good faith and reasonably believed by the Operator, its directors, officers, agents and employees to be within the scope of the Operator's authority under this Agreement, including actions, claims, demands, costs and liabilities resulting from the negligence (but not the gross negligence or willful misconduct) of the Operator, its directors, officers, agents and employees, and the Operator, its directors, officers, agents, and employees shall not be liable for any obligations, liabilities, or commitments incurred by or on behalf of the Partnership as a result of any such acts (or failure to act).

- 8.1.2. Any and all claims, **damages** or causes of action against the Partnership in favor of anyone other than the Operator arising out of the design, construction, operation, maintenance, and repair of the Facilities and the administrative services provided under this Agreement that are not covered by insurance as per Section 8.2 of this Agreement shall be settled or litigated and defended by the operator in accordance with its best judgment and discretion when (i) the amount involved is less than a ceiling amount to be established by the Management Committee; (ii) no injunctive or similar relief is sought; and (iii) no criminal sanction is sought; otherwise, such decision shall be made by the Management Committee, and any settlement or defense

thereof shall be controlled by the Management Committee.

8.2. Insurance.

- 8.2.1. The operator shall carry and maintain, as approved by the Management Committee, insurance which it reasonably deems adequate to protect the Operator, its directors, officers, agents and employees against all actions, claims, demands, costs and liabilities arising out of the negligence of the operator, its directors, officers, agents and employees in connection with the duties and responsibilities of the operator hereunder. The Operator shall, subject to the approval of the Management Committee, carry and maintain such other insurance for the benefit of the Partnership and the Operator and require contractors, subcontractors or consultants to carry and

to maintain insurance, as directed by the management Committee, (i) to protect the Partnership and the Operator and (ii) to satisfy any other requirement of the law.

- 8.2.2. Insurance maintained by the Operator pursuant to Section 8.2.1 of this Agreement shall be a reimbursable cost pursuant to Section 5 of this Agreement.
- 8.2.3. The Operator may carry and maintain such other insurance for its own account as it may deem necessary.
- 8.2.4. With respect to claims and losses for damage, injury or destruction of property that is a part of the Facilities, which property is covered by insurance other than insurance provided for in Section 8.2.1 of this Agreement, it is

agreed that neither the Operator nor the Partnership or any of its Partners shall have any rights of recovery against one another, nor against Affiliates of either, nor the insurers of any of them, and their rights of recovery are mutually waived. All such policies of insurance purchased to cover the Facilities or any part thereof, or the operation (in any respect) of the Facilities or any part thereof, or any gas transported or handled therein, shall be endorsed properly to effectuate this waiver of recovery; provided, however, that if the Partnership, any of the Partners, or the Operator is unable, despite its best efforts, to obtain such an endorsement, then the other Parties may waive or appropriately modify this requirement.

- 8.3. Limitation of Liability. Any claim of the Operator against the Partnership which may arise hereunder shall be made only against the assets of the Partnership, and all rights to proceed against the Partners and the assets of the Partners, other than their interests in the Partnership, as a result of any such claim or any obligation arising therefrom, are hereby expressly waived. The operator shall endeavor to include a similar provision in all contracts entered into by the Operator pursuant to this Agreement.

9. Term.

- 9.1. Term. This Agreement shall be effective as of April __, 1990 and shall continue until the Partnership is dissolved in accordance with the Partnership Agreement; provided that this Agreement may be terminated by the Management Committee by giving 24-month's prior written notice to the Operator.

10. Accounting and Taxes.

- 10.1. Consistent with the Partnership Agreement. The accounting and tax service provided by the Operator shall be consistent with the applicable provisions of the Partnership Agreement. Matters of tax policy for the Partnership shall be the responsibility of, and ultimately determined by, the Management Committee in accordance with the Partnership Agreement.

11. Law of the Contract.

- 11.1. Law of the Contract. This Agreement shall be construed and interpreted under the laws of the State of Delaware, without regard to the principles of conflicts of laws.

12. Force Majeure.

- 12.1. Effect of Force Majeure. In the event that either the Partnership or the operator is rendered unable, by reason of an event of force majeure, as defined herein, to perform, wholly or in part, any obligation or commitment set forth in this Agreement, then

30

upon such Party's giving notice and full particulars of such event as soon as practicable after the occurrence thereof, the obligations of both Parties, except for unpaid financial obligations arising prior to such event of force majeure, shall be suspended to the extent and for the period of such force majeure condition.

- 12.2. Nature of Force Majeure. The term "force majeure" as employed in this Agreement shall mean acts of God, strikes, lockouts or industrial disputes or disturbances, civil disturbances, arrests and restraint of people, interruptions by government or court orders, present and future valid orders, decisions or rulings of any government or regulatory entity having proper jurisdiction, acts of the public enemy, wars, riots, blockades, insurrections, inability to secure labor or inability to secure materials, including inability to secure materials by reason of allocations promulgated by authorized governmental agencies, epidemics,

31

landslides, lightning, earthquakes, fire, storms, floods, washouts, inclement weather which necessitates extraordinary measures and expense to construct facilities and/or maintain operations, explosions, breakage or accident to machinery or lines of pipe, freezing of pipelines, inability to obtain or delays in obtaining easements or rights-of-way, the making of repairs or alterations to pipelines or plants, or any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the Party claiming force majeure.

