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

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

**For the quarterly period ended September 30, 2008**

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 | 52-2135448 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

| 13710 FNB Parkway<br>Omaha, Nebraska | 68154-5200 |
|---|---|
| (Address of principal executive offices) | (Zip code) |

877-290-2772
(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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer [X] Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

As of November 3, 2008, there were 34,856,086 of the registrant’s common units outstanding.

**TC PIPELINES, LP**

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

**Glossary**

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

| | |
|---|---|
| ANR | ANR Pipeline Company |
| Bcf/d | Billion cubic feet per day |
| Bison Project | Bison Pipeline Project |
| Chicago IV | Northern Border's proposed expansion project |
| Collar Agreement | Northern Border's zero cost interest rate collar agreement |
| DCF | Discounted cash flow |
| Dth/d | Dekatherms per day |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| GAAP | U.S. generally accepted accounting principles |
| GLGT | Great Lakes Gas Transmission Limited Partnership |
| Great Lakes | Great Lakes Gas Transmission Limited Partnership |
| INGAA | Interstate Natural Gas Association of America |
| LIBOR | London Interbank Offered Rate |
| MLP | Master Limited Partnership |
| MMcf/d | Million cubic feet per day |
| NBPC | Northern Border Pipeline Company |
| Northern Border | Northern Border Pipeline Company |
| Our pipeline systems | Great Lakes, Northern Border and Tuscarora |
| Partnership | TC PipeLines, LP and its subsidiaries |
| Pathfinder Project | Pathfinder Pipeline Project |
| REX East | Eastern segment of the Rockies Express Pipeline |
| REX West | Western segment of the Rockies Express Pipeline |
| ROE | Return on equity |
| ROFR | Right of first refusal |
| SEC | Securities and Exchange Commission |
| SFAS | Statement of Financial Accounting Standards |
| TC Pipelines | TC PipeLines, LP and its subsidiaries |
| TCNB | TransCanada Northern Border Inc. |
| TGTC | Tuscarora Gas Transmission Company |
| TransCanada | TransCanada Corporation and its subsidiaries |
| TSA | Transportation Security Administration |
| Tuscarora | Tuscarora Gas Transmission Company |
| U.S | United States of America |
| WCSB | Western Canada Sedimentary Basin |

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

### TC PipeLines, LP
### Consolidated Statement of Income

| *(unaudited)* *(millions of dollars except per common unit amounts)* | Three months ended September 30, **2008** | 2007 | Nine months ended September 30, **2008** | 2007 |
|---|---|---|---|---|
| Equity income from investment in Great Lakes (Note 2) | **12.0** | 14.2 | **44.4** | 34.3 |
| Equity income from investment in Northern Border (Note 3) | **19.9** | 16.2 | **48.1** | 44.3 |
| Transmission revenues | **8.2** | 6.7 | **23.3** | 20.3 |
| Operating expenses | **(2.3)** | (2.2) | **(6.8)** | (6.4) |
| Depreciation | **(1.8)** | (1.6) | **(5.1)** | (4.7) |
| Financial charges, net and other | **(7.7)** | (8.7) | **(22.8)** | (25.5) |
| **Net income** | **28.3** | 24.6 | **81.1** | 62.3 |
| **Net income allocation** | | | | |
| Common units | **25.1** | 22.4 | **72.5** | 57.0 |
| General partner | **3.2** | 2.2 | **8.6** | 5.3 |
| | **28.3** | 24.6 | **81.1** | 62.3 |
| **Net income per common unit (Note 6)** | **$ 0.72** | $ 0.64 | **$ 2.08** | $ 1.81 |
| **Weighted average common units outstanding** *(millions)* | **34.9** | 34.9 | **34.9** | 31.5 |
| **Common units outstanding, end of the period** *(millions)* | **34.9** | 34.9 | **34.9** | 34.9 |

### Consolidated Statement of Comprehensive Income

| *(unaudited)* *(millions of dollars)* | Three months ended September 30, **2008** | 2007 | Nine months ended September 30, **2008** | 2007 |
|---|---|---|---|---|
| Net income | **28.3** | 24.6 | **81.1** | 62.3 |
| Other comprehensive loss | | | | |
| Change associated with hedging transactions (Note 9) | **(1.3)** | (7.0) | **(1.7)** | (2.3) |
| Change associated with hedging transactions of investees | - | (0.5) | **(0.7)** | (0.9) |
| | **(1.3)** | (7.5) | **(2.4)** | (3.2) |
| **Total comprehensive income** | **27.0** | 17.1 | **78.7** | 59.1 |

See accompanying notes to the consolidated financial statements.

**TC PipeLines, LP**
**Consolidated Balance Sheet**

*(unaudited)*

| *(millions of dollars)* | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and short-term investments | **11.0** | 7.5 |
| Accounts receivable and other | **3.7** | 4.2 |
| | **14.7** | 11.7 |
| Investment in Great Lakes (Note 2) | **710.5** | 721.1 |
| Investment in Northern Border (Note 3) | **517.2** | 541.9 |
| Plant, property and equipment (net of $66.8 accumulated depreciation, 2007 - $61.7) | **135.6** | 134.1 |
| Goodwill | **81.7** | 81.7 |
| Other assets | **1.6** | 2.1 |
| | **1,461.3** | 1,492.6 |
| **LIABILITIES AND PARTNERS' EQUITY** | | |
| Current Liabilities | | |
| Bank indebtedness | **-** | 1.4 |
| Accounts payable | **2.2** | 4.8 |
| Accrued interest | **3.5** | 3.0 |
| Current portion of long-term debt (Note 5) | **4.5** | 4.6 |
| Other current liabilities | **0.5** | - |
| | **10.7** | 13.8 |
| Other long-term liabilities | **11.0** | 9.9 |
| Long-term debt (Note 5) | **541.6** | 568.8 |
| | **563.3** | 592.5 |
| Partners' Equity | | |
| Common units | **892.6** | 892.3 |
| General partner | **19.1** | 19.1 |
| Accumulated other comprehensive loss | **(13.7)** | (11.3) |
| | **898.0** | 900.1 |
| | **1,461.3** | 1,492.6 |

Subsequent events (Note 12)

See accompanying notes to the consolidated financial statements.

**TC PipeLines, LP**
**Consolidated Statement of Cash Flows**

| *(unaudited)* *(millions of dollars)* | **Nine months ended September 30, 2008** | 2007 |
|---|---|---|
| **CASH GENERATED FROM OPERATIONS** | | |
| Net income | **81.1** | 62.3 |
| Depreciation | **5.1** | 4.7 |
| Amortization of other assets | **0.4** | 0.3 |
| Non-controlling interests | **-** | 0.2 |
| Increase in long-term liabilities | **0.1** | - |
| Equity allowance for funds used during construction | **(0.2)** | - |
| Increase in operating working capital (Note 10) | **(0.2)** | (0.7) |
| | **86.3** | 66.8 |
| **INVESTING ACTIVITIES** | | |
| Return of capital from Great Lakes (Note 2) | **10.6** | 6.7 |
| Return of capital from Northern Border (Note 3) | **23.9** | 18.2 |
| Investment in Great Lakes (Note 2) | **-** | (733.0) |
| Investment in Northern Border (Note 3) | **-** | (7.5) |
| Capital expenditures | **(6.4)** | (4.4) |
| Other assets | **-** | (1.1) |
| (Increase)/decrease in investing working capital (Note 10) | **(2.8)** | 1.2 |
| | **25.3** | (719.9) |
| **FINANCING ACTIVITIES** | | |
| Distributions paid | **(80.8)** | (61.3) |
| Equity issuances, net | **-** | 607.0 |
| Long-term debt issued | **4.0** | 152.5 |
| Long-term debt repaid (Note 5) | **(31.3)** | (34.9) |
| | **(108.1)** | 663.3 |
| **Increase in cash and short-term investments** | **3.5** | 10.2 |
| **Cash and short-term investments, beginning of period** | **7.5** | 4.6 |
| **Cash and short-term investments, end of period** | **11.0** | 14.8 |
| Interest payments made | **17.9** | 23.9 |

See accompanying notes to the consolidated financial statements.

**TC PipeLines, LP**
**Consolidated Statement of Changes in Partners' Equity**

| *(unaudited)* | Common Units | | General Partner | Accumulated Other Comprehensive Loss [1] | Partners' Equity | |
|---|---|---|---|---|---|---|
| | *(millions of units)* | *(millions of dollars)* | *(millions of dollars)* | *(millions of dollars)* | *(millions of units)* | *(millions of dollars)* |
| Partners' equity at December 31, 2007 | 34.9 | 892.3 | 19.1 | (11.3) | 34.9 | 900.1 |
| Net income | - | 72.5 | 8.6 | - | - | 81.1 |
| Distributions paid | - | (72.2) | (8.6) | - | - | (80.8) |
| Other comprehensive loss | - | - | - | (2.4) | - | (2.4) |
| **Partners' equity at September 30, 2008** | **34.9** | **892.6** | **19.1** | **(13.7)** | **34.9** | **898.0** |

[1] TC PipeLines, LP uses derivatives to assist in managing its exposure to interest rate risk. Based on interest rates at September 30, 2008, the amount of losses related to cash flow hedges reported in accumulated other comprehensive income that will be reclassified to net income in the next 12 months is $3.8 million, which will be offset by a reduction to interest expense of a similar amount.

See accompanying notes to the consolidated financial statements.

**Note 1 Organization and Significant Accounting Policies**

TC PipeLines, LP and its subsidiaries are collectively referred to herein as “TC PipeLines” or “the Partnership”. In this report, references to “we”, “us” or “our” refer to TC PipeLines or the Partnership.

The preparation of financial statements in conformity with United States of America (U.S.) generally accepted accounting principles (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. 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 for a fair presentation of the financial results for the interim periods presented.

The results of operations for the three and nine months ended September 30, 2008 and 2007 are not necessarily indicative of the results that may be expected for a full fiscal year. The unaudited interim financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007. Our significant accounting policies are consistent with those disclosed in Note 2 of the financial statements in our annual report on Form 10-K for the year ended December 31, 2007. Certain comparative figures have been reclassified to conform to the current period’s presentation.

**Note 2 Investment in Great Lakes**

On February 22, 2007, we acquired a 46.45 per cent partner interest in Great Lakes Gas Transmission Limited Partnership (Great Lakes). On the same day, a wholly-owned subsidiary of TransCanada Corporation (TransCanada) acquired 100 per cent ownership of the operator of Great Lakes. Great Lakes is regulated by the Federal Energy Regulatory Commission (FERC).

We use the equity method of accounting for our interest in Great Lakes. Great Lakes had no undistributed earnings for either the nine months ended September 30, 2008 or the period February 23, 2007 to September 30, 2007.

The following tables contain summarized financial information for Great Lakes:

| **Summarized Consolidated Great Lakes Income Statement**<br>*(unaudited)*<br>*(millions of dollars)* | **Three months ended September 30,**<br>**2008** | <br>2007 | **Nine months ended September 30,**<br>**2008** | For the period February 23 to September 30,<br>2007 |
|---|---|---|---|---|
| Transmission revenues | **66.7** | 65.6 | **213.9** | 162.2 |
| Operating expenses | **(17.1)** | (12.6) | **(45.9)** | (34.0) |
| Depreciation | **(14.7)** | (14.5) | **(43.9)** | (34.9) |
| Financial charges, net and other | **(8.0)** | (8.1) | **(24.4)** | (19.5) |
| Michigan business tax | **(1.2)** | - | **(4.2)** | - |
| **Net income** | **25.7** | 30.4 | **95.5** | 73.8 |

**Summarized Consolidated Great Lakes Balance Sheet**

| *(unaudited)*<br>*(millions of dollars)* | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| **Assets** | | |
| Cash and short-term investments | **1.1** | 32.0 |
| Other current assets | **100.6** | 55.5 |
| Plant, property and equipment, net | **931.9** | 969.2 |
| | **1,033.6** | 1,056.7 |
| **Liabilities and Partners' Equity** | | |
| Current liabilities | **49.0** | 50.7 |
| Deferred credits | **1.7** | 0.4 |
| Long-term debt, including current maturities | **440.0** | 440.0 |
| Partners' capital | **542.9** | 565.6 |
| | **1,033.6** | 1,056.7 |

## Note 3 Investment in Northern Border

We own a 50 per cent general partner interest in Northern Border Pipeline Company (Northern Border). Effective April 1, 2007, TransCanada Northern Border Inc. (TCNB), a wholly-owned subsidiary of TransCanada, became the operator of Northern Border. Northern Border is regulated by the FERC.

We use the equity method of accounting for our interest in Northern Border. Northern Border had no undistributed earnings for the nine months ended September 30, 2008 and 2007.

The following tables contain summarized financial information for Northern Border:

**Summarized Northern Border Income Statement**

| *(unaudited)* | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| *(millions of dollars)* | **2008** | 2007 | **2008** | 2007 |
| Transmission revenues | **67.7** | 79.6 | **212.8** | 228.0 |
| Operating expenses | **(19.3)** | (21.6) | **(57.5)** | (61.7) |
| Depreciation | **(15.3)** | (15.1) | **(45.8)** | (45.6) |
| Financial charges, net and other | **7.1** | (10.2) | **(12.1)** | (30.9) |
| **Net income** | **40.2** | 32.7 | **97.4** | 89.8 |

**Summarized Northern Border Balance Sheet**

| *(unaudited)*<br>*(millions of dollars)* | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| **Assets** | | |
| Cash and short-term investments | **18.6** | 22.9 |
| Other current assets | **31.1** | 39.8 |
| Plant, property and equipment, net | **1,398.3** | 1,428.3 |
| Other assets | **25.5** | 23.9 |
| | **1,473.5** | 1,514.9 |
| **Liabilities and Partners' Equity** | | |
| Current liabilities | **53.0** | 53.4 |
| Deferred credits and other | **9.2** | 8.1 |
| Long-term debt, including current maturities | **621.4** | 615.3 |
| Partners' equity | | |
| Partners' capital | **793.8** | 840.5 |
| Accumulated other comprehensive loss | **(3.9)** | (2.4) |
| | **1,473.5** | 1,514.9 |

**Note 4 Investment in Tuscarora**

As of December 31, 2007, we acquired the remaining two per cent general partner interest in Tuscarora Gas Transmission Company (Tuscarora), thereby making it a wholly-owned subsidiary. Tuscarora is operated by TCNB and is regulated by the FERC.

We use the consolidation method of accounting for our ownership of Tuscarora.