- 12.3. Resumption of Normal Performance. Should there be an event of force majeure affecting performance hereunder, the Parties shall cooperate to take all reasonable steps to remedy such event with all reasonable dispatch to insure resumption of normal performance.

32

-
- 12.4. Strikes and Lockouts. Settlement of strikes and lockouts shall be entirely within the discretion of the party affected, and the requirement in Section 12.3 of this Agreement that any event of force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the parties directly or indirectly involved in such strikes or lockouts when such course is inadvisable in the discretion of the Party having such difficulty.

13. General.

- 13.1. Effect of Agreement. This Agreement reflects the whole and entire agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral and written, among the Parties with respect to the subject matter hereof. This Agreement can be amended, restated or supplemented only by the written agreement of the Operator and the Partnership.

33

-
- 13.2. Notices. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given upon hand delivery or on the first business day following delivery to a nationally recognized United States or Canadian overnight courier service, fee prepaid, return receipt or other confirmation of delivery requested, or on the third business day following delivery to the United States or Canadian Postal Service as certified or registered mail, return receipt requested, postage prepaid, if addressed to the Partnership and the Operator as set forth below, or when telecopied or sent by facsimile transmission to the numbers designated in writing by the Partnership and the Operator to be followed within three (3) business days by delivery of such communications:

Detroit, Michigan 48226, or such other person and/or address as may be designated from time to time by written notice to the Partnership.

- 13.2.2. If to the Partnership, to each of the Partners as set forth in the Partnership Agreement or to such other Person and/or address as may be designated from time to time by any Partner by written notice to the Operator. Any Partner may request that additional copies of notices be given to an Affiliate of such Partner at such address as is designated by such Partner by written notice to the Operator; provided, however, that any failure to give such notice shall not affect the validity of any notice given to any Partner or the Partnership in accordance with this Section 13.2. The Operator agrees

to give such notice to any such Affiliate.

- 13.3. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- 13.4. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.
- 13.5. Waiver. No waiver by any Party of any default by any other Party in the performance of any provision, condition or requirement herein shall be deemed to be a waiver of, or in any manner release the other Party from, performance of any other provision, condition or requirement herein, nor shall such waiver be deemed to be a waiver of, or in any manner a release of, the other Party from future performance of the same provision,

condition or requirement. Any delay or omission of any Party to exercise any right hereunder shall not impair the exercise of any such right, or any like right, accruing to it thereafter. No waiver of a right created by this Agreement by one Party shall constitute a waiver of such right by the other Party except as may otherwise be required by law with respect to Persons not parties hereto. The failure of one Party to perform its obligations hereunder shall not release the other Party from the performance of such obligations.

- 13.6. Assignability. This Agreement shall not be assigned by either the Partnership or the operator, without the written consent of the other, which consent shall not be unreasonably withheld by either Party. Any assignment hereunder shall be effective on the first Day of the *month* following the month during which the assignment is completed. This Agreement and all of the obligations and rights herein established shall extend

to and be binding upon and shall inure to the benefit of the respective successors and assigns of the respective Parties hereto.

- 13.7. References to Money. All references in this Agreement to, and transactions hereunder in, money shall be to or in Dollars of the United States of America.
- 13.8. Severability. Should any provision of this Agreement be deemed in contradiction with the laws of any jurisdiction in which it is to be performed or unenforceable for any reason, such provision shall be deemed null and void, but this Agreement shall remain in force in all other respects. Should any provision of this Agreement be or become ineffective because of changes in applicable laws or interpretations thereof or should this Agreement fail to include a provision that is required as a matter of law, the validity of the other provisions of this Agreement shall not be affected thereby. If such circumstances arise, the Parties hereto

shall negotiate in good faith appropriate modifications to this Agreement to reflect those changes that are required by law.

- 13.9. Third Persons. Except as contemplated herein, nothing herein expressed or implied is intended or shall be construed to confer upon or to give any Person not a Party hereto any rights or remedies under or by reason of this Agreement.

- 13.10. Laws and Regulatory Bodies. This Agreement and the obligations of the Parties hereunder are subject to all applicable laws, rules, orders and regulations of governmental authorities having jurisdiction and, in the event of conflict, such laws, rules, orders and regulations of governmental authorities having jurisdiction shall control.
- 13.11. Remedies Cumulative. Remedies provided under the provisions of this Agreement shall be cumulative and shall be in addition to the remedies provided by law or in equity.

39

-
- 13.12. Approval of Partnership. Unless otherwise specified, when the approval or other action of the Partnership is required under this Agreement such requirement shall be deemed to require approval of the Management Committee.
- 13.13. Operator's Office. Operator may select the location of its office or offices to perform its obligations hereunder.
- 13.14. Section Numbers. Unless otherwise indicated, references to Section numbers are to Sections of this Agreement.

40

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of this 5th day of April, 1990.

OPERATOR
GREAT LAKES GAS TRANSMISSION COMPANY

/s/ John K. Archambault

By: John K. Archambault, its president
and Chief Executive Officer

GREAT LAKES GAS TRANSMISSION
LIMITED PARTNERSHIP

TRANSCANADA GL, INC.,
GENERAL PARTNER

By: /s/ Mitchell T. G. Graye

Its: Vice President

41

EXHIBIT A
TO
OPERATING AGREEMENT
ACCOUNTING PROCEDURE

ARTICLE I

General Provisions

1.01 Statements and Billings. The Operator shall bill the Partnership on the first day of each month or as soon as possible thereafter for the estimated costs and expenses for the month and any adjustment which may be necessary to correct prior estimated billings to actual. Such bills will be summarized by appropriate classifications indicative of the nature thereof.

1.02 Payment by Partnership. The Partnership shall pay all bills presented as provided in the Operating Agreement on or before the 15th day after the billing date. If payment is not made within such time, the unpaid balance shall bear interest until paid at a rate (which in no event shall be higher than the maximum rate or rates permitted by applicable law) equal to the rate designated by Citibank, N.A. from time to time as its prime rate; provided, however, that if employees of the Operator are responsible for writing the

Partnership's checks and the Partnership has sufficient funds to make payment, no interest charge shall be imposed for late payment. Payment by or on behalf of the Partnership shall not be deemed a waiver of the right to recoup any amount in question.

1.03 Adjustments. Payment of any bills shall not prejudice the right of the Partnership to protest or question the correctness thereof; provided, however, that, absent fraud or intentional concealment or misrepresentation by the Operator or its employees, all bills and statements rendered to the Partnership by the operator during any calendar year shall conclusively be presumed to be true and correct after 24 months following the end of any such calendar year, unless prior to the end of said 24-month period the Partnership takes written exception thereto and makes claim on the Operator for adjustment; provided, however, this shall not prevent adjustment resulting from FERC Compliance Audits or the physical inventory of the Facilities and other Partnership property, and any adjustments relating to construction costs may be made up to 24 months after the date of completion. No adjustment favorable to the

2

Operator shall be made unless it is made within the same prescribed period.

1.04 Financial Records. The Operator shall maintain accurate books and records in accordance with the Required Accounting Practice covering all of the Operator's actions under this Operating Agreement.

ARTICLE II

Capital Items

Except for items included in a previously approved budget, prior to the acquisition of any property, real or personal, costing more than a ceiling amount to be established by the Management Committee in the name or on behalf of the Partnership which under the accounting rules and regulations, if any, at the time prescribed by the regulatory body or bodies under the jurisdiction of which the Partnership is at the time operating, might be capitalized, the operator shall prepare and submit to the Partnership a forecast of the cost of all such property. Upon approval of such forecast by the Partnership (including approval of the proposed purchase), the Operator shall have authority to purchase such property in the Partnership's name without further approval or action by the Partnership. To the extent the Operator owns property necessary or desirable

3

for the operation and maintenance of the Facilities that: (i) under the accounting rules and regulations, if any, prescribed by the regulatory body or bodies under the jurisdiction of which the Partnership is at the time operating, might be capitalized, (ii) the Operator in its sole discretion is willing to transfer for consideration to the Partnership, and (iii) can be transferred by the Operator to the Partnership free and clear of all prior liens and encumbrances, the Operator, if approved by the management committee, may so transfer such property to the Partnership and charge the Partnership the net book value thereof as reflected on the books of the Operator on the date of transfer.

ARTICLE III

Costs, Expenses and Expenditures

Subject to the limitations hereinafter prescribed and the provisions of the Operating Agreement to which this Accounting Procedure is an exhibit, the Operator shall charge the Partnership for all necessary or appropriate costs and expenses incurred by the Operator in connection with the planning, design, construction, engineering, operation, maintenance, or repair of the Facilities, including any Incremental Expansion, and the administration of the services

4

provided for under the Operating Agreement, (hereinafter collectively referred to as "Operation of the Facilities"), including but not limited to the following items:

3.01 Rentals. All rentals paid by the Operator.

3.02 Labor, Administrative and General Costs.

(a) Salaries and wages of employees of the operator directly engaged in connection with the Operation of the Facilities; amounts paid as salaries and wages of others temporarily employed in connection with the operation of the Facilities; and salaries and wages of the Operator's personnel who render services with respect to the Operation of the Facilities including, but not limited to, accounting, administrative, construction, engineering, marketing, planning, public relations, personnel, purchasing, legal, treasury, repair, replacement, operational planning, budgeting, technical services, insurance administration, tax services and regulatory matters. Such salaries and wages shall be loaded to include the Operator's actual cost of holiday, vacation, sickness and jury service benefits and other customary allowances for time not worked paid to persons

5

whose salaries and wages are chargeable under this subsection 3.02(a).

(b) Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to salaries, wages and costs chargeable under Subsection 3.02(a) above, including but not limited to FICA taxes and federal and state unemployment taxes.

(c) Expenditures made by the Operator for the cost of plans for employers' group life insurance, hospitalization, disability, pension, retirement, savings and any other benefit plans, which are applicable to the personnel whose salaries and wages are chargeable under subsection 3.02(a) above.

3.03 Reimbursable Expenses of Employees. Reasonable personal expenses of employees whose salaries and wages are chargeable under Section 3.02(a) hereof. As used herein, the term "personal expenses" shall mean the usual out-of-pocket expenditures incurred by employees in the performance of their duties and for which such employees are reimbursed. The Operator shall maintain documentation for such expenses in accordance with the standards of the Internal Revenue Service.