The following tables contain summarized financial information for Tuscarora:

| **Summarized Tuscarora Income Statement**<br>*(unaudited)*<br>*(millions of dollars)* | **Three months ended September 30,**<br>**2008** | <br><br>2007 | **Nine months ended September 30,**<br>**2008** | <br><br>2007 |
|---|---|---|---|---|
| Transmission revenues | **8.2** | 6.7 | **23.3** | 20.3 |
| Operating expenses | **(1.4)** | (1.2) | **(3.7)** | (3.7) |
| Depreciation | **(1.8)** | (1.6) | **(5.1)** | (4.7) |
| Financial charges, net and other | **(1.1)** | (1.0) | **(3.1)** | (3.4) |
| **Net income** | **3.9** | 2.9 | **11.4** | 8.5 |

| **Summarized Tuscarora Balance Sheet**<br>*(unaudited)*<br>*(millions of dollars)* | **September 30,**<br>**2008** | December 31,<br>2007 |
|---|---|---|
| **Assets** | | |
| Cash and short-term investments | - | 6.1 |
| Other current assets | **13.6** | 2.6 |
| Plant, property and equipment, net | **135.6** | 134.1 |
| Other assets | **0.3** | 0.6 |
| | **149.5** | 143.4 |
| **Liabilities and Partners' Equity** | | |
| Current liabilities | **3.1** | 6.1 |
| Long-term debt, including current maturities | **64.1** | 66.4 |
| Partners' capital | **82.3** | 70.9 |
| | **149.5** | 143.4 |

| **Summarized Tuscarora Cash Flow Statement**<br>*(unaudited)*<br>*(millions of dollars)* | **Three months ended September 30,**<br>**2008** | <br><br>2007 | **Nine months ended September 30,**<br>**2008** | <br><br>2007 |
|---|---|---|---|---|
| Cash flows provided by operating activities | **7.2** | 4.6 | **17.3** | 13.5 |
| Cash flows (used in)/provided by investing activities | **(1.3)** | 0.6 | **(9.2)** | (3.1) |
| Cash flows used in financing activities | **(5.8)** | - | **(14.2)** | (2.4) |
| Increase/(decrease) in cash and short-term investments | - | 5.2 | **(6.1)** | 8.0 |
| Cash and short-term investments, beginning of period | - | 5.7 | **6.1** | 2.9 |
| **Cash and short-term investments, end of period** | - | 10.9 | - | 10.9 |

**Note 5 Credit Facility and Long-Term Debt**

| *(unaudited)* *(millions of dollars)* | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Senior Credit Facility | **482.0** | 507.0 |
| 7.13% Series A Senior Notes due 2010 | **52.9** | 54.5 |
| 7.99% Series B Senior Notes due 2010 | **5.3** | 5.5 |
| 6.89% Series C Senior Notes due 2012 | **5.9** | 6.4 |
| | **546.1** | 573.4 |

The Senior Credit Facility consists of a $475.0 million senior term loan and a $250.0 million senior revolving credit facility. At September 30, 2008, $7.0 million was outstanding under our senior revolving credit facility, leaving $243.0 million available for future borrowings. The interest rate on the Senior Credit Facility averaged 3.31 per cent for the three months ended September 30, 2008 (2007 – 5.97 per cent), while for the nine months ended September 30, 2008 the interest rate on the Senior Credit Facility averaged 3.93 per cent (2007 – 6.02 per cent). After hedging activity, the interest rate incurred on the Senior Credit Facility averaged 5.23 per cent for the three months ended September 30, 2008 (2007 – 5.70 per cent) and 5.18 per cent for the nine months ended September 30, 2008 (2007 – 5.52 per cent). Prior to hedging activities, the interest rate was 3.36 per cent at September 30, 2008 (December 31, 2007 – 5.62 per cent). At September 30, 2008, we were in compliance with our financial covenants.

Annual maturities are as follows: 2008 - $2.3 million; 2009 - $4.4 million; 2010 - $53.5 million; 2011 - $482.8 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, plus an amount equal to incentive distributions. Incentive distributions are received by the general partner if quarterly cash distributions on the common units exceed levels specified in the partnership agreement. Net income per common unit was determined as follows:

| *(unaudited)* *(millions of dollars except per unit)* | **Three months ended September 30, 2008** | 2007 | **Nine months ended September 30, 2008** | 2007 |
|---|---|---|---|---|
| Net income | **28.3** | 24.6 | **81.1** | 62.3 |
| Net income allocated to general partner | | | | |
| General partner interest | **(0.6)** | (0.4) | **(1.6)** | (1.2) |
| Incentive distribution income allocation | **(2.6)** | (1.8) | **(7.0)** | (4.1) |
| | **(3.2)** | (2.2) | **(8.6)** | (5.3) |
| Net income allocable to common units | **25.1** | 22.4 | **72.5** | 57.0 |
| Weighted average common units outstanding *(millions)* | **34.9** | 34.9 | **34.9** | 31.5 |
| **Net income per common unit** | **$ 0.72** | $ 0.64 | **$ 2.08** | $ 1.81 |

**Note 7 Cash Distributions**

For the three and nine months ended September 30, 2008, we distributed $0.705 and $2.07 per common unit (2007 – $0.655 and $1.905 per common unit). The distributions for the three and nine months ended September 30, 2008 included incentive distributions to the general partner of $2.6 million and $7.0 million (2007 - $1.8 million and $4.1 million).

**Note 8 Related Party Transactions**

The Partnership does not have any employees. The management and operating functions are provided by the general partner. The general partner does not receive a management fee in connection with its management of the Partnership. The Partnership reimburses the general partner for all costs of services provided, including the costs of employee, officer and director compensation and benefits, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, the Partnership. Such costs include (i) overhead costs (such as office space and equipment) and (ii) out-of-pocket expenses related to the provision of such services. The Partnership Agreement provides that the general partner will determine the costs that are allocable to the Partnership in any reasonable manner determined by the general partner in its sole discretion. Total costs charged to the Partnership by the general partner were $0.5 million and $1.6 million for the three and nine months ended September 30, 2008 (2007 - $0.5 million and $1.4 million).

TCNB became the operator of Northern Border effective April 1, 2007. The operator of Great Lakes became a wholly-owned subsidiary of TransCanada through TransCanada's acquisition of Great Lakes Gas Transmission Company on February 22, 2007. TCNB also became the operator of Tuscarora, as part of the December 19, 2006 acquisition of an additional 49 per cent general partner interest in Tuscarora. TransCanada and its affiliates provide capital and operating services to Great Lakes, Northern Border and Tuscarora (together, "our pipeline systems"). TransCanada and its affiliates incur costs on behalf of our pipeline systems, including, but not limited to, employee salary and benefit costs, property and liability insurance costs, and transition costs. Total costs charged to our pipeline systems during the three and nine months ended September 30, 2008 and 2007 by TransCanada and its affiliates and amounts owed to TransCanada and its affiliates at September 30, 2008 and December 31, 2007 are summarized in the following tables:

| *(unaudited)*<br>*(millions of dollars)* | **Three months ended September 30, 2008** | 2007 | **Nine months ended September 30, 2008** | 2007 [1] |
|---|---|---|---|---|
| Costs charged by TransCanada and its affiliates: | | | | |
| Great Lakes | **8.2** | 5.2 | **23.4** | 22.2 |
| Northern Border | **7.5** | 7.4 | **23.5** | 14.9 |
| Tuscarora | **0.9** | 0.8 | **2.9** | 1.7 |
| Impact on the Partnership's net income: | | | | |
| Great Lakes | **3.6** | 2.4 | **10.1** | 10.3 |
| Northern Border | **3.2** | 3.7 | **9.6** | 7.5 |
| Tuscarora | **0.7** | 0.8 | **2.0** | 1.7 |

[1] The amounts disclosed for Great Lakes are for the period February 23 to September 30, 2007. The amounts disclosed for Northern Border are for the period April 1 to September 30, 2007.

| *(unaudited)*<br>*(millions of dollars)* | **September 30, 2008** | December 31, 2007 |
|---|---|---|
| Amount owed to TransCanada and its affiliates: | | |
| Great Lakes | **8.1** | 1.9 |
| Northern Border | **5.1** | 3.0 |
| Tuscarora | **0.5** | 3.5 |

Great Lakes earns transportation revenues from TransCanada and its affiliates under fixed price contracts with remaining terms ranging from one to ten years. Great Lakes earned $40.5 million of transportation revenues under these contracts for the three months ended September 30, 2008 (2007 - $32.4 million). This amount represents 61 per cent of total revenues earned by Great Lakes for the three months ended September 30, 2008 (2007 - 50 per cent). $18.8 million of this transportation revenue is included in our equity income from Great Lakes for the three months ended September 30, 2008 (2007 - $15.1 million).

Great Lakes earned $108.7 million of transportation revenues from TransCanada and its affiliates for the nine months ended September 30, 2008 (February 23, 2007 to September 30, 2007 - $81.5 million). This amount represents 51 per cent of total revenues earned by Great Lakes for the nine months ended September 30, 2008 (February 23, 2007 to September 30, 2007 - 50 per cent). $50.5 million of this transportation revenue is included in our equity income from Great Lakes for the nine months ended September 30, 2008 (February 23, 2007 to September 30, 2007 - $37.9 million). At September 30, 2008, $13.4 million is included in Great Lakes' receivables in regards to the transportation contracts with TransCanada and its affiliates (December 31, 2007 - $10.0 million).

In August 2008, Northern Border sold its wholly-owned subsidiary, Bison Pipeline LLC, to TransCanada for $20.0 million. In connection with this transaction, Northern Border recorded a gain on sale of $16.1 million, of which the Partnership's share is $8.1 million. The proposed 297-mile, 24-inch diameter Bison pipeline system would extend from natural gas gathering facilities located in the Powder River Basin in Wyoming to a point of interconnection with the Northern Border pipeline system in Morton County, North Dakota.

Northern Border's Des Plaines Project consists of the construction, ownership and operation of interconnect facilities, including a 1,600 horsepower compressor facility near Joliet, Illinois. In June 2008, in connection with the Des Plaines Project, Northern Border and ANR Pipeline Company (ANR), a wholly-owned subsidiary of TransCanada, have entered into an Interconnect Agreement, which provides that Northern Border will reimburse ANR for the cost of the interconnect facilities to be owned by ANR. In June, Northern Border paid ANR $0.5 million and it is estimated that additional costs to complete the interconnect will be $0.1 million. Northern Border will be responsible for the final costs to construct the interconnect and any difference between the final actual costs and the estimated amounts paid will be remitted by or refunded to Northern Border.

**Note 9 Derivative Financial Instruments**

The interest rate swaps and options are structured such that the cash flows match those of the Senior Credit Facility. The notional amount hedged was $475.0 million at September 30, 2008 (December 31, 2007 - $400.0 million). At September 30, 2008, the fair value of the interest rate swaps and options accounted for as hedges was negative $11.5 million (December 31, 2007 – negative $9.8 million). Effective January 1, 2008, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). Under SFAS 157, these financial assets and liabilities that are recorded at fair value on a recurring basis are categorized into one of three categories based upon a fair value hierarchy. We have classified all of our derivative financial instruments as level II where the fair value is determined by using valuation techniques that refer to observable market data or estimated market prices. During the three and nine months ended September 30, 2008, we recorded interest expense of $2.4 million and $4.7 million, respectively, in regards to the interest rate swaps and options. We recorded interest income of $0.4 million and $0.8 million for the three and nine months ended September 30, 2007, respectively, in regards to the interest rate swaps and options.

**Note 10 Changes in Working Capital**

| *(unaudited)*<br>*(millions of dollars)* | **Nine months ended September 30,**<br>**2008** | 2007 |
|---|---|---|
| Decrease/(increase) in accounts receivable and other | **0.5** | (2.4) |
| Decrease in bank indebtedness | **(1.4)** | - |
| Decrease in accounts payable | **(2.6)** | (0.3) |
| Increase in accrued interest | **0.5** | 3.2 |
| | **(3.0)** | 0.5 |

**Note 11 Accounting Pronouncements**

In May 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162) which codifies the sources of accounting principles and the related framework to be utilized in preparing financial statements in conformity with GAAP. The requirements of this standard are not expected to have a material impact on our results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS No. 161) as an amendment to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

SFAS No. 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. SFAS No. 161 is effective for our fiscal year beginning January 1, 2009, and we are currently evaluating its applicability to our results of operations and financial position.

**Note 12 Subsequent Events**

On October 17, 2008, the Board of Directors of the general partner declared the Partnership's third quarter 2008 cash distribution in the amount of $0.705 per common unit, payable on November 14, 2008, to unitholders of record on October 31, 2008. The cash distribution represents an annual cash distribution of $2.82 per common unit.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*The following discusses the results of operations and liquidity and capital resources of TC PipeLines, LP, along with those of Great Lakes Gas Transmission Limited Partnership (Great Lakes), Northern Border Pipeline Company (Northern Border) and Tuscarora Gas Transmission Company (Tuscarora), (together “our pipeline systems”), as a result of the Partnership’s ownership interests.*

**FORWARD-LOOKING STATEMENTS**

The statements in this report that are not historical information, including statements concerning plans and objectives of management for future operations, economic performance or related assumptions, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. Forward-looking statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “forecast” and other words and terms of similar meaning. The absence of these words, however, does not mean that the statements are not forward-looking.

These statements reflect our current views with respect to future events, based on what we believe are reasonable assumptions. Certain factors that could cause actual results to differ materially from those contemplated in the forward-looking statements include:

- the ability of Great Lakes and Northern Border to continue to make distributions at their current levels;
- the impact of unsold capacity on Great Lakes and Northern Border being greater or less than expected;
- competitive conditions in our industry and the ability of our pipeline systems to market pipeline capacity on favorable terms, which is affected by:
  - future demand for and prices of natural gas;
  - competitive conditions in the overall natural gas and electricity markets;
  - availability of supplies of Canadian and United States (U.S.) natural gas;
  - the oversupply of natural gas in the Mid-continent market;
  - availability of additional storage capacity and current storage levels;
  - weather conditions;
  - competitive developments by Canadian and U.S. natural gas transmission companies, including the construction of the Eastern segment of the Rockies Express Pipeline (REX East) to Clarington, Ohio; and
  - development of newly discovered natural gas plays such as the Horn River and Montney shale gas plays in Western Canada, the Louisiana Haynesville shale gas play, and the Marcellus shale gas play in West Virginia, Pennsylvania, and New York.
- the Alberta (Canada) government’s decision to implement a new royalty regime effective January 2009 may affect the amount of exploration and drilling in the Western Canada Sedimentary Basin (WCSB);
- the decision by TransCanada to advance the Pathfinder Pipeline Project or the Bison Pipeline Project and the regulatory, financing and construction risks related to construction of interstate natural gas pipelines;
- the successful completion, timing, cost, scope and future financial performance of our pipeline systems’ expansion projects could differ materially from our expectations due to availability of contractors or equipment, weather, difficulties or delays in obtaining regulatory approvals or denied applications, land owner opposition, the lack of adequate materials, labor difficulties or shortages, expansion costs that are higher than anticipated and numerous other factors beyond our control;
- performance of contractual obligations by customers of our pipeline systems;
- the imposition of state income taxes on partnerships;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control;
- the impact of current and future laws, rulings and governmental regulations, particularly Federal Energy Regulatory Commission (FERC) regulations, on us and our pipeline systems;
- our ability to control operating costs; and
- prevailing economic conditions, including the current uncertainty in the global economic markets, that impact the capital and equity markets and our ability to access these markets.