6

3.04 Material, Equipment and Supplies. It is contemplated that all material, equipment and supplies will be owned by the Partnership and purchased or furnished for its account. So far as is reasonably practical and consistent with efficient and economical operation, only such material shall be obtained for the Facilities as may be required for immediate use, and the accumulation of surplus stock shall be avoided. To the extent reasonably possible, the Operator shall take advantage of discounts available by early payments and pass such benefits on to the Partnership. Material, equipment and supplies furnished by the Operator, if any, shall be priced at cost plus the operator's actual carrying costs as approved by the Management Committee in its most recent budget.

3.05 Transportation. Transportation of employees, equipment and material and supplies necessary for the operation of the Facilities. It is anticipated that transportation equipment used by the Operator will be owned by the Partnership; provided, however, any automobiles, airplanes and trucks owned or obtained by the Operator from the Operator's Affiliates or through contracts with others and approved for use for the operation of the Facilities will be billed to the

7

Partnership at reasonable rates based on the Operator's actual costs.

3.06 Services.

- (a) The cost of contract services and utilities procured from outside sources.
- (b) Use and services of vehicles, equipment and facilities furnished by the Operator as provided in Section 3.05 hereof.

3.07 Legal Expenses and Claims. All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Operation of the Facilities or necessary to protect or recover any Facilities' property, including, but not limited to, attorney's fees, court costs, costs of investigation or procuring evidence and any judgments paid or amounts paid in settlement or satisfaction of any such litigation or claims. The Operator shall credit the Partnership for judgments received or amounts received in settlement of litigation, with respect to any claim asserted on behalf of the Partnership.

8

3.08 Taxes. All taxes (except those measured by income) of every kind and nature assessed or levied upon or incurred in connection with the Operation of the Facilities or on the Facilities or other property of the Partnership and which taxes have been paid by the operator for the benefit of the Partnership, including charges for late payment arising from extensions of the time for filing which is caused by the Partnership, or which results from the operator's good faith efforts to contest the amount or application of any tax.

3.09 Insurance. Net of any returns, refunds, or dividends, all premiums paid and expenses incurred for insurance required to be carried under the operating Agreement for the benefit of the Operator and/or Partnership.

3.10 Permits, Licenses and Bond. Cost of permits, licenses and bond premiums necessary in the performance of the Operator's duties.

3.11 Filing Fees. All regulatory filing fees (if any) paid by the Operator related to application(s) for authority to construct and operate the Facilities, including any Incremental Expansions.

9

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We consent to the incorporation by reference in the registration statements (No. 333-121537 and No. 333-141488) on Form S-3 of TC PipeLines, LP, of our report dated April 25, 2007, with respect to the consolidated balance sheets of TC PipeLines GP, Inc. as of December 31, 2006 and 2005, which report appears in Exhibit 99.1 to the Form 10-Q of TC PipeLines, LP dated April 30, 2007.

/s/ KPMG

Chartered Accountants

Calgary, Canada
April 30, 2007

CERTIFICATION

I, Russell K. Girling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TC PipeLines, LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 evaluations; 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: April 30, 2007

/s/ Russell K. Girling

Russell K. Girling

Chairman, Chief Executive Officer and Director

TC PipeLines GP, Inc., as general partner of

TC PipeLines, LP (Principal Executive Officer)

CERTIFICATION

I, Amy W. Leong, 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 evaluations; 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: April 30, 2007

/s/ Amy W. Leong

Amy W. Leong

Controller

TC PipeLines GP, Inc., as general partner of

TC PipeLines, LP (Principal Financial Officer)

CERTIFICATION

I, Russell K. Girling, Chief Executive Officer of TC PipeLines GP, Inc., the general partner of TC PipeLines, LP (the Partnership), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 hereby certify, to the best of my knowledge, in connection with the Partnership's Quarterly Report on Form 10-Q for the period ended March 31, 2007 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: April 30, 2007

/s/ Russell K. Girling

Russell K. Girling

Chairman, Chief Executive Officer and Director

TC PipeLines GP, Inc., as general partner of

TC PipeLines, LP (Principal Executive Officer)

CERTIFICATION

I, Amy W. Leong, Principal Financial Officer of TC PipeLines GP, Inc., the general partner of TC PipeLines, LP (the Partnership), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 hereby certify, to the best of my knowledge, in connection with the Partnership's Quarterly Report on Form 10-Q for the period ended March 31, 2007 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: April 30, 2007

/s/ Amy W. Leong

Amy W. Leong

Controller

TC PipeLines GP, Inc., as general partner of

TC PipeLines, LP (Principal Financial Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of TC PipeLines GP, Inc. (a Delaware corporation) as of December 31, 2006 and 2005. These consolidated balance sheets are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated balance sheets based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the balance sheets are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheets. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated balance sheets referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Chartered Accountants
Calgary, Canada
April 25, 2007

CONSOLIDATED BALANCE SHEETS**TC PipeLines GP, Inc.**

December 31 (millions of dollars)	2006	2005
Assets		
Current assets		
Cash and short-term investments	4.3	2.6
Accounts receivables and other	2.5	—
Due from affiliate (Note 10)	6.0	4.5
	<u>12.8</u>	<u>7.1</u>
Investment in Northern Border Pipeline (Note 3)	561.2	274.5
Investment in Tuscarora (Note 4)	—	38.9
Plant, property and equipment (Note 5)	127.0	—
Goodwill (Note 6)	79.2	—
Other assets	3.9	—
	<u>784.1</u>	<u>320.5</u>
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	3.3	1.1
Accrued interest	1.3	—
Due to affiliates (Note 10)	3.1	1.1
Current portion of long-term debt (Note 7)	4.7	13.5
	<u>12.4</u>	<u>15.7</u>
Long-term debt (Note 7)	463.4	—
Deferred income tax (Note 8)	18.6	16.4
	<u>494.4</u>	<u>32.1</u>
Non-controlling interests	266.3	263.1
Stockholder's equity (Note 9)		
Common stock (\$0.01 par value per share; 1,000 shares authorized; 100 shares issued)	—	—
Additional paid-in capital	18.2	24.7
Retained earnings	4.9	0.5
Accumulated other comprehensive income	0.3	0.1
	<u>23.4</u>	<u>25.3</u>
	<u>784.1</u>	<u>320.5</u>
Commitments (Note 13)		
Subsequent events (Note 14)		

The accompanying notes are an integral part of these balance sheets.

NOTES TO CONSOLIDATED BALANCE SHEETS**Note 1 Organization**

TC PipeLines GP, Inc. (the GP), a Delaware corporation, was formed by TransCanada PipeLines Limited in December 1998 to become the general partner of TC PipeLines, LP (the LP), a Delaware limited partnership. The GP and the LP are collectively referred to herein as the Company. On May 15, 2003, TransCanada PipeLines Limited became a wholly-owned subsidiary of TransCanada Corporation (collectively referred to herein as TransCanada). The GP is an indirect wholly-owned subsidiary of TransCanada.

The GP holds a two per cent general partner interest in the LP and also owns 2,035,106 common units, representing an effective 13.4 per cent limited partner interest in the LP at December 31, 2006. By virtue of the GP's performance of all management and operating functions required by the LP pursuant to the Amended and Restated Agreement of Limited Partnership of TC PipeLines, LP (Partnership Agreement), the GP has control of the operating and financial policies of the LP.

The LP is a publicly traded partnership. Common units of the LP are listed on the Nasdaq Global Market and are quoted for trading under the symbol "TCLP." The LP owns a 50 per cent general partner interest in Northern Border Pipeline Company (Northern Border Pipeline) and owns or controls a 99 per cent interest in Tuscarora Gas Transmission Company (Tuscarora). Northern Border Pipeline owns a 1,249-mile interstate pipeline system that transports natural gas from the Montana-Saskatchewan border to markets in the midwestern United States. Tuscarora owns a 240-mile interstate pipeline system that transports natural gas from Oregon, where it interconnects with facilities of Gas Transmission Northwest Corporation, to northern Nevada.

Note 2 Significant Accounting Policies

a) Basis of Presentation and Use of Estimates

The accompanying consolidated balance sheets and related notes present the consolidated financial position of the Company as of December 31, 2006 and 2005. The preparation of consolidated balance sheets in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheets. Although management believes these estimates are reasonable, actual results could differ from these estimates. Amounts are stated in United States dollars.

b) Principles of Consolidation

The consolidated balance sheets include the accounts of the GP and the LP. The GP controls the operations of the LP through its two per cent general partner interest. All significant intercompany transactions and accounts have been eliminated on consolidation. The Company uses the equity method of accounting for its investment in Northern Border Pipeline, over which it is able to exercise significant influence. The Company accounted for its investment in Tuscarora using the equity method until December 19, 2006. On this date, the Company acquired an additional 49 per cent general partner interest in Tuscarora and as a result of acquiring a controlling interest in Tuscarora, began to consolidate Tuscarora's operations.

c) Cash and Short-Term Investments

The Company's short-term investments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates market value.

d) Plant, Property and Equipment

Plant, property and equipment relates solely to Tuscarora and is stated at original cost. Costs of migrating the land above and around the pipeline are capitalized to pipeline facilities and depreciated over the remaining life of the related pipeline facilities. Depreciation of pipeline

facilities and compression equipment is provided on a straight-line composite basis over the estimated useful life of the pipeline of 30 years and of the compression equipment of 25 years. Equipment is depreciated on a straight-line basis over the estimated useful lives of the equipment which range from three to 30 years. Repair and maintenance costs are expensed as incurred. Costs that are considered a betterment are capitalized.

Long-lived assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed by comparing the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of such assets exceed the fair value of the assets.

e) Revenue Recognition

Transmission revenues are recognized in the period in which the service is provided. When rate cases are pending final FERC approval, a portion of revenue collected is subject to possible refund. As of December 31, 2006, the Partnership has not recognized any transmission revenue that is subject to refund.

f) Income Taxes

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

g) Acquisitions and Goodwill

The Company accounts for business acquisitions using the purchase method of accounting and accordingly the assets and liabilities of the acquired entities are recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of net assets acquired is attributed to goodwill. Goodwill is not amortized for accounting purposes but is amortized for tax purposes. Goodwill is re-evaluated on an annual basis for impairment.

h) Derivative Financial Instruments and Hedging Activities

The Company utilizes derivative and other financial instruments to manage its exposure to changes in interest rates. Derivatives and other instruments must be designated and be effective to qualify for hedge accounting. Derivatives are recorded at their fair value at each balance sheet date. For cash flow hedges, unrealized gains or losses relating to derivatives are recognized as other comprehensive income. In the event that a derivative does not meet the designation or effectiveness criteria, any unrealized gain or loss on the instrument is recognized immediately in earnings.