Other factors described elsewhere in this document, or factors that are unknown or unpredictable, could also have material adverse effects on future results. Please also read Item 1A. "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2007 and Item 1A. "Risk Factors" of this report. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. The forward-looking statements and information is made only as of the date of the filing of this report, and except as required by applicable law, we undertake no obligation to update these forward-looking statements and information to reflect new information, subsequent events or otherwise.

The following discussion and analysis should be read in conjunction with our 2007 Annual Report on Form 10-K and the unaudited financial statements and notes thereto included in Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q. All amounts are stated in U.S. dollars.

**PARTNERSHIP OVERVIEW**

TC PipeLines, LP was formed in 1998 as a Delaware limited partnership by TransCanada PipeLines Limited, a wholly-owned subsidiary of TransCanada Corporation (collectively referred to herein as TransCanada), to acquire, own and participate in the management of energy infrastructure assets in North America. Our strategic focus is on delivering stable, sustainable cash distributions to our unitholders and finding opportunities to increase cash distributions while maintaining a low risk profile.

TC PipeLines, LP and its subsidiaries 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. The general partner of the Partnership is TC PipeLines GP, Inc., a wholly-owned subsidiary of TransCanada.

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

We own a 50 per cent general partner interest in Northern Border, while the other 50 per cent interest is held by ONEOK Partners, L.P., a publicly traded limited partnership that is controlled by ONEOK, Inc.

As of December 31, 2007, we acquired the remaining two per cent general partner interest in Tuscarora, thereby making it a wholly-owned subsidiary.

Our partner interests in Great Lakes, Northern Border and Tuscarora represent our only material assets at September 30, 2008. As a result, we are dependent upon our pipeline systems for all of our available cash. Our pipeline systems derive their operating revenue from transportation of natural gas.

**Great Lakes Overview**

Great Lakes is a Delaware limited partnership formed in 1990. Great Lakes was originally constructed as an operational loop of the TransCanada Mainline Northern Ontario system. Great Lakes 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 Canadian border at Sault Ste. Marie, Michigan and St. Clair, Michigan.

**Northern Border Overview**

Northern Border is a Texas general partnership formed in 1978. Northern Border transports natural gas from the Canadian border near Port of Morgan, Montana to a terminus near North Hayden, Indiana. Additionally, Northern Border transports natural gas produced in the Williston Basin of Montana and North Dakota and the Powder River Basin of Wyoming and Montana and synthetic gas produced at the Dakota Gasification plant in North Dakota.

**Tuscarora Overview**

Tuscarora is a Nevada general partnership formed in 1993. Tuscarora originates at an interconnection point with existing facilities of Gas Transmission Northwest Corporation, a wholly-owned subsidiary of TransCanada, near Malin, Oregon and runs southeast through Northeastern California and Northwestern Nevada. Tuscarora's pipeline system terminates near Wadsworth, Nevada. Along its route, deliveries are made in Oregon, Northern California and Northwestern Nevada.

## FACTORS THAT IMPACT THE BUSINESS OF OUR PIPELINE SYSTEMS

Key factors that impact the business of our pipeline systems are the supply of and demand for natural gas in the markets in which our pipeline systems operate; the customers of our pipeline systems and the mix of services they require; competition; and government regulation of natural gas pipelines.

**Supply and Demand of Natural Gas**

Our pipeline systems depend upon the WCSB for the majority of the natural gas that they transport. Overall flows out of the WCSB were lower for the nine months ended September 30, 2008 as compared to the same period last year, due mainly to a decrease in production, and an increase in Canadian demand. WCSB exports are expected to be lower for the remainder of the year. Factors which may mitigate declines related to WCSB production in the future include strengthening gas prices, decreases in oil prices as they affect demand from Alberta oil sands operations, continued clarification of the Alberta Royalty Regime to take effect January 1, 2009 as it affects natural gas production, and announcements regarding potential natural gas supply discoveries in the Horn River and Montney shale gas plays in Western Canada. Reduced supplies available for Canadian export affects all U.S. pipelines that import natural gas from Canada, but the impact on our pipeline systems will depend upon competitive factors and prevailing market conditions in each of the markets that our pipeline systems serve. Flows on Great Lakes' pipeline system in the third quarter of 2008 were consistent with flows in the third quarter of 2007 due to annual contracts and reduced storage inventories which resulted in strong demand for transportation to Michigan and Ontario storage locations. As expected, flows on Northern Border's pipeline system in the third quarter of 2008 were lower than the third quarter of 2007.

The Rockies Express Pipeline is a proposed 1,679-mile natural gas pipeline system from Rio Blanco County, Colorado, to Monroe County, Ohio. The Western segment of the Rockies Express Pipeline (REX West) from Weld County, Colorado to Audrain County, Missouri went into full service in May 2008. REX West has had a minimal impact on Great Lakes; however, it has caused excess natural gas supply from the Rockies Basin to flow into the Mid-Continent market, which is the market served by Northern Border. Consequently, there is less demand for WCSB supply in the Mid-Continent market which has had a negative impact on Northern Border's flows and sales of available capacity in the second and third quarters of 2008. It is anticipated that increased winter demand will dampen the impact of REX West deliveries into the Mid-Continent that has increased supply in Northern Border's market region.

REX East is planned to extend from Audrain County, Missouri to Clarington, located in Monroe County, Ohio. Once in-service, REX East should improve the competitive position of Canadian supply with gas sourced from other supply basins, including the Rockies Basin, into the Mid-Continent, which may potentially mitigate some of the excess supply in the Mid-Continent market. REX East will compete with Great Lakes in some markets, but will also potentially create demand for Great Lakes' transportation of natural gas from REX East seeking access to and from storage locations in Michigan. It is now anticipated that the partial in-service and full in-service of REX East will occur in the second and fourth quarters of 2009, respectively. Although there can be no assurance on the timing or impact of REX East, we believe that any positive impact on the market Northern Border serves will not occur until 2010.

There are many proposed natural gas pipeline projects that, if built, would impact the markets served by our pipeline systems. Two proposed projects, the Pathfinder Pipeline Project (Pathfinder Project) and the Bison Pipeline Project (Bison Project), if built, would diversify Northern Border's natural gas supply sources and provide another transportation source for shippers to export natural gas supply from the Rockies Basin. Please see the Recent Developments disclosure in this section for information on the Bison Project and the Pathfinder Project.

Reduced storage inventories in Eastern Canada and the U.S. supported demand for Great Lakes' transportation, as customers utilized Great Lakes' transportation to access and fill storage locations adjacent to its pipeline in the last quarter.

Great Lakes' future transportation values have continued to increase throughout this year, partially due to the increase in TransCanada Mainline tolls, and partially because of strong spread values between Alberta and Dawn, Ontario. As a result, Great Lakes sold new and renewed long and short haul contracts at maximum tariff rates for the next two years. However, now that Michigan and Ontario storage fill is approaching capacity, as expected for this time of year, daily and short term transportation values are decreasing.

Discoveries of new gas fields, such as the Horn River Basin and Montney gas plays in Western Canada may increase the amount of Canadian natural gas available for export. Recently, TransCanada gauged interest for new natural gas transportation service connecting the Horn River and Montney areas to its Alberta System. TransCanada received requests for gas transmission service exceeding one billion cubic feet per day (Bcf/d) for each area by 2012. Following this, TransCanada launched two binding open seasons seeking requests for firm transportation service from customers for the Groundbirch Project (a pipeline project designed to connect the Montney area of North East British Columbia to TransCanada's Alberta System) and the Horn River Project (a pipeline project designed to connect the Horn River area of North East British Columbia to TransCanada's Alberta system). The Groundbirch Project has an estimated in-service date of late 2010, while the Horn River Project has an estimate in-service date of early 2011. These gas plays, as well as the development of the Louisiana Haynesville shale gas play and the discovery of the Marcellus shale gas play in West Virginia, Pennsylvania, and New York in the U.S. will affect competitive factors and market conditions in the natural gas industry.

**Contracting**

Great Lakes – Great Lakes' average contracted capacity for the quarter ended September 30, 2008 was 98 per cent of its design capacity (2007 – 98 per cent). For the nine months ended September 30, 2008, Great Lakes' average contracted capacity was 104 per cent of its design capacity (period of March 1, 2007 to September 30, 2007 - 100 per cent). At September 30, 2008, 103 per cent of capacity was contracted on a firm basis for the remainder of the year and the weighted average remaining life of firm transportation contracts was 2.1 years.

In the third quarter of 2008, Great Lakes sold all of its available long haul capacity beginning November 1, 2008 for one year at maximum rates, sold available annual short haul capacity in Michigan at maximum rates for one to two year terms, and sold its available winter seasonal long haul capacity at maximum rates.

Northern Border – Northern Border's average contracted capacity for the quarter ended September 30, 2008 was 79 per cent of its design capacity (2007 - 102 per cent). For the nine months ended September 30, 2008, Northern Border's average contracted capacity was 86 per cent of its design capacity (2007 - 96 per cent). At September 30, 2008, approximately 78 per cent of Northern Border's design capacity was contracted on a firm basis for the remainder of the year and the weighted average remaining contract life of firm transportation contracts was 2.0 years.

At January 1, 2009, Northern Border's total amount of available transportation capacity is expected to be approximately 800 million cubic feet per day (MMcf/d). Northern Border's capacity to Chicago remains attractive and continues to be fully contracted and legacy contracts set to expire in the near term have been renewed. Additionally, related to a proposed expansion project, Northern Border renewed approximately 350 MMcf/d at maximum and discounted rates, for terms ranging from five to twelve years for various transportation paths to Chicago. See additional information below in Recent Developments – Chicago IV Project for more information.

Prevailing market conditions and increasing competitive factors in North America, including REX West, have caused Northern Border to experience a reduction in its revenues due to lower capacity sales and greater discounting of its rates. These factors, as well as expirations of certain long term contracts, will continue to impact Northern Border's ability to market its available capacity into 2009. Northern Border expects to continue to discount transportation capacity as needed to optimize revenue.

Northern Border has executed long-term contracts of approximately 400 MMcf/d sold at a discounted rate from Port of Morgan, Montana to Ventura, Iowa contingent upon either the Bison Project or Pathfinder Project going forward. These contracts would be effective at the successful project's in-service date projected for late 2010.

Tuscarora - - Tuscarora's average contracted capacity for the quarter ended September 30, 2008 was 98 per cent of its design capacity (2007 – 95 per cent). For the nine months ended September 30, 2008, Tuscarora's average contracted capacity was 98 per cent of its design capacity (2007 – 96 per cent). At September 30, 2008, approximately 99 per cent of Tuscarora's design capacity was contracted on a firm basis for the remainder of the year and the weighted average remaining contract life of firm transportation contracts was 12.0 years.

**RECENT DEVELOPMENTS**

**Northern Border**

Bison Project **–** On September 3, 2008, Northern Border announced the sale of its wholly-owned subsidiary, Bison Pipeline LLC, to TransCanada Pipeline USA Ltd., a wholly-owned subsidiary of TransCanada for $20.0 million. Distributions paid by Northern Border to its partners in the third quarter included a special distribution in the amount of $16.4 million, of which the Partnership's share was $8.2 million. As a part of the transaction, TransCanada has assumed the obligations of Northern Border related to the Bison Project, and is continuing to solicit commercial support for the Bison Project.

The assets and obligations of Bison Pipeline LLC included executed precedent agreements subject to certain shipper contingencies, as well as regulatory, environmental and engineering activities completed to date on the Bison Project. Shippers on the Bison Project have executed contracts for capacity on the Northern Border system from Port of Morgan, Montana, to Ventura, Iowa, subject to the in-service date of the Bison Project. Project subscription that is subject to the upstream capacity condition is approximately 400 MMcf/d.

The proposed 297-mile, 24-inch diameter Bison pipeline system would extend from natural gas gathering facilities located in the Powder River Basin in Wyoming to a point of interconnection with the Northern Border pipeline system in Morton County, North Dakota. The initial capacity of the Bison Project is anticipated to be approximately 400 MMcf/d. The projected in-service date is late 2010.

The proposed Pathfinder Project is an approximately 673-mile, 36-inch diameter interstate pipeline that would transport natural gas northeast from Meeker, Colorado, through Montana to the Northern Border pipeline system in North Dakota for delivery into the Ventura and Chicago-area markets. The capacity is between 1.2 to 1.6 Bcf/d. In September 2008, Enterprise Product Partners L.P. terminated their previously-announced commitment to become a 50 per cent partner in Pathfinder with a 500 MMcf/d shipping commitment. TransCanada is continuing to work with prospective Pathfinder shippers to advance this project.

The success of either the Bison or Pathfinder Projects is dependent upon many factors, and there is no certainty that either of these projects will be constructed. For further information regarding the risks related to the construction projects, please refer to the Risk Factors sections in our 2007 Annual Report on Form 10-K and in this report.

Proposed Expansion Project (Chicago IV) – Northern Border conducted a binding open season seeking interest in an expansion project from Harper, Iowa to Manhattan, Illinois and received binding shipper commitments. The proposed expansion capacity was subject to a one-time adjustment right to reduce the Chicago IV commitments resulting from the right of first refusal (ROFR) process in current shipper contracts. During a ROFR process, its bidders are able to obtain existing capacity with similar terms. If the Chicago IV bidders reduce their commitments, it could eliminate the need for an expansion project. Northern Border renewed approximately 350 MMcf/d at maximum and discount rates, for terms ranging from 5 to 12 years for various transportation paths to Chicago.

Des Plaines Project – In February 2008, Northern Border filed with the FERC to construct, own and operate interconnect facilities, including a 1,600 horsepower compressor facility near Joliet, Illinois. It is estimated that the Des Plaines Project will cost approximately $18 million and will be financed by a combination of debt and equity. In June 2008, the FERC issued its environmental assessment report for the Des Plaines Project and no comments were filed during the comment period. A certificate order by FERC authorizing construction of the Des Plaines Project was received on July 25, 2008. Northern Border commenced construction on the Des Plaines Project on September 8, 2008, and it is now expected the facilities will be placed into service by early 2009.

**Tuscarora**

Compressor Station Expansion Project – Tuscarora's compressor station expansion project to support Sierra Pacific Power Company's Tracy Combined Cycle Power Plant went into service on April 1, 2008, with a final cost within the original cost estimate. The new contract for 40,000 Dth/d for a term of 22-1/2 years will generate approximately $5.8 million of annual revenue.

**REGULATORY DEVELOPMENTS**

*Composition of Proxy Groups for Rates of Return Determinations* – On July 19, 2007, the FERC issued a policy statement proposing to update its standards regarding the composition of proxy groups for determining the appropriate returns on equity (ROE) for natural gas and oil pipelines, which is used by pipelines to establish rates for services. On April 17, 2008, the FERC issued a policy statement (2008 Policy Statement) that allows master limited partnerships (MLPs) to be included in a proxy group used to determine a pipeline's ROE. The 2008 Policy Statement is effective immediately and provides that there should be no cap on the level of distributions included in the current Discounted Cash Flow (DCF) methodology for MLPs, but there should be an adjustment to the long-term growth rate used to calculate DCF for an MLP (halving the long-term GDP factor which has a one-third weighting in the total growth rate computation in the DCF methodology).