If a derivative that previously qualified as a hedge is settled, de-designated or ceases to be effective, the gain or loss at that date is deferred and recognized in the same period and in the same financial statement category as the corresponding hedged transactions. If a hedged anticipated transaction is no longer probable to occur, related gains or losses are immediately recognized in earnings and amounts previously recognized in other comprehensive income are reclassified to earnings prospectively. Costs associated with the purchase of certain hedging instruments are deferred and amortized against interest expense.

i) Asset Retirement Obligation

SFAS No. 143, *Accounting for Asset Retirement Obligations*, provides accounting requirements for the recognition and measurement of liabilities associated with the retirement of tangible long-lived assets. Under the standard, these liabilities are recognized at fair value as incurred and capitalized as part of the cost of the related tangible long-lived assets. Accretion of the liabilities due to the passage of time is classified as an operating expense. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which a legal obligation exists under enacted laws, statutes, ordinances, or written or oral contracts, including obligations arising under the doctrine of promissory estoppel.

The plant, property and equipment of Tuscarora consists primarily of underground pipelines and above ground compression equipment and other facilities. No amount has been recorded for asset retirement obligations relating to these assets based on management's assessment that no legal obligation exists.

Note 3 Investment in Northern Border Pipeline

The LP owns a 50 per cent general partner interest in Northern Border Pipeline. The remaining 50 per cent partnership interest in Northern Border Pipeline is held by ONEOK Partners, LP (ONEOK), a publicly traded limited partnership. The Northern Border pipeline system is operated by ONEOK Partners GP, LLC, a wholly-owned subsidiary of ONEOK. Northern Border Pipeline is regulated by the Federal Energy Regulatory Commission (FERC).

On April 6, 2006, the LP acquired an additional 20 per cent general partner interest in Northern Border Pipeline. There were no undistributed earnings of Northern Border Pipeline for the years ended December 31, 2006 and 2005.

The following sets out summarized balance sheet information for Northern Border Pipeline as at December 31, 2006 and 2005:

Summarized Northern Border Pipeline Balance Sheet

December 31 (millions of dollars)	2006	2005
Assets		
Cash and cash equivalents	11.0	22.0
Other current assets	35.5	45.7
Plant, property and equipment, net	1,475.7	1,516.1
Other assets	22.5	20.9
	<u>1,544.7</u>	<u>1,604.7</u>
Liabilities and Partners' Equity		
Current liabilities	47.7	56.0
Long-term debt, including current maturities and notes payable	619.8	628.9
Reserves and deferred credits	2.1	4.8
Partners' equity		
Partners' capital	874.1	912.7
Accumulated other comprehensive income	1.0	2.3
	<u>1,544.7</u>	<u>1,604.7</u>

Note 4 Investment in Tuscarora Gas Transmission

On September 1, 2000, the LP acquired its initial 49 per cent interest in Tuscarora from a subsidiary of TransCanada. Tuscarora is regulated by the FERC.

On December 19, 2006, the LP acquired an additional 49 per cent general partner interest in Tuscarora. At December 31, 2006, the LP owns a 98 per cent

general partner interest in Tuscarora. The remaining general partner interests in Tuscarora are held one per cent by Sierra Pacific Resources and one per cent by TransCanada. There were no undistributed earnings of Tuscarora for the years ended December 31, 2006 and 2005.

Note 5 Plant, Property and Equipment

December 31, 2006 (millions of dollars)	Cost	Accumulated Depreciation	Net Book Value
--	------	-----------------------------	-------------------

Tuscarora			
Pipeline facilities	160.1	51.9	108.2
Compression equipment	20.9	3.5	17.4
Construction work in progress	1.3	—	1.3
Plant held for future use	0.1	—	0.1
	<u>182.4</u>	<u>55.4</u>	<u>127.0</u>

Note 6 Acquisitions

Northern Border Pipeline

On April 6, 2006, the LP acquired an additional 20 per cent general partnership interest in Northern Border Pipeline for approximately \$297 million plus a \$10 million transaction fee payable to a subsidiary of TransCanada, bringing the LP's total interest to 50 per cent. Through the acquisition, the LP indirectly assumed approximately \$120 million of debt. The Partnership funded the transaction through a Bridge Loan Credit Facility. In connection with this transaction, a subsidiary of TransCanada will become the operator of Northern Border Pipeline in April 2007.

The acquisition was accounted for using the purchase method of accounting. The purchase price was allocated using an estimate of fair value of the net assets at the date of acquisition. The difference between the purchase price and the fair value of net assets of \$114 million, being goodwill, was recorded as part of the LP's investment in Northern Border Pipeline. The \$10 million transaction fee payable to a subsidiary of TransCanada, who will become the operator of Northern Border Pipeline in April 2007, has been recorded as part of the LP's investment in Northern Border Pipeline and is being amortized over the term of the related operating agreement.

Tuscarora

On December 19, 2006, the LP acquired an additional 49 per cent general partnership interest in Tuscarora for \$99.9 million, subject to closing adjustments. Through the acquisition the LP indirectly assumed \$37.5 million of Tuscarora debt. The Partnership funded the transaction through the Senior Credit Facility. In connection with this transaction, a subsidiary of TransCanada became the operator of Tuscarora.

The acquisition was accounted for using the purchase method of accounting. The purchase price was allocated as follows using an estimate of fair value of the assets acquired and liabilities assumed at the date of acquisition:

Purchase Price Allocation (millions of dollars)	Acquisition of additional 49% interest
Current assets	4.7
Plant, property and equipment	56.6
Other non-current assets	0.7
Goodwill	79.2
Current liabilities	(2.6)
Long-term debt	(37.5)
Non-controlling interests	(1.2)
	<u>99.9</u>

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

Note 7 Credit Facilities and Long-Term Debt

(millions of dollars)	2006	2005
Senior Credit Facility	397.0	—
Series A Senior Notes	57.9	—
Series B Senior Notes	6.0	—
Series C Senior Notes	7.2	—
Revolving Credit Facility	—	13.5
Total	<u>468.1</u>	<u>13.5</u>

On February 28, 2006, the LP renewed a \$20.0 million, previously \$30.0 million, unsecured credit facility (Revolving Credit Facility). Loans under the Revolving Credit Facility bore interest, at the option of the LP, at a one-, two-, three-, or six-month London interbank offered rate (LIBOR) plus 0.75 per cent or 1.00 per cent if total debt was less than 15 per cent of capitalization, or greater than or equal to 15 per cent of capitalization, respectively, or at a floating rate based on the higher of the federal funds effective rate plus 0.5 per cent and the prime rate. In 2005, the LP repaid \$16.5 million on the Revolving Credit Facility and had \$13.5 million outstanding at December 31, 2005. In 2006, the LP repaid the Revolving Credit Facility in full and it was terminated. The interest rate on the Revolving Credit Facility averaged 5.60 per cent and 4.40 per cent for the years ended December 31, 2006 and 2005, respectively, and at December 31, 2005 the interest rate was 5.62 per cent.

On March 31, 2006, the LP entered into an unsecured credit agreement for a \$310 million credit facility (Bridge Loan Credit Facility) with a banking syndicate. Borrowings under the Bridge Loan Credit Facility bore interest, at the option of the LP, at the LIBOR or the base rate plus an applicable margin. On April 5, 2006, the LP borrowed \$307 million under the Bridge Loan Credit Facility to finance the purchase price and a \$10 million transaction fee payable in connection with the acquisition of an additional 20 per cent general partnership interest in Northern Border Pipeline. The remaining \$3 million commitment

under the Bridge Loan Credit Facility was terminated. On December 12, 2006, the Bridge Loan Credit Facility was refinanced through a \$297 million draw on a \$410 million credit agreement (Senior Credit Facility) with a banking syndicate and the use of \$10 million cash on hand. The interest rate on the Bridge Loan Credit Facility averaged 6.29 per cent for the year ended December 31, 2006.

On December 12, 2006, the LP entered into a credit agreement for the Senior Credit Facility. On December 19, 2006, the LP borrowed an additional \$100 million under the Senior Credit Facility to finance the purchase price of an additional 49 per cent general partner interest in Tuscarora. The Senior Credit Facility matures on December 12, 2011, at which time all amounts outstanding will be due and payable. Amounts borrowed may be repaid in part or in full prior to that time without penalty. Borrowings under the Senior Credit Facility will bear interest based, at the LP's election, on the LIBOR or the prime rate plus, in either case, an applicable margin. There was \$397 million outstanding under the Senior Credit Facility at December 31, 2006. The interest rate on the Senior Credit Facility averaged 6.16 per cent for the year ended December 31, 2006 and at December 31, 2006, the interest rate was 6.07 per cent. At December 31, 2006, the Partnership was in compliance with its financial covenants.

On December 21, 1995, Tuscarora issued \$91.7 million of 7.13 per cent senior secured notes, which require principal and interest payments over 15 years and mature on December 21, 2010 (Series A). On December 21, 2000, Tuscarora issued \$8.0 million of 7.99 per cent senior secured notes, which require principal and interest payments over ten years and mature on December 21, 2010 (Series B). On March 15, 2002, Tuscarora issued \$10.0 million of 6.89 per cent senior secured notes, which require principal and interest payments over ten years and mature on December 21, 2012 (Series C). The Series A, Series B and Series C notes (collectively, the Notes) have a final payment at maturity of \$46.7 million, \$4.1 million and \$2.7 million, respectively. The Notes are secured by Tuscarora's transportation contracts, supporting agreements and substantially all of Tuscarora's property. The credit agreement for the Notes contains certain provisions that include, among other items, limitations on additional indebtedness and distributions to partners.