The impact of applying this new policy to our pipeline systems will not be known until one of our pipeline systems files a rate case.

*Promotion of a More Efficient Capacity Release Market Docket No. RM08-1* – On June 19, 2008, the FERC issued a Final Rule to modify capacity release regulations (Capacity Release Final Rule). The Capacity Release Final Rule, in addition to other items, allows market-based pricing for short-term capacity releases by shippers through a permanent lifting of the maximum rate cap on short-term capacity releases (of one year or less terms). The Capacity Release Final Rule was effective July 30, 2008.

While implementation of the Capacity Release Final Rule is not expected to have a significant impact on our pipeline systems, the Interstate Natural Gas Association of America (INGAA), of which our pipeline systems are members, filed on July 21, 2008 a request for rehearing of the Capacity Release Final Rule, contending that as the FERC removed the rate cap for short-term released capacity, it should also remove the rate cap for short-term pipeline capacity. INGAA notes that short-term released capacity and short-term pipeline capacity compete in the same market, and argues that removing the rate cap for short-term released capacity and maintaining the cap for short-term pipeline capacity results in a bifurcated and distorted short-term capacity market. On August 15, 2008, the FERC agreed to further consider the issues raised in the rehearing request. A FERC Order is pending on this matter.

*Homeland Security* – The Department of Homeland Security Appropriations Act of 2007 required the Transportation Security Administration (TSA) to issue regulations establishing risk-based performance standards for the security of chemical and industrial facilities, including oil and gas facilities that were deemed to present high levels of security risk. The TSA will conduct a critical facility identification process, which will include our pipeline systems, anticipated in 2009 or 2010. The TSA has also released a draft of the Pipeline Security Guidelines, which is likely to become regulation in 2009 or 2010. These guidelines distinguish between baseline security requirements for all pipeline facilities and enhanced measures for identified critical facilities. Based on the draft guidelines it is not anticipated that if our pipeline systems are deemed to be critical facilities that there would be a significant additional costs related to compliance.

## RESULTS OF OPERATIONS OF TC PIPELINES

### Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires us to make estimates and assumptions with respect to values or conditions which cannot be known with certainty, that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Although we believe these estimates and assumptions are reasonable, actual results could differ. There were no significant changes to our critical accounting policies and estimates during the nine months ended September 30, 2008.

Information about our critical accounting estimates is included under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the year ended December 31, 2007.

### Recent Accounting Pronouncements

In May 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162) which codifies the sources of accounting principles and the related framework to be utilized in preparing financial statements in conformity with GAAP. The requirements of this standard are not expected to have a material impact on our results of operations or financial position.

In March 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS No. 161) as an amendment to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. SFAS No. 161 is effective for our fiscal year beginning January 1, 2009, and we are currently evaluating its applicability to our results of operations and financial position.

### Net Income

To supplement our financial statements, we have presented a comparison of the earnings contribution components from each of our investments. We have presented net income in this format in order to enhance investors’ understanding of the way management analyzes our financial performance. We believe this summary provides a more meaningful comparison of our net income to prior periods, as we account for our partially owned pipeline systems using the equity method. 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.

The shaded areas in the tables below disclose the results from Great Lakes and Northern Border, representing 100 per cent of each entity's operations for the given period.

| *(unaudited)* | For the three months ended September 30, 2008 | | | | | For the nine months ended September 30, 2008 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(millions of dollars)* | **PipeLP** | TGTC[1] | Other | GLGT[2] | NBPC[3] | **PipeLP** | TGTC[1] | Other | GLGT[2] | NBPC[3] |
| Transmission revenues | **8.2** | 8.2 | - | 66.7 | 67.7 | **23.3** | 23.3 | - | 213.9 | 212.8 |
| Operating expenses | **(2.3)** | (1.4) | (0.9) | (17.1) | (19.3) | **(6.8)** | (3.7) | (3.1) | (45.9) | (57.5) |
| | **5.9** | 6.8 | (0.9) | 49.6 | 48.4 | **16.5** | 19.6 | (3.1) | 168.0 | 155.3 |
| Depreciation | **(1.8)** | (1.8) | - | (14.7) | (15.3) | **(5.1)** | (5.1) | - | (43.9) | (45.8) |
| Financial charges, net and other | **(7.7)** | (1.1) | (6.6) | (8.0) | 7.1 | **(22.8)** | (3.1) | (19.7) | (24.4) | (12.1) |
| Michigan business tax | - | - | - | (1.2) | - | - | - | - | (4.2) | - |
| | | | | 25.7 | 40.2 | | | | 95.5 | 97.4 |
| Equity income | **31.9** | - | - | 12.0 | 19.9 | **92.5** | - | - | 44.4 | 48.1 |
| Net income | **28.3** | 3.9 | (7.5) | 12.0 | 19.9 | **81.1** | 11.4 | (22.8) | 44.4 | 48.1 |

| *(unaudited)* | For the three months ended September 30, 2007 | | | | | For the nine months ended September 30, 2007 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(millions of dollars)* | **PipeLP** | TGTC[1] | Other | GLGT[2] | NBPC[3] | **PipeLP** | TGTC[1] | Other | GLGT[2] | NBPC[3] |
| Transmission revenues | **6.7** | 6.7 | - | 65.6 | 79.6 | **20.3** | 20.3 | - | 162.2 | 228.0 |
| Operating expenses | **(2.2)** | (1.2) | (1.0) | (12.6) | (21.6) | **(6.4)** | (3.7) | (2.7) | (34.0) | (61.7) |
| | **4.5** | 5.5 | (1.0) | 53.0 | 58.0 | **13.9** | 16.6 | (2.7) | 128.2 | 166.3 |
| Depreciation | **(1.6)** | (1.6) | - | (14.5) | (15.1) | **(4.7)** | (4.7) | - | (34.9) | (45.6) |
| Financial charges, net and other | **(8.7)** | (1.0) | (7.7) | (8.1) | (10.2) | **(25.5)** | (3.4) | (22.1) | (19.5) | (30.9) |
| | | | | 30.4 | 32.7 | | | | 73.8 | 89.8 |
| Equity income | **30.4** | - | - | 14.2 | 16.2 | **78.6** | - | - | 34.3 | 44.3 |
| Net income | **24.6** | 2.9 | (8.7) | 14.2 | 16.2 | **62.3** | 8.5 | (24.8) | 34.3 | 44.3 |

[1] The Partnership owns a 100 per cent general partner interest in Tuscarora Gas Transmission Company (Tuscarora or TGTC) following the acquisition of an additional two per cent interest on December 31, 2007.

[2] The Partnership acquired a 46.45 per cent partner interest in Great Lakes Gas Transmission Limited Partnership (Great Lakes or GLGT) on February 22, 2007.

[3] The Partnership owns a 50 per cent general partner interest in Northern Border Pipeline Company (Northern Border or NBPC). Equity income from Northern Border includes amortization of a $10.0 million transaction fee paid to the operator of Northern Border at the time of the additional 20 per cent acquisition in April 2006.

***Third Quarter 2008 compared with Third Quarter 2007***

Net income increased $3.7 million, or 15 per cent, to $28.3 million in the third quarter of 2008, compared to $24.6 million in the third quarter of 2007. This increase was primarily due to higher equity income from Northern Border, increased Tuscarora transmission revenues and lower financial charges, net and other, partially offset by decreased equity income from Great Lakes.

Equity income from Great Lakes was $12.0 million in the third quarter of 2008, a decrease of $2.2 million or 15 per cent, compared to $14.2 million for the same period last year. The decrease in equity income was primarily due to increased operating expenses and Michigan business tax (a partnership level tax that was instituted in 2008), partially offset by increased transmission revenues. At Great Lakes' level, operating expenses increased $4.5 million for the three months ended September 30, 2008 compared to the same period last year primarily due to higher taxes other than income, costs related to system integration expenditures and increased pipeline maintenance costs. Michigan business tax of $1.2 million was recorded for the three months ended September 30, 2008. Great Lakes' transmission revenues increased $1.1 million for the three months ended September 30, 2008 compared to the same period last year due primarily to higher short-term revenues from increased sales of daily transport capacity.

Equity income from Northern Border was $19.9 million in the third quarter of 2008, an increase of $3.7 million or 23 per cent, compared to $16.2 million in the same period last year. This is primarily due to a $16.1 million gain on sale of Bison Pipeline LLC and decreased operating expenses, partially offset by lower transmission revenues. At Northern Border's level, operating expenses decreased $2.3 million for the three months ended September 30, 2008 compared to the same period last year primarily due to decreased maintenance costs, decreased electric compressor charges related to lower capacity utilization and decreased taxes other than income. Northern Border's transmission revenues decreased $11.9 million, or 15 per cent, for the three months ended September 30, 2008 compared to the same period last year due primarily to a decrease in system utilization mainly related to natural gas supply from the Rockies Basin into the Mid-Continent market from the in-service of REX West.

Tuscarora's net income was $3.9 million in the third quarter of 2008, an increase of $1.0 million or 34 per cent, compared to $2.9 million in the same period last year. The increase in net income is primarily due to increased transmission revenues resulting from a new firm transportation service contract which supported the Likely compressor station expansion project that went into service on April 1, 2008.

Financial charges, net and other were $7.7 million in the third quarter of 2008, a decrease of $1.0 million or 11 per cent, compared to $8.7 million in the same period last year. This decrease relates primarily to lower interest rates and lower average debt outstanding, partially offset by losses on interest rate derivatives over the same period in 2007.

***Nine Months Ended September 30, 2008 compared with Nine Months Ended September 30, 2007***
Net income increased $18.8 million, or 30 per cent, to $81.1 million for the nine months ended September 30, 2008, compared to $62.3 million in the same period of 2007. The increase in net income was primarily due to increased equity income from Great Lakes and Northern Border, higher Tuscarora transmission revenues and lower financial charges, net and other.

Equity income from Great Lakes was $44.4 million for the nine months ended September 30, 2008, an increase of $10.1 million or 29 per cent, compared to $34.3 million for the period February 23 to September 30, 2007. The increase in equity income was primarily due to a full first quarter of income contribution in 2008 as compared to 37 days in the first quarter of 2007. In addition, Great Lakes' transmission revenues increased primarily due to increased sales of short term transport capacity, partially offset by costs related to system integration expenditures and increased pipe integrity costs. In the nine months ended September 30, 2008, Great Lakes recorded Michigan business tax of $4.2 million, which is a new partnership level tax that was instituted in 2008.

Equity income from Northern Border was $48.1 million for the nine months ended September 30, 2008, an increase of $3.8 million or 9 per cent, compared to $44.3 million in the same period of 2007. The increase in equity income is primarily due to a $16.1 million gain on sale of Bison Pipeline LLC, and decreased operating expenses, partially offset by lower transmission revenues. At Northern Border's level, operating expenses decreased by $4.2 million in the nine months ended September 30, 2008 compared to the same period last year. This decrease in operating expenses is primarily due to decreased taxes other than income and a $2.3 million transition related charge in 2007 related to the reimbursement for shared equipment and furnishings, partially offset by increased general and administrative expenses and electric compressor charges. Northern Border's transmission revenues decreased by $15.2 million in the nine months ended September 30, 2008 compared to the same period in 2007. This decrease was primarily due to a decrease in contracted capacity mainly related to natural gas supply from the Rockies Basin into the Mid-Continent market from the in-service of REX West.

Tuscarora's net income was $11.4 million for the nine months ended September 30, 2008, an increase of $2.9 million or 34 per cent, compared to $8.5 million in the same period of 2007. The increase in net income is primarily due to increased Tuscarora transmission revenues resulting from a new firm transportation service contract which supported the Likely compressor station expansion that went into service on April 1, 2008.

Financial charges, net and other were $22.8 million for the nine months ended September 30, 2008, a decrease of $2.7 million, or 11 per cent, compared to $25.5 million for the same period of 2007. This decrease relates primarily to lower interest rates and lower average debt outstanding, partially offset by losses on interest rate derivatives over the same period in 2007.

**Partnership Cash Flows**

The Partnership uses the non-GAAP financial measures 'Partnership cash flows' and 'Partnership cash flows allocated to common units' as financial performance measures. As the Partnership's financial performance underpins the availability of cash flows to fund the cash distributions that the Partnership pays to its unitholders, the Partnership believes these are key measures of the available cash flows to its unitholders. The following Partnership cash flows information is presented to enhance investors' understanding of the way that management analyzes the Partnership's financial performance. Partnership cash flows and Partnership cash flows allocated to common units are provided as a supplement to financial results and are not meant to be considered in isolation or as substitutes for financial results prepared in accordance with GAAP.

| (unaudited)<br>(millions of dollars except per common unit amounts) | Three months ended September 30, 2008 | 2007 | Nine months ended September 30, 2008 | 2007 |
|---|---|---|---|---|
| Net Income | **28.3** | 24.6 | **81.1** | 62.3 |
| Add: | | | | |
| Cash flows provided by Tuscarora's operating activities | **7.2** | 4.6 | **17.3** | 13.5 |
| Cash distributions from Great Lakes | **19.3** | 17.4 | **55.0** | 41.0 |
| Cash distributions from Northern Border | **22.6** | 14.8 | **72.0** | 62.5 |
| | **49.1** | 36.8 | **144.3** | 117.0 |
| Less: | | | | |
| Tuscarora's net income | **(3.9)** | (2.9) | **(11.4)** | (8.5) |
| Equity income from investment in Great Lakes | **(12.0)** | (14.2) | **(44.4)** | (34.3) |
| Equity income from investment in Northern Border | **(19.9)** | (16.2) | **(48.1)** | (44.3) |
| | **(35.8)** | (33.3) | **(103.9)** | (87.1) |
| Partnership cash flows | **41.6** | 28.1 | **121.5** | 92.2 |
| Partnership cash flows allocated to general partner [1] | **(3.2)** | (2.3) | **(8.6)** | (5.3) |
| Partnership cash flows allocated to common units | **38.4** | 25.8 | **112.9** | 86.9 |
| Cash distributions declared | **(27.8)** | (25.4) | **(83.0)** | (75.4) |
| Cash distributions declared per common unit [2] | **$ 0.705** | $ 0.660 | **$ 2.110** | $ 1.965 |
| Cash distributions paid | **(27.8)** | (25.1) | **(80.8)** | (61.3) |
| Cash distributions paid per common unit [2] | **$ 0.705** | $ 0.655 | **$ 2.070** | $ 1.905 |
| Weighted average common units outstanding *(millions)* | **34.9** | 34.9 | **34.9** | 31.5 |

[1] Partnership cash flows allocated to general partner represents the cash distributions paid to the general partner with respect to its two per cent interest plus an amount equal to incentive distributions.

[2] Cash distributions declared per common unit and cash distributions paid per common unit are computed by dividing cash distributions, after the deduction of the general partner's allocation, by the number of common units outstanding. The general partner's allocation is computed based upon the general partner's two per cent interest plus an amount equal to incentive distributions.

***Third Quarter 2008 compared with Third Quarter 2007***

Partnership cash flows increased $13.5 million, or 48 per cent, to $41.6 million for the third quarter of 2008, compared to $28.1 million for the same period last year. This increase was primarily due to higher cash distributions received from Great Lakes and Northern Border, increased cash flows provided by Tuscarora's operating activities and lower costs at the Partnership level. Cash distributions from Great Lakes and Northern Border increased by $9.7 million in total for the three months ended September 30, 2008 compared with the same period last year. This increase in cash distributions was primarily due to the special distribution of $8.2 million received from Northern Border in relation to the gain on sale of Bison Pipeline LLC. Cash flows provided by Tuscarora's operating activities increased by $2.6 million for the quarter ended September 30, 2008 compared with the same period last year primarily due to higher transmission revenues resulting from the Likely compressor station expansion project that went into service on April 1, 2008. Costs at the Partnership level decreased by $1.2 million for the quarter ended September 30, 2008 compared with the same period last year primarily due to lower interest rates and lower average debt outstanding, partially offset by losses on interest rate derivatives over the same period in 2007.

During the three months ended September 30, 2008, Tuscarora made capital expenditures of $1.0 million related to the compressor station expansion project in Likely, California compared to $0.9 million for the same period last year. In the third quarter of 2007, a net $1.8 million was received related to the Great Lakes acquisition closing adjustments.

The Partnership paid distributions of $27.8 million in the third quarter of 2008, an increase of $2.7 million, or 11 per cent, compared to $25.1 million for the same period in the prior year due to increases in quarterly per common unit distribution amounts. We repaid a net $3.0 million of the outstanding balance on our debt during the third quarter of 2008 compared to a net issuance of debt of $1.0 million during the same period last year.

***Nine Months Ended September 30, 2008 compared with Nine Months Ended September 30, 2007***

Partnership cash flows increased $29.3 million, or 32 per cent, to $121.5 million for the nine months ended September 30, 2008, compared to $92.2 million for the same period last year. This increase was primarily a result of increased cash distributions from Great Lakes and Northern Border, increased cash flows provided by Tuscarora's operating activities and decreased costs at the Partnership level.

Cash distributions from Great Lakes were $55.0 million for the nine months ended September 30, 2008, an increase of $14.0 million compared to $41.0 million for the same period last year. The increase in cash distributions from Great Lakes is due primarily to a full nine months of ownership in 2008 compared to the period of February 23 to September 30 for 2007. Cash distributions from Northern Border increased $9.5 million for the nine months ended September 30, 2008 compared to the same period in the prior year due primarily to the special distribution of $8.2 million received from Northern Border in relation to the gain on sale of Bison Pipeline LLC. Cash flows provided by Tuscarora's operating activities increased $3.8 million for the nine months ended September 30, 2008 compared to the same period in the prior year primarily due to the financial results from the Likely compressor station expansion project that went into service on April 1, 2008. Costs at the Partnership level decreased by $2.0 million for the nine months ended September 30, 2008 compared with the same period last year primarily due to lower average debt outstanding and lower interest rates, partially offset by losses on interest rate derivatives and increased general and administrative costs.

During the nine months ended September 30, 2008, Tuscarora made capital expenditures of $6.4 million related to the compressor station expansion project in Likely, California compared to $4.4 million for the same period last year. In February 2007, the Partnership acquired a 46.45 per cent interest in Great Lakes from El Paso Corporation for $733.0 million in cash. In April 2007, the Partnership made a contribution of $7.5 million to Northern Border, representing the Partnership's 50 per cent share of a $15.0 million cash call issued by Northern Border.

The Partnership paid distributions of $80.8 million for the nine months ended September 30, 2008, an increase of $19.5 million, or 32 per cent, compared to $61.3 million for the same period in the prior year due to the increase in the number of common units outstanding, in addition to increases in quarterly per common unit distribution amounts. We repaid a net $27.3 million of the outstanding balance on our debt during the nine months ended September 30, 2008. In 2007, net equity issuances provided $607.0 million, including the general partner's contribution to maintain its two per cent interest, to acquire Great Lakes. The Partnership funded the balance of the acquisition cost with a draw on its senior credit facility.

## LIQUIDITY AND CAPITAL RESOURCES OF TC PIPELINES

### Overview

Our principal sources of liquidity include distributions received from our investments in Great Lakes and Northern Border, operating cash flows from Tuscarora and our bank credit facility. The Partnership funds its operating expenses, debt service and cash distributions primarily with operating cash flow. Long-term capital needs may be met through the issuance of long-term debt and/or equity.

**The Partnership's Debt and Credit Facility**

The following table summarizes our debt and credit facility outstanding as of September 30, 2008:

| (unaudited)<br>(millions of dollars) | Payments Due by Period | | |
|---|---|---|---|
| | Total | Less Than 1 Year | Long-term Portion |
| Senior Credit Facility | 482.0 | - | 482.0 |
| 7.13% Series A Senior Notes due 2010 | 52.9 | 3.2 | 49.7 |
| 7.99% Series B Senior Notes due 2010 | 5.3 | 0.5 | 4.8 |
| 6.89% Series C Senior Notes due 2012 | 5.9 | 0.8 | 5.1 |
| Total | 546.1 | 4.5 | 541.6 |

The Senior Credit Facility consists of a $475.0 million senior term loan and a $250.0 million senior revolving credit facility. The interest rate on the Senior Credit Facility averaged 3.31 per cent for the three months ended September 30, 2008 (2007 – 5.97 per cent), while for the nine months ended September 30, 2008 the interest rate on the Senior Credit Facility averaged 3.93 per cent (2007 – 6.02 per cent). After hedging activity, the interest rate incurred on the Senior Credit Facility averaged 5.23 per cent for the three months ended September 30, 2008 (2007 – 5.70 per cent) and 5.18 per cent for the nine months ended September 30, 2008 (2007 – 5.52 per cent). Prior to hedging activities, the interest rate was 3.36 per cent at September 30, 2008 (December 31, 2007 – 5.62 per cent). At September 30, 2008, we were in compliance with our financial covenants.

In spite of the current volatility in the capital markets, neither the Partnership nor its pipeline systems have experienced significant impacts to liquidity or access to the credit markets, although continued volatility in the capital markets may increase costs associated with borrowing.

The Partnership views its core banking group as high quality and has a well-established relationship with these institutions. As of November 3, 2008, the Partnership had no outstanding borrowings under the $250.0 million revolving portion of the Senior Credit Facility. The Partnership has an existing $250.0 million debt and equity shelf expiring December 1, 2008 which it expects to renew in the fourth quarter 2008. This will supplement the $250.0 million of capacity available under the Partnership's existing revolving credit and term loan facility which expires on December 12, 2011.

***Interest Rate Swaps and Options***

We use derivatives to assist in managing our exposure to interest rate risk. The interest rate swaps and options are structured such that the cash flows match those of the Senior Credit Facility. The notional amount hedged was $475.0 million at September 30, 2008 (December 31, 2007 - $400.0 million). At September 30, 2008, the fair value of the interest rate swaps and options accounted for as hedges was negative $11.5 million (December 31, 2007 – negative $9.8 million). Effective January 1, 2008, we adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). Under SFAS 157, these financial assets and liabilities that are recorded at fair value on a recurring basis are categorized into one of three categories based upon a fair value hierarchy. We have classified all our derivative financial instruments as level II where the fair value is determined by using valuation techniques that refer to observable market data or estimated market prices. During the three and nine months ended September 30, 2008, we recorded interest expense of $2.4 million and $4.7 million, respectively, in regards to the interest rate swaps and options. We recorded interest income of $0.4 million and $0.8 million for the three and nine months ended September 30, 2007, respectively, in regards to the interest rate swaps and options.

**2008 Third Quarter Cash Distribution**

On October 17, 2008, the Board of Directors of the general partner declared the Partnership's 2008 third quarter cash distribution. The third quarter cash distribution will be paid on November 14, 2008 to unitholders of record as of October 31, 2008, totaling $27.8 million and will be paid in the following manner: $24.6 million to common unitholders (including $1.4 million to the general partner as holder of 2,035,106 common units and $6.1 million to TransCan Northern Ltd. as holder of 8,678,045 common units), $2.6 million to the general partner as holder of the incentive distribution rights, and $0.6 million to the general partner in respect of its two per cent general partner interest.

**2009 Capital Requirements**

Northern Border's distribution policy adopted in 2006 defines minimum equity to total capitalization to be used by the Management Committee to establish the timing and amount of required equity contributions. In accordance with this policy and in anticipation of the equity financing of Northern Border's Des Plaines Project, Northern Border currently estimates an equity contribution of approximately $85 million in the upcoming year, of which the Partnership's share would be approximately $43 million. The Partnership expects to finance this equity contribution with a combination of debt and operating cash flows.

## LIQUIDITY AND CAPITAL RESOURCES OF OUR PIPELINE SYSTEMS

### Overview

Our pipeline systems' principal source of liquidity is cash generated from operating activities and bank credit facilities. Our pipeline systems fund their operating expenses, debt service and cash distributions to partners primarily with operating cash flow.

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

Our pipeline systems believe that their ability to obtain financing at reasonable rates and their history of consistent cash flow from operating activities provide a solid foundation to meet their future liquidity and capital resource requirements. The Partnership's pipeline systems monitor the creditworthiness of their customers and have credit provisions included in their tariffs, which allow them to request credit support as circumstances dictate. Additionally, Northern Border has established relationships with high-quality banks, which are involved in its revolving credit facility and provide liquidity for Northern Border's operating needs.

### Debt of Great Lakes

The following table summarizes Great Lakes' debt outstanding as of September 30, 2008:

| | Payments Due by Period | | |
|---|---|---|---|
| *(unaudited)*<br>*(millions of dollars)* | Total | Less than 1 year | Long-term Portion |
| 8.74% series Senior Notes due 2008 to 2011 | 40.0 | 10.0 | 30.0 |
| 6.73% series Senior Notes due 2009 to 2018 | 90.0 | 9.0 | 81.0 |
| 9.09% series Senior Notes due 2012 to 2021 | 100.0 | - | 100.0 |
| 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 | 440.0 | 19.0 | 421.0 |

Great Lakes is required to comply with certain financial, operational and legal covenants. Under the most restrictive covenants in the Senior Note Agreements, approximately $237.0 million of Great Lakes' partners' capital was restricted as to distributions as of September 30, 2008. At September 30, 2008, Great Lakes was in compliance with all of its financial covenants.

**Debt, Credit Facility and Contractual Obligations of Northern Border**

The following table summarizes Northern Border's debt and credit facility outstanding as of September 30, 2008:

| | Payments Due by Period | | |
|---|---|---|---|
| *(unaudited)* *(millions of dollars)* | Total | Less than 1 year | Long-term Portion |
| 7.75% senior notes due 2009 | 200.0 | 200.0 | - |
| 7.50% senior notes due 2021 | 250.0 | - | 250.0 |
| $250 million credit agreement due 2012[a] | 172.0 | - | 172.0 |
| Total | 622.0 | 200.0 | 422.0 |

[a] Northern Border is required to pay a facility fee of 0.05% on the principal commitment amount of its credit agreement.

***Revolving Credit Agreement***
As of September 30, 2008, Northern Border had outstanding borrowings of $172.0 million under its $250 million revolving credit agreement and was in compliance with the covenants of the agreement. The weighted average interest rate related to the borrowings on the credit agreement was 2.99 per cent at September 30, 2008.

***Senior Notes due 2009***
On September 1, 2009, the $200.0 million 7.75 per cent senior notes will mature. As market conditions dictate, Northern Border will finance the repayment by use of fixed-rate debt, variable-rate debt or a combination of fixed-rate and variable-rate debt.

***Interest Rate Collar Agreement***
At September 30, 2008, Northern Border's balance sheet reflected an unrealized loss of approximately $2.2 million with a corresponding increase to accumulated other comprehensive loss related to the changes in fair value of its zero cost interest rate collar agreement (the "Collar Agreement") since inception. During the three and nine months ended September 30, 2008, Northern Border recorded interest expense of $0.5 million and $1.3 million, respectively, under the Collar Agreement. Hedge ineffectiveness had no impact on income for the three and nine months ended September 30, 2008.

***Contractual Obligations***
Northern Border has commitments totaling approximately $2.2 million in relation to the Des Plaines Project at September 30, 2008, with total expected costs to be approximately $18 million. Half of the project costs will be financed under Northern Border's credit facility and the other half by equity contributions from its partners. See section entitled "Recent Developments" in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of this project.

**RELATED PARTY TRANSACTIONS**

Great Lakes earns transportation revenues from TransCanada and its affiliates under fixed price contracts with remaining terms ranging from one to ten years. Great Lakes earned $40.5 million of transportation revenues under these contracts for the three months ended September 30, 2008 (2007 - $32.4 million). This amount represents 61 per cent of total revenues earned by Great Lakes for the three months ended September 30, 2008 (2007 - 50 per cent). $18.8 million of this transportation revenue is included in our equity income from Great Lakes for the three months ended September 30, 2008 (2007 - $15.1 million).

Great Lakes earned $108.7 million of transportation revenues from TransCanada and its affiliates for the nine months ended September 30, 2008 (February 23, 2007 to September 30, 2007 - $81.5 million). This amount represents 51 per cent of total revenues earned by Great Lakes for the nine months ended September 30, 2008 (February 23, 2007 to September 30, 2007 - 50 per cent). $50.5 million of this transportation revenue is included in our equity income from Great Lakes for the nine months ended September 30, 2008 (February 23, 2007 to September 30, 2007 - $37.9 million). At September 30, 2008, $13.4 million is included in Great Lakes' receivables in regards to the transportation contracts with TransCanada and its affiliates (December 31, 2007 - $10.0 million).

Please read Note 8 within Item 1. "Financial Statements" for additional information regarding related party transactions.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

**OVERVIEW**

Our exposure to market risk discussed below includes forward-looking statements and represents an estimate of possible changes in future earnings that would occur assuming hypothetical future movements in interest rates. Our views on market risk are not necessarily indicative of actual results that may occur and do not represent the maximum possible gains and losses that may occur, since actual gains and losses will differ from those estimated, based on actual fluctuations in interest rates and the timing of transactions.

We are exposed to market risk due to interest rate fluctuations. Market risk is the risk of loss arising from adverse changes in market rates. We utilize financial instruments to manage the risks of certain identifiable or anticipated transactions to achieve a more predictable cash flow. Our risk management function follows established policies and procedures to monitor interest rates to ensure our hedging activities mitigate market risks. We do not use financial instruments for trading purposes.

In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* we record financial instruments on the balance sheet as assets and liabilities based on fair value. We estimate the fair value of financial instruments using available market information and appropriate valuation techniques. Changes in financial instruments' fair value are recognized in earnings unless the instrument qualifies as a hedge under SFAS No. 133 and meets specific hedge accounting criteria. Qualifying financial instruments' gains and losses may offset the hedged items' related results in earnings for a fair value hedge or be deferred in accumulated other comprehensive income for a cash flow hedge.