Annual maturities of the Senior Credit Facility and the Notes are summarized as follows (*millions of dollars*):

2007	4.7
2008	4.6
2009	4.4
2010	53.5
2011	397.8
Thereafter	3.1
	<u>468.1</u>

Note 8 Income Taxes

Deferred income tax liabilities of \$18.6 million for 2006 (2005 - \$16.4 million) arise from the Company's investments having higher book basis than tax basis.

Note 9 Stockholder's Equity

A wholly-owned subsidiary of TransCanada holds 100 common shares representing 100 per cent of the issued common stock of the Company. On July 21, 2006 the Company declared a distribution of \$6.5 million in the form of a return of capital to a wholly-owned subsidiary of TransCanada.

Note 10 Related Party Transactions

The Company does not have any employees. Management is provided by TransCanada. TransCanada does not receive a fee or other compensation for its management of the Company. The Company reimburses TransCanada for all costs, including the costs of employee, officer and director compensation and benefits, and all other expenses necessary to the conduct of the Company's business. Total costs reimbursed were \$1.2 million for the year ended December 31, 2006 (2005 - \$1.1 million).

On April 6, 2006 the LP acquired an additional 20 per cent general partnership interest in Northern Border Pipeline. As part of this transaction, the LP paid a \$10 million transaction fee to a subsidiary of TransCanada, who will become the operator of Northern Border Pipeline in April 2007. The fee has been recorded as part of the investment in Northern Border Pipeline and is being amortized over the term of the related operating agreement.

As at December 31, 2006 and 2005, \$0.5 million was owed to TransCan Northern Ltd., a wholly-owned subsidiary of TransCanada. As at December 31, 2006 \$2.3 million was owed to TransCanada PipeLines USA Ltd. (TCPL USA), a wholly-owned subsidiary of TransCanada (2005 - \$0.6 million).

As at December 31, 2006 \$6.0 million was owed to the Company by TCPL USA under a credit facility agreement (2005 - \$4.5 million). The advance bears interest at the U.S. prime rate. Amounts advanced may be repaid, in part or in full, with one business day notice.

Note 11 Capital Requirements

The LP contributed \$3.1 million during 2006, representing its then 30 per cent share of a \$10.3 million cash call issued by Northern Border Pipeline. The funds were used by Northern Border Pipeline to fund an expansion project.

Note 12 Financial Instruments

The carrying value of cash and short-term investments, accounts receivable and other, due from affiliate, accounts payable and accrued interest approximate their fair values because of the short maturity or duration of these instruments, or because the instruments carry a variable rate of interest or a rate that approximates current rates. The fair value of the LP's long-term debt is estimated by discounting the future cash flows of each instrument at current borrowing rates.

The estimated fair values of the LP's long-term debt as of December 31, 2006 are as follows:

<u>(millions of dollars)</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Senior Credit Facility	397.0	397.0
Series A Senior Notes	57.9	60.9
Series B Senior Notes	6.0	6.4
Series C Senior Notes	7.2	7.5
Total	<u>468.1</u>	<u>471.8</u>

The Partnership's short-term and long-term debt results in exposures to changing interest rates. The Partnership uses derivatives to assist in managing its exposure to interest rate risk.

At December 31, 2006, the fair value of the interest rate swaps accounted for as hedges was \$1.6 million. The fair value of interest rate derivatives has been calculated using year-end market rates. The notional amount hedged was \$200 million. The interest rate swaps are structured such that the cash flows match those of the Senior Credit Facility from March 12, 2007 to December 12, 2011.

Note 13 Commitments

At December 31, 2006, Tuscarora is party to a contract with a third party for maintenance services on certain components of pipeline equipment. The contract requires payments of approximately \$0.7 million in 2007. In 2006, Tuscarora paid \$0.8 million under this contract.

Note 14 Subsequent Events

On February 22, 2007, the LP acquired a 46.45 per cent interest in Great Lakes from El Paso Corporation. The total purchase price was \$942 million, subject

to certain closing adjustments, and included the indirect assumption of approximately \$209 million of debt. The acquisition was partially financed through a private placement of 17,356,086 common units at \$34.57 per common unit for gross proceeds of \$600 million which closed concurrently with the acquisition. TransCanada Northern Ltd. purchased 8,678,045 of the 17,356,086 common units issued for gross proceeds of \$300 million. The LP funded the balance of the total consideration with a draw on its senior credit facility, which was amended and restated in connection with the acquisition. The amount available under the senior credit facility increased from \$410 million to \$950 million, consisting of a \$700 million senior term loan and a \$250 million senior revolving credit facility, with \$194 million of the senior term loan available being terminated upon closing of the acquisition. In addition, the GP maintained its two per cent general partner interest in the LP by contributing \$12.6 million to the LP in connection with the private equity placement.

TransCanada, which previously held a 50 per cent interest in Great Lakes, acquired the remaining 3.55 per cent interest simultaneously with the LP's acquisition of its interest. A wholly-owned subsidiary of TransCanada also became the operator of Great Lakes. The LP used the equity method of accounting for its interest in Great Lakes at the date of acquisition.

On April 9, 2007, Northern Border Pipeline informed the LP that a contribution of \$7.5 million is payable on April 30, 2007, representing the LP's 50 per cent share of a \$15 million cash call issued by Northern Border Pipeline. The funds will be used by Northern Border Pipeline to refinance senior notes due May 1, 2007.