**INTEREST RATE RISK**

Our interest rate exposure results from our Senior Credit Facility, which is subject to variability in London Interbank Offered Rate (LIBOR) interest rates. We regularly assess the impact of interest rate fluctuations on future cash flows and evaluate hedging opportunities to mitigate our interest rate risk. The notional amount hedged at September 30, 2008 was $475.0 million. The interest rate swaps and options are structured such that the cash flows match those of the Senior Credit Facility. The fair value of interest rate derivatives has been calculated using period-end market rates. At September 30, 2008, the fair value of our interest rate swaps and options accounted for as hedges was negative $11.5 million.

At September 30, 2008, we had $482.0 million outstanding on our Senior Credit Facility. Utilizing the conditions of the interest rate swaps and options, if LIBOR interest rates hypothetically increased by one per cent (100 basis points) compared to the rates in effect as of September 30, 2008, our annual interest expense would have increased and our net income would have decreased by $0.1 million; and if LIBOR interest rates hypothetically decreased by one per cent (100 basis points) compared to the rates in effect as of September 30, 2008, our annual interest expense would have decreased and our net income would have increased by $0.1 million. This amount has been determined by considering the impact of the hypothetical interest rates on variable rate borrowings outstanding as of September 30, 2008.

Northern Border utilizes both fixed-rate and variable-rate debt and is exposed to market risk due to the floating interest rates on its credit facility. Northern Border regularly assesses the impact of interest rate fluctuations on future cash flows and evaluates hedging opportunities to mitigate its interest rate risk. As of September 30, 2008, 72 per cent of Northern Border's outstanding debt was at fixed rates. Northern Border utilizes its Collar Agreement to limit the variability of the interest rate on $140.0 million of variable-rate borrowings.

Utilizing the conditions of the Collar Agreement, if interest rates hypothetically increased one per cent (100 basis points) compared with rates in effect as of September 30, 2008, Northern Border's annual interest expense would increase and its net income would decrease by approximately $0.3 million; and if interest rates hypothetically decreased one per cent (100 basis points) compared with rates in effect as of September 30, 2008, Northern Border's annual interest expense would decrease and its net income would increase by approximately $0.3 million.

Great Lakes and Tuscarora utilize fixed-rate debt; therefore, they are not exposed to market risk due to floating interest rates.

**OTHER RISKS**

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

The state of Minnesota currently requires Great Lakes to pay use tax on the value of the shipper provided compressor fuel burned in its Minnesota compressor engines. Great Lakes is subject to primarily commodity price volatility and some volume volatility in determining the amount of use tax owed. If natural gas prices changed by $1 per million British thermal units, Great Lakes' annual use tax expense would change by approximately $0.7 million.

The Partnership does not have any material foreign currency exchange risks.

## 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 Securities and Exchange Commission's (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**

During the quarter ended September 30, 2008, there has been no change in the Partnership's internal control over financial reporting that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

## PART II – OTHER INFORMATION

## Item 1A. Risk Factors

Our business is subject to the risks described below and 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, 2007.

**The following new 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, 2007:**

*The current capital and credit market conditions may adversely affect the Partnership or our pipeline systems' access to capital and cost of capital.*

Access to capital markets is important to the Partnership to enable it to execute its business strategies, which include seeking opportunities to undertake accretive acquisitions and organic growth projects, and maximize the value of our existing portfolio of pipeline systems. Access to capital markets is important to our pipeline systems' ability to operate and Northern Border expects to refinance $200 million of Senior Notes in 2009. In October 2008, the general economic and capital market conditions in the United States and other parts of the world have deteriorated significantly and have adversely affected access to capital and increased the cost of capital. If these conditions continue or become worse, the Partnership's and our pipeline systems' future cost of debt and equity capital, and future access to capital markets could be adversely affected.

**The following updated risk factors 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, 2007:**

*The long-term financial conditions of our pipeline systems are dependent on the continued availability of Western Canadian natural gas for import into the U.S. and the market demand for these volumes. Competition from pipelines that deliver natural gas from other supply sources to our pipeline systems' market areas could cause our pipeline systems to discount their rates or otherwise experience a reduction in their revenues.*

The development of additional natural gas reserves requires significant capital expenditures by others for exploration and development drilling and the installation of production, gathering, storage, transportation and other facilities that permit natural gas to be produced and delivered to pipelines that interconnect with our pipeline systems. High exploration and production costs, low prices for natural gas, regulatory limitations such as royalty frameworks, or the lack of available capital for these projects could adversely affect the development of additional reserves in Western Canada and the production in the WCSB.

Volumes available for export out of the WCSB depend in part on the internal demand for Canadian natural gas which may increase as a result of increased demand for electricity generation and other industrial requirements, including the development of oil sands projects, which may require substantial amounts of natural gas. This higher internal demand may reduce the amount of gas available for import into the U.S. In the longer term, a portion of the Alberta hub gas supply may come from proposed gas pipelines from the North Slope of Alaska and the Mackenzie Delta of Canada and from the continued growth of coal bed methane projects. Cancellation or delays in the construction of such pipelines or such projects could adversely affect the volumes available for export in the long term.

If the availability of Alberta hub natural gas was to decline, existing shippers on our pipeline systems may be unlikely to extend their contracts and our pipeline systems may be unable to find replacement shippers for lost capacity. Furthermore, additional natural gas reserves may not be developed in commercial quantities and in sufficient amounts to fill the capacities of each of our pipeline systems.

In addition, existing customers may not extend their contracts if the cost of delivered natural gas from other producing regions into the markets served by our pipeline systems is lower than the cost of natural gas delivered by our pipeline systems. Our pipeline systems face increased competition from other pipelines that provide access for our shippers to capacity from the U.S. Rocky Mountain Region. The Rockies Express Pipeline owned by Rockies Express Pipeline LLC is being constructed in two phases and the planned terminus is in Clarington, Ohio. REX West is completed and is currently delivering gas to interconnects in the Midwestern region. The full in-service of REX West in May 2008 has resulted in significant downward pressure on natural gas prices in the Mid-continent Region, and is having a negative impact on demand for Northern Border's transport and may have an impact on Great Lakes in the future.

REX East is planned to extend from Audrain County, Missouri to Clarington in Monroe County, Ohio. Once in-service, REX East should improve the competitive position of Canadian supply with Mid-Continent sourced gas, potentially mitigating some of the excess supply in the Mid-Continent market. REX East will compete in some of Great Lakes' markets, but will also potentially create demand for Great Lakes' transportation of natural gas from REX East seeking access to and from storage locations in Michigan. It is now anticipated that the partial in-service and full in-service of REX East will occur in the second and fourth quarters of 2009, respectively. Although there can be no assurance on the timing or impact of REX East, we believe that any positive impact on the market Northern Border serves will not occur until 2010.

An increase in competition in the key markets served by our pipeline systems could arise from new ventures or expanded operations from existing competitors. Our financial performance depends to a large extent on the capacity contracted on our pipeline systems. Decreases in the volumes transported by our pipeline systems, whether caused by supply or demand factors in the markets these pipeline systems serve, competition or otherwise, can directly and adversely affect our revenues and results of operations.

*Our pipeline systems may undertake expansion and build projects which involve significant risks that could adversely affect our business. Additionally, the Bison Project and the Pathfinder Project have inherently similar risks that may impact their success and therefore the potential volumes to be delivered to Northern Border.*

Our pipeline systems have expansion and new build projects planned or underway, including Northern Border's $18 million Des Plaines Project. Additionally, expansion and new build projects, such as the Bison and/or Pathfinder Projects that would potentially deliver gas to Northern Border, are subject to a variety of factors outside their control, such as weather, natural disasters, delays in obtaining key materials and difficulties in obtaining permits and rights-of-way or other regulatory approvals, as well as the performance by third party contractors may result in increased costs or delays in construction. Cost overruns or delays in completing a project could result in reduced transportation rates and liquidated damages to customers, as well as lost revenue opportunities. In addition, we cannot be certain that, if completed, these projects will perform in accordance with our expectations. Each of these risks could have a material adverse effect on our results of operations and cash flows.

*If our pipeline systems were to become subject to a material amount of entity level taxation for state tax purposes, then our pipeline systems' operating cash flow and cash available for distribution to us and for other business needs would be reduced.*

Our pipeline systems are partnerships or tax flow through entities, and as such they generally have not been subject to income tax at the entity level. Several states have either adopted or are evaluating a variety of ways to subject partnerships to entity level taxation. For example, in the nine months ended September 30, 2008, Great Lakes recorded a Michigan business tax of $4.2 million relating to a new partnership level tax, of which the Partnership's share of the tax was $2.0 million. Imposition of such taxes on our pipeline systems will reduce the cash available for distribution to us and for other business needs by our pipeline systems.

*Unitholders will likely be subject to state and local taxes as a result of an investment in units.*

In addition to federal income taxes, unitholders will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property. We may be required to withhold income taxes with respect to income allocable or distributions made to our unitholders. In addition, unitholders may be required to file state and local income tax returns and pay state and local income taxes in some or all of the jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. It is the unitholders' responsibility to file all required United States federal, state and local tax returns. Counsel has not rendered an opinion on the state or local tax consequences of an investment in us.

## Item 6. Exhibits

| No. | Description |
|---|---|
| 10.1 | Membership Interest Purchase Agreement as of August 28, 2008, by and between Northern Border Pipeline Company and TransCanada Pipeline USA Ltd. |
| 10.2 | First Amendment to Amended and Restated Revolving Credit Agreement dated as of July 31, 2008 between Northern Border Pipeline Company and the lenders named therein. |
| 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. |

**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: November 3, 2008

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

Date: November 3, 2008

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

**Exhibit 10.1**

***Execution Copy***

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**MEMBERSHIP INTEREST PURCHASE AGREEMENT**

**by and between**

**NORTHERN BORDER PIPELINE COMPANY**

**and**

**TRANSCANADA PIPELINE USA LTD.**

**Dated as of August 28, 2008**

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## MEMBERSHIP INTEREST PURCHASE AGREEMENT

**THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT** (this "Agreement") is made and entered into as of August 28, 2008, by and between **Northern Border Pipeline Company**, a Texas general partnership ("Seller"), and **TransCanada PipeLine USA Ltd.**, a Nevada corporation ("Purchaser").

## RECITALS

**WHEREAS**, Seller is the sole member of Bison Pipeline LLC, a Delaware limited liability company ("Bison"), and desires to sell its 100% membership interest in Bison (the "Interest") to Purchaser on the terms and conditions set forth herein; and

**WHEREAS**, Purchaser desires to purchase the Interest from Seller on the terms and conditions set forth herein; and

**NOW, THEREFORE**, in consideration of the foregoing recitals and the mutual promises, representations, warranties, and covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

## AGREEMENT

## ARTICLE I

## DEFINITIONS

For purposes of this Agreement, the following terms have the meanings specified or referred to in this Article I.

"Affiliate" means, with respect to any Person, (a) each Person controlled by such Person, (b) each Person that controls such Person and (c) each Person that is under common control with such Person.

"Alternate Agreements" has the meaning given to such term in Section 2.1.

"Anadarko" means Anadarko Energy Services Company, a Delaware corporation.

"Approval Date" has the meaning given to such term in Section 5.2.

"Bison" has the meaning given to such term in the recitals.

"Bison Agreement" has the meaning given to such term in Section 3.2.

"Bison Open Season" means the terms and conditions defining the service to be provided on the Bison Project and posted on the Seller's website.

"Bison Project" means the pipeline project being developed by Bison to transport natural gas from the Powder River Basin to the Seller's pipeline system and having FERC Docket No. PF08-23-000.

"Closing" has the meaning given to such term in Section 2.2.

"Closing Date" has the meaning given to such term in Section 2.2.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consent" means any approval, consent, permit, ratification, waiver, order or other authorization.

"Contemplated Transactions" means the purchase and sale of the Interest and the performance by Seller and Purchaser of their other obligations under this Agreement.

"Damages" means all damages, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses and fees (including court costs and costs of investigation, defense and reasonable attorneys' fees and expenses) actually incurred, but specifically excluding special, incidental, consequential and punitive damages, as reduced by any insurance recoveries received in respect thereof.

"Dollars" means United States Dollars.

"FERC' means the Federal Energy Regulatory Commission.

"Governmental Body" means any:

(a) nation, state, county, city, town, district or other jurisdiction of any nature;

(b) federal, state, local, municipal, foreign or other government;

(c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official or entity and any court or other tribunal); or

(d) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

"Indemnity Period" has the meaning given to such term in Section 6.1.

"Initial Payment" has the meaning given to such term in Section 2.1.

"Interest" has the meaning given to such term in the recitals.

"Knowledge" means, with respect an individual's knowledge of a particular fact or other matter, that such individual is actually aware of such fact or other matter, and with respect to the knowledge of a Person other than an individual of a particular fact or other matter, that any individual who is serving as a director, manager or executive officer of such Person is actually aware of such fact or other matter.

"Legal Requirement" means any federal, state, local, municipal, foreign, international or other administrative order, constitution, law, ordinance, regulation, statute or treaty applicable to a Person.

"Liability" means any liability (whether absolute or contingent, liquidated or unliquidated, or due or to become due, or otherwise), including any liability for Taxes.

"Lien" has the meaning given to such term in Section 3.4.

"MERC" means Minnesota Energy Resources Corporation, a Delaware corporation.

"MMBtu" means one million British thermal units.

"MMcf" means one million cubic feet of natural gas.

"Pathfinder Project" means the pipeline construction and development project proposed by Purchaser that upon completion will transport natural gas from Meeker, Colorado and/or Wamsutter, Wyoming to the Seller's pipeline system, terminating at a point near the Seller's compression station in Morton County, North Dakota and that has FERC Docket No. PF08-22-000.

"Person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint stock company, joint venture, estate, trust, association, organization, other entity or Governmental Body.

"Post-Closing Payment" has the meaning given to such term in Section 2.1.

"Post-Effective Date Development Costs" has the meaning given to such term in Section 2.3.

"Pre-Effective Date Development Costs" has the meaning given to such term in Section 2.3.

"Proceeding" means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, or administrative) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"Purchase Price" has the meaning given to such term in Section 2.1.

"Purchaser" has the meaning given to such term in the preamble.

"Representative" means, with respect to a particular Person, any director, officer, manager, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants and financial advisors.

"Securities Act" has the meaning given to such term in Section 4.6.

"Seller" has the meaning given to such term in the preamble.

"Tax" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes filed or required to be filed with any taxing authority, including any schedule or attachment thereto, and including any amendment thereof.

"Threatened" means that a demand or statement has been made in writing, or any notice has been given in writing, asserting that a claim, Proceeding, dispute, action or other matter may be commenced or taken in the future.

"Transfer Taxes" has the meaning given to such term in Section 5.6(b).

"Williams" means Williams Gas Marketing, Inc., a Delaware corporation

## ARTICLE II

## AGREEMENT TO SELL AND PURCHASE

**2.1 Sale and Purchase.**

Subject to the terms and conditions hereof, at the Closing Seller hereby agrees to sell the Interest to Purchaser, and Purchaser agrees to purchase the Interest from Seller, for a total purchase price of Twenty Million Dollars (US$20,000,000) (the "Purchase Price"). Purchaser agrees that it will pay the Purchase Price as follows: (a) Thirteen Million Five Hundred Thousand Dollars (US$13,500,000) (the "Initial Payment") shall be paid by Purchaser to Seller at the Closing by wire transfer of immediately available funds to an account designated in writing to Purchaser by Seller and (b) Six Million Five Hundred Thousand Dollars (US$6,500,000) (the "Post-Closing Payment") shall be paid by Purchaser to Seller, by wire transfer of immediately available funds to an account designated in writing to Purchaser by Seller, within ten (10) days of the earlier to occur of (i) the satisfaction, expiration, termination or waiver by MERC, by August 29, 2008, of the contingency set forth in MERC's Anchor Shipper Offer Sheet, which is attached to Exhibit B to the Precedent Agreement for Firm Natural Gas Transportation Service dated May 22, 2008 by and between MERC and Bison or (ii) the execution, on or before the Approval Date, of one or more third-party firm transportation precedent agreements with an aggregate maximum delivery quantity of at least 50 MMcf per day from the Powder River Basin on terms and conditions no less favorable than those offered to shippers in the Bison Open Season and having no material conditions outstanding or not otherwise satisfied, other than conditions that are within the control of Purchaser (the "Alternate Agreements"); *provided* that such Alternate Agreements may include a firm transportation precedent agreement by MERC to transport at least 50 MMcf per day on either the Bison Project or the Pathfinder Project that is a substitute arrangement for that described in clause (i) of this sentence if such agreement by MERC contains terms and conditions no less favorable than those offered to shippers in the Bison Open Season and has no material conditions outstanding or not otherwise satisfied, other than conditions that are within the control of Purchaser. For the avoidance of doubt, it is acknowledged and agreed that Purchaser will only be required to pay the Post-Closing Payment upon satisfaction of the conditions set forth in either of clauses (b)(i) or (ii) of this Section 2.1, and that if the conditions set forth in neither of such clauses are satisfied, the Purchase Price will consist only of the Initial Payment.

**2.2 Closing.**

The closing of the sale and purchase of the Interest under this Agreement (the "Closing") shall take place at 10:00 a.m. Omaha, Nebraska time on August 29, 2008, at the offices of Seller, 13710 FNB Parkway, Omaha, Nebraska 68154, or at such other time or place as Seller and Purchaser may mutually agree (such date is hereinafter referred to as the "Closing Date"). At the Closing, subject to the terms and conditions hereof, Seller and Purchaser will deliver an executed Bill of Sale and Assignment and Assumption Agreement substantially in the form of Exhibit A hereto with respect to the Interest to be purchased at the Closing by Purchaser, upon payment of the Initial Payment by wire transfer of immediately available funds to an account designated in writing to Purchaser by Seller.

**2.3 Effective Date; Development Costs.**

Regardless of the Closing Date, the Contemplated Transactions shall have an effective date of July 31, 2008. Seller shall assume and pay all development costs and expenses relating to the Bison Project that are incurred by Bison or by Seller on behalf of Bison at any time prior to 12:00 a.m. CDT on August 1, 2008 ("Pre-Effective Date Development Costs"). Purchaser shall assume and pay all reasonable and documented development costs and expenses relating to the Bison Project that are incurred by Bison or by Seller on behalf of Bison at any time commencing after 12:00 a.m. CDT on August 1, 2008 ("Post-Effective Date Development Costs"), provided that the Closing occurs. On or before the date that is ninety (90) days after the Closing Date, Seller shall provide to Purchaser a written accounting of all Pre-Effective Date Development Costs and Post-Effective Date Development Costs, and shall identify those Post-Effective Date Development Costs already paid by Bison or by Seller on behalf of Bison. Purchaser shall reimburse Seller, by wire transfer of immediately available funds to an account designated in writing to Purchaser by Seller, for all Post-Effective Date Development Costs paid by Bison or by Seller on behalf of Bison within ten (10) days of Seller's receipt of such written accounting.

**2.4 Conditions to Obligations of Purchaser.**

Purchaser's obligation to purchase the Interest at the Closing is subject to the satisfaction or waiver, at or prior to the Closing Date, of the following conditions:

(a) Approval by Purchaser. The Board of Directors of Purchaser shall have authorized and approved (a) the execution, delivery and performance by Purchaser of this Agreement and the Contemplated Transactions and (b) the Bison Project. Purchaser acknowledges that this condition has been satisfied.

(b) Certain Proceedings. No Proceeding shall have been commenced against Seller or Bison that challenges, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions.

(c) ONEOK Letter. Seller shall have delivered to Purchaser a letter from ONEOK Partners Intermediate Limited Partnership in the form of Exhibit B attached hereto.

(d) Closing Documents. Seller shall have delivered to Purchaser, at the Closing, (i) an Assistant Secretary's Certificate, reasonably satisfactory to Purchaser, certifying the approvals described in Section 2.5(a), (ii) an Officers' Certificate, signed by two duly authorized officers of the operator of Seller, stating that the representations and warranties of Seller contained herein are true and correct as of the Closing Date as if made on the Closing Date and that Seller has performed all of its covenants and obligations set forth herein that are to be performed by it at or before the Closing, and (iii) pursuant to Section 1445 of the Code, a tax certificate that (1) states that Seller is not a foreign corporation, foreign partnership, foreign trust or foreign estate and (2) provides Seller's employer identification number and address.

**2.5 Conditions to Obligations of Seller.**

Seller's obligation to sell the Interest at the Closing is subject to the satisfaction or waiver, on or prior to the Closing Date, of the following conditions:

(a) Approval by Seller. The Management Committee of Seller shall have authorized and approved the execution, delivery and performance by Seller of this Agreement and the Contemplated Transactions.

(b) Certain Proceedings. No Proceeding shall have been commenced against Purchaser that challenges, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions.

(c) Closing Documents. Purchaser shall have delivered to Seller, at the Closing, (i) a Certificate, reasonably satisfactory to Seller, certifying the approvals described in Section 2.4(a) and (ii) an Officers' Certificate, signed by two duly authorized officers of Purchaser, stating that the representations and warranties of Purchaser contained herein are true and correct as of the Closing Date as if made on the Closing Date and that Purchaser has performed all of its covenants and obligations set forth herein that are to be performed by it at or before the Closing.

**2.6 Purchase Price Allocation for Tax Purposes.**

Within one hundred eighty (180) days after the Closing Date, Purchaser shall provide to Seller a copy of Internal Revenue Service Form 8594 and any required exhibits thereto with Purchaser's prepared allocation of the Purchase Price. Purchaser and Seller agree to make all reasonable efforts to file all Tax Returns of both Purchaser and Seller consistently with this allocation.

## ARTICLE III

## REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Purchaser that:

**3.1 Organization.**

Seller is a general partnership duly formed, validly existing and in good standing under the laws of the State of Texas.

**3.2 Organization and Qualification of Bison.**

Bison is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and is duly authorized to conduct business, duly registered or qualified and in good standing under the laws of each jurisdiction where the nature of its assets or business requires it to be so authorized, registered or qualified, except where the failure to be so authorized, registered or qualified would not reasonably be expected to impair Seller's ability to consummate the Contemplated Transactions. Bison has the full limited liability company power and authority to own or hold its properties and assets and to carry on its business as currently conducted. Seller has delivered to Purchaser correct and complete copies of the Certificate of Formation of Bison, the Limited Liability Company Agreement, dated March 27, 2008, of Bison (the "Bison Agreement"), and any other organizational documents of Bison.

**3.3 Authority.**

Seller has the full partnership power and authority to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary partnership action. Assuming the due and valid authorization, execution and delivery of this Agreement by Purchaser, this Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (b) laws relating to the availability of equitable remedies.

**3.4 Ownership.**

Seller is the sole member of Bison and the legal and beneficial owner of the Interest, which has been duly and validly authorized and issued in accordance with the Bison Agreement; Seller owns such membership interest free and clear of all liens, encumbrances, security interests, equities, charges or claims (collectively, "Liens"); and at the Closing, upon payment of the Purchase Price, Seller will deliver to Purchaser good, valid and marketable title to the Interest, free and clear of any Liens. Except (a) as provided in the Bison Agreement, (b) as provided in Anadarko's Precedent Agreement for Firm Natural Gas Transportation Service, dated May 23, 2008, with Bison and (c) for the Contemplated Transactions, there are no outstanding or authorized options, warrants, purchase rights, conversion rights, preemptive rights, exchange rights or other contracts or commitments to sell, subscribe for or purchase any equity interest in Bison, and there are no restrictions upon the transfer of the Interest.

**3.5 No Conflicts or Violations; Consents.**

Neither the execution and delivery of this Agreement by Seller nor the performance by Seller of its obligations hereunder (a) conflicts or will conflict with, or constitutes or will constitute a violation of, the general partnership agreement of Seller, certificate of formation of Seller or Bison, limited liability company agreement of Bison or other organizational document of Seller or Bison, (b) conflicts or will conflict with, constitutes or will constitute a breach of or default under (or an event that, with notice or lapse of time or both, would constitute such a breach of or default under), or provides or will provide any party the right to accelerate, terminate, modify or cancel, any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which Seller or Bison is a party, by which either of them is bound or to which any of their properties or assets is subject, (c) violates or will violate any statute, law, ordinance, regulation, order, judgment, decree or injunction of any court or Governmental Body to which Seller, Bison or any of their properties or assets may be subject or (d) will result in the creation or imposition of any Lien upon the Interest or any of the property or assets of Seller or Bison. Neither Seller nor Bison is required to provide any notice to or obtain any Consent from any Person in connection with the consummation of the Contemplated Transactions, except for such notices or Consents where the failure to provide such notice or obtain such Consent would not reasonably be expected to impair its ability to consummate the Contemplated Transactions.

**3.6 Certain Proceedings.**

There is no pending Proceeding that has been commenced against Seller or Bison that challenges, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions. To the Knowledge of Seller, no such Proceeding has been Threatened.

**3.7 Brokers or Finders.**

Seller and its officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

**3.8 Taxes.**

Except as would not reasonably be expected to have a material adverse effect, (a) Seller has filed, or caused to be filed, all Tax Returns required to be filed by Bison or with respect to its assets or operations on a timely basis (taking into account all extensions of due dates), (b) all such Tax Returns were complete and correct, (c) all Taxes owed by Bison which are or have become due have been timely paid in full, (d) there are no Liens on the Interest or any of Bison's assets that arose in connection with any failure (or alleged failure) to pay any Tax on any such assets or with respect to the Interest, other than Liens for Taxes not yet due and payable, (e) there is no pending action, proceeding or, to the Knowledge of Seller, investigation for assessment or collection of Taxes and no Tax assessment, deficiency or adjustment has been asserted or proposed with respect to Bison or its assets, (f) Bison, since its inception, has been disregarded as an entity separate from Seller for federal income tax purposes under Treasury Regulations 3017701-2 and -3 and any comparable provisions of state and local jurisdictions that permit such treatment and (g) there is no tax allocation agreement or tax sharing agreement to which Bison is a party.

## ARTICLE IV

## REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

**4.1 Organization.**

Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of the State of Nevada.

**4.2 Authority.**

Purchaser has the full corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by Purchaser have been duly and validly authorized by all necessary corporate action. Assuming the due and valid authorization, execution and delivery of this Agreement by Seller, this Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (b) laws relating to the availability of equitable remedies.

**4.3 No Conflicts or Violations; Consents.**

Neither the execution and delivery of this Agreement by Purchaser nor the performance by Purchaser of its obligations hereunder (a)conflicts or will conflict with, or constitutes or will constitute a violation of, the certificate or articles of incorporation, bylaws or other organizational document of Purchaser, (b) conflicts or will conflict with, constitutes or will constitute a breach of or default under (or an event that, with notice or lapse of time or both, would constitute such a breach of or default under), or provides or will provide any party the right to accelerate, terminate, modify or cancel, any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which Purchaser is a party, by which Purchaser is bound or to which any of its properties or assets is subject, (c) violates or will violate any statute, law, ordinance, regulation, order, judgment, decree or injunction of any court or Governmental Body to which Purchaser or any of its properties or assets may be subject or (d) will result in the creation or imposition of any Lien upon any of the property or assets of Purchaser. Purchaser is not required to provide any notice to or obtain any Consent from any Person in connection with the consummation of the Contemplated Transactions, except for such notices or Consents where the failure to provide such notice or obtain such Consent would not reasonably be expected to impair its ability to consummate the Contemplated Transactions.

### 4.4 Certain Proceedings.

There is no pending Proceeding that has been commenced against Purchaser that challenges, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions. To the Knowledge of Purchaser, no such Proceeding has been Threatened.

### 4.5 Brokers or Finders.

Purchaser and its officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

### 4.6 Investment Intent; Access.

Purchaser acknowledges that (a) the Interest has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, and (b) Seller has disclosed to Purchaser that the Interest may not be resold absent such registration or unless an exemption from registration is available. Purchaser is acquiring the Interest for its own account, for investment purposes only and not with a view to its distribution within the meaning of the Securities Act. Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the Contemplated Transactions. Seller has made available to Purchaser and its Representatives the opportunity to ask questions of the officers and Representatives of Seller, to engage in diligence and to acquire such additional information about the business, assets and financial condition of Seller as Purchaser has requested, and all such requested information has been received by Purchaser.

## ARTICLE V

## COVENANTS OF THE PARTIES

### 5.1 Expenses.

Except as contemplated by Section 2.3, each party shall bear its own expenses incurred in connection with the preparation, execution and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, counsel, accountants and other Representatives.

**5.2 Pathfinder Project.**

Provided that (a) Bison has entered into firm transportation precedent agreements with respect to the Bison Project with an aggregate maximum delivery quantity of at least 405 MMcf per day and that have no material conditions outstanding or not otherwise satisfied by August 31, 2008 (unless otherwise extended by Purchaser), other than conditions that are within the control of Purchaser, and (b) Purchaser has not, by September 30, 2008 (or such other later date agreed to by the Bison and Pathfinder shippers) (the "Approval Date"), received management approval to proceed with the Pathfinder Project, Purchaser will, subject to the rights and obligations of Bison set forth in the Precedent Agreements for Firm Natural Gas Transportation Service executed with the Bison shippers, use commercially reasonable efforts to complete the Bison Project and place it in-service during the fourth quarter of 2010.

**5.3 Northern Border Pipeline Company Capacity.**

Subject to Seller's tariff and applicable law, Seller shall use commercially reasonable efforts to assist Purchaser after the Closing by marketing existing capacity on Seller's pipeline system and the potential expansion of its pipeline system to shippers, including, but not limited to, shippers on the Bison Project and/or the Pathfinder Project. Commercially reasonable efforts shall consist of (a) the continuation at least until September 30, 2008 of the offer to all shippers of a discounted reservation rate on Seller's pipeline system of US$0.23 per MMBtu for transportation from Port of Morgan to Ventura for a ten (10) year commitment, (b) initiating the applicable right of first refusal process for capacity on Seller's pipeline system to Chicago during the month of September 2008 and (c) Seller offering the market, including, but not limited to, shippers on the Bison Project and/or the Pathfinder Project, an open season having a bid period during the month of August 2008 proposing the expansion of Seller's pipeline system for transportation on Seller's pipeline system to Chicago for a ten (10) year commitment with a targeted in-service date of the fourth quarter of 2010, or as soon as practicable thereafter. Such capacity shall be offered at a rate that the Seller reasonably believes to be marketable; *provided* that Seller's obligation under this Agreement to undertake any such expansion shall be subject to a fair and reasonable return analysis by Seller relating to the expected economics of any such expansion and the approval of its Management Committee.

**5.4 Discussions with Shippers.**

Seller shall assist Purchaser in discussions with the existing shippers on the Bison Project in order to assist with the satisfaction of the outstanding conditions precedent under such shippers' firm transportation precedent agreements and encourage their participation in the Pathfinder Project; *provided* that Seller's obligations pursuant to this Section 5.4 shall be expressly limited to participating in conversations and shall not include any obligation to undertake or incur any liabilities or expenses or to make concessions of any kind to shippers.

**5.5 Further Assurances.**

Each party agrees (a) to furnish upon request to the other party such further information, (b) to execute and deliver to the other party such other documents and (c) to do such other acts and things, in each case as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the Contemplated Transactions.

**5.6 Tax Matters.**

The following provisions shall govern the allocation of responsibility between Seller and Purchaser for certain Tax matters following the Closing Date:

(a) Tax Returns.

(i) Seller shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for Bison for periods ending on or before the Closing Date that are required to be filed after the Closing Date, and shall be responsible for the timely payment (and entitled to any refund) of Taxes due with respect to the period covered by such Tax Returns.

(ii) Seller shall prepare or cause to be prepared and file or cause to be filed any Tax Returns of Bison for periods which begin before the Closing Date and end after the Closing Date, shall furnish a copy of such Tax Return to Purchaser. Seller shall be responsible for the timely payment of Taxes due with respect to the period covered by such Tax Return allocable to the period prior to and including the Closing Date, and Purchaser shall be responsible for the timely payment of Taxes due with respect to the period after the Closing Date.

(iii) To the extent permitted by law or administrative practice, the taxable year of Bison shall end on and include the Closing Date. Whenever it is necessary to determine the liability for Taxes of Bison for a portion of a taxable year or period that begins before and ends after the Closing Date, the determination of the Taxes for the portion of the year or period ending on, and the portion of the year or period beginning after, the Closing Date shall be determined by assuming that the taxable year or period ended on and included the Closing Date, except that exemptions, allowances or deductions that are calculated on an annual basis and annual property taxes shall be prorated on the basis of the number of days in the annual period elapsed through the Closing Date as compared to the number of days in the annual period elapsing after the Closing Date.

(iv) Any Tax Return to be prepared pursuant to the provisions of this Section 5.6 shall be prepared in a manner consistent with practices followed in prior years with respect to similar Tax Returns, except for changes required by changes in law or fact. Purchaser shall not file an amended Tax Return for any period ending on or prior to the Closing Date without the consent of Seller, which consent shall not be unreasonably withheld or delayed.

(b) Transfer Taxes. Purchaser shall be responsible for the payment of all excise, sales, use, transfer (including real property transfer or gains), stamp, documentary, filing, recordation and other similar taxes, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, resulting directly from the Contemplated Transactions (collectively, “Transfer Taxes”).

(c) Access to Information. After the Closing Date, Seller shall grant to Purchaser (or its designees) access at all reasonable times to all of the information, books, and records relating to Bison within the possession of Seller (including work papers and correspondence with taxing authorities), and shall afford Purchaser (or its designees) the right (at Purchaser's expense) to take

extracts therefrom and to make copies thereof, to the extent reasonably necessary to permit Purchaser (or its designees) to prepare Tax Returns and to conduct negotiations with taxing authorities. After the Closing Date, Purchaser shall grant or cause Bison to grant to Seller (or its designees) access at all reasonable times to all of the information, books and records relating to Bison within the possession of Purchaser or Bison (including work papers and correspondence with taxing authorities), and shall afford Seller (or its designees) the right (at Seller's expense) to take extracts therefrom and to make copies thereof, to the extent reasonably necessary to permit Seller (or its designees) to prepare Tax Returns and to conduct negotiations with taxing authorities.

(d) Survival. Anything to the contrary in this Agreement notwithstanding, the representations, warranties, covenants, agreements, rights and obligations of the parties with respect to any Tax matter covered by this Agreement shall survive the Closing and shall not terminate until ninety (90) days after the expiration of the applicable statutes of limitations (including all periods of extension and tolling) applicable to such Tax matter.

(e) Conflict. In the event of a conflict between the provisions of this Section 5.6 and any other provisions of this Agreement, the provisions of this Section 5.6 shall control.

(f) Tax Indemnity.

(i) Seller shall be liable for, and shall indemnify and hold Bison and Purchaser and its Affiliates harmless from, any Taxes (other than Transfer Taxes) (1) imposed on or incurred by or with respect to Bison or its assets with respect to the period prior to and including the Closing Date, (2) attributable to a breach by Seller of any covenant with respect to Taxes in this Agreement or (3) attributable to a breach of Seller's representations and warranties in Section 3.8.

(ii) Purchaser shall be liable for, and shall indemnify and hold Seller and its Affiliates harmless from, any Taxes (including Transfer Taxes) attributable to a breach by Purchaser of any covenant with respect to Taxes in this Agreement.

(iii) If Purchaser or its Affiliates receive a refund of any Taxes that Seller is responsible for hereunder, or if Seller or its Affiliates receive a refund of any Taxes that Purchaser is responsible for hereunder, the party receiving such refund shall, within ninety (90) days after receipt of such refund, remit it to the party who has responsibility for such Taxes hereunder. The parties shall cooperate in order to take all necessary steps to claim any such refund.

## ARTICLE VI

## INDEMNIFICATION; REMEDIES

### 6.1 Survival of Representations, Warranties and Covenants.

The representations, warranties and covenants set forth in this Agreement shall survive until the expiration of the period (the "Indemnity Period") that commences on the Closing Date and terminates on the date that is one hundred eighty (180) days after the Closing Date, at which time they will expire; *provided, however*, that the Indemnity Period with respect to the covenant set forth in Section 5.2 shall extend until January 15, 2011; and *provided, further*, that the Indemnity Period with respect to the representations and warranties set forth in Section 3.8 and the covenants set forth in Section 5.6 shall extend until ninety (90) days after the expiration of the applicable statute of limitations. Neither party shall have any liability (for indemnification or otherwise) with respect to any representation or warranty, or any covenant or obligation to be performed or complied with by it hereunder, unless on or before the expiration or termination of the Indemnity Period, the other party notifies such party of a claim, specifying the factual basis of that claim in reasonable detail to the extent then known by it.

**6.2 Indemnification and Payment of Damages by Seller.**

Subject to the limitations set forth in this Article VI, Seller shall indemnify Purchaser and its Representatives and Affiliates for, shall hold Purchaser and its Representatives and Affiliates harmless from, and shall pay to Purchaser and its Representatives and Affiliates the amount of, any Damages arising from or in connection with (a) any inaccuracy in or breach of any representation or warranty made by Seller in this Agreement or (b) any breach of any covenant or agreement of Seller in this Agreement.

**6.3 Indemnification and Payment of Damages by Purchaser.**

Subject to the limitations set forth in this Article VI, Purchaser shall indemnify Seller and its Representatives and Affiliates for, shall hold Seller and its Representatives and Affiliates harmless from, and shall pay to Seller and its Representatives and Affiliates the amount of, any Damages arising from or in connection with (a) any inaccuracy in or breach of any representation or warranty made by Purchaser in this Agreement or (b) any breach of any covenant or agreement of Purchaser in this Agreement.

**6.4 Limitations on Indemnification.**

Neither party shall have any liability (for indemnification or otherwise) with respect to any representation, warranty, covenant or agreement made in this Agreement until the total of all Damages asserted by the other party with respect to all such matters exceeds $500,000 in the aggregate, and then the liable party shall be liable for such Damages only to the extent they exceed such amount. The limitations set forth in the preceding sentence shall not apply to a breach of the representations and warranties set forth in Section 3.8 or the covenants set forth in Section 5.6, any fraudulent representations and warranties made in this Agreement or any willful breach of any covenant or agreement made in this Agreement, and the liable party shall be liable for all Damages with respect thereto. In no event shall the aggregate liability of either party for breach of its representations, warranties, covenants and agreements exceed fifteen percent (15%) the Purchase Price, except in the case of fraud or a breach of representations and warranties set forth in Section 3.8 or the covenants set forth in Section 5.6.

**6.5 No Security Holder Liability.**

The parties acknowledge that the stockholders, members, and other security holders of Purchaser and Seller are not parties to this Agreement and that the representations, warranties, covenants and agreements made in this Agreement are provided only by Seller or Purchaser, as the case may be, to the other. The parties agree that neither party shall have recourse (including for indemnification or otherwise) against any officer, director, stockholder, member, manager or security holder of the other party under or in connection with this Agreement.

## ARTICLE VII

## GENERAL PROVISIONS

**7.1 Public Announcements.**

The initial press release or releases to be issued in connection with the Contemplated Transactions shall be agreed upon by the parties prior to the issuance thereof. Otherwise, prior to the Closing, neither party shall, without the other party's prior written consent (which shall not be unreasonably withheld or delayed) or unless permitted by the Confidentiality Agreement, dated July 18, 2008, between the parties or any amendments thereto or waivers therefrom, make any disclosure concerning this Agreement or the Contemplated Transactions to any Person other than (a) their respective members, managers, officers, directors or employees who have a need to know in connection with this Agreement or (b) their respective counsel, public accountants and financial advisors.

**7.2 Confidentiality.**

. Each party hereto shall hold, and shall cause its Representatives to hold, in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other Legal Requirements, and not use for its own advantage, any information about the other provided in or pursuant to this Agreement, except to the extent that such information can be shown to have been generally available to the public other than as a result of a disclosure by such party or its Representatives.

**7.3 Notices.**

All notices, consents, waivers and other communications under this Agreement must be in writing and shall be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by facsimile transmission (with written confirmation of receipt), provided that a copy is also mailed or (c) received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), in each case to the addresses and facsimile numbers set forth below (or to such other addresses and facsimile numbers as a party may designate by notice to the other party):

Seller:

Northern Border Pipeline Company
P.O. Box 542500
Omaha, NE 68154-8500
Attention: Eva Neufeld
Facsimile No.: (402) 492-7480

with a copy (which shall not constitute notice) to:

Andrews Kurth LLP
600 Travis, Suite 4200
Houston, Texas 77002
Attention: Mike O'Leary
Facsimile No.: (713) 238-7130

and

ONEOK Partners, L.P.
100 West 5th Street
Tulsa, Oklahoma 74103-4298
Attention:  General Counsel
Facsimile No.:  (918) 588-7971

Purchaser:

TransCanada PipeLine USA Ltd.
717 Texas Avenue, Suite 2400
Houston, Texas 77252-2446
Attention: Kelly Jameson
Facsimile No.:  (713) 420-6548

with a copy (which shall not constitute notice) to:

TransCanada PipeLines Limited
450 1st Street SW
Calgary, Alberta
Canada
Attention:  Ron Anderson
Facsimile No.:  (403) 920-2363

**7.4 Waiver.**

Neither the failure to exercise, nor any delay in exercising, any right, power or privilege by either party under this Agreement shall operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power or privilege shall preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power, or privilege.  To the maximum extent permitted by applicable law, except as otherwise expressly provided herein, (a) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party, (b) no waiver that may be given by a party shall be applicable except in the specific instance for which it is given and (c) no notice to or demand on one party shall be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

**7.5 Entire Agreement and Modification.**

This Agreement supersedes all prior agreements between the parties with respect to its subject matter and constitutes a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter.  This Agreement may not be amended except by a written agreement executed by each of the parties.

**7.6 Assignments; Successors; No Third-Party Rights.**

Neither party may assign any of its rights under this Agreement without the prior consent of the other party; *provided* that Purchaser may assign its rights to any Affiliate of Purchaser without Seller's consent so long as Purchaser remains obligated to Seller pursuant to the terms and conditions of this Agreement and such Affiliate expressly assumes the obligations of Purchaser hereunder.  Any attempted assignment of this Agreement or any of the rights hereunder in violation of the foregoing shall be voidable by the non-assigning party.  Subject to the preceding sentences, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties.  Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement.  This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and permitted assigns.

**7.7 Severability.**

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable.

**7.8 Article and Section Headings; Construction.**

The headings of Articles and Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to “Article” or “Section” refer to the corresponding Article or Section of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word “including” does not limit the preceding words or terms. The terms and provisions of this Agreement represent the results of negotiations between the parties, each of which has been represented by counsel of its own choosing, and none of which has acted under duress or compulsion, whether legal, economic or otherwise. Accordingly, the terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and the parties hereby waive the application, in connection with the interpretation and construction of this Agreement, of any rule of law to the effect that ambiguous or conflicting terms or provisions contained in this Agreement shall be interpreted or construed against the party whose attorney prepared the executed draft or any earlier draft of this Agreement.

**7.9 Time of Essence.**

With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

**7.10 Enforcement.**

Each party agrees that it will not bring any action against the other party hereto relating to this Agreement in any court other than the United States District Court for the District of Delaware or a Delaware state court located in Wilmington, Delaware. Each party (a) submits unconditionally to the exclusive jurisdiction of the state and federal courts located in Wilmington, Delaware, (b) waives and agrees not to assert any objection to the venue of any proceeding in any such court and agrees not to assert that any such court provides an inconvenient forum and (c) waives any right to trial by jury with respect to any claim or proceeding related to or arising out of this Agreement.

**7.11 Governing Law.**

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware without regard to conflicts of laws principles that would apply any other law.

**7.12 Counterparts.**

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original copy of this Agreement and all of which, when taken together, shall be deemed to constitute one and the same agreement.

**7.13 No Other Representations; Disclaimers.**

**NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, IT IS THE EXPLICIT INTENT AND AGREEMENT OF EACH PARTY HERETO THAT SELLER IS MAKING NO REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED REPRESENTATION OR WARRANTY AS TO CONDITION, MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO THE INTEREST, BISON, ITS ASSETS, OR ANY PART THEREOF, EXCEPT THOSE REPRESENTATIONS AND WARRANTIES OF SELLER CONTAINED IN ARTICLE III HEREOF. IN PARTICULAR, SELLER MAKES NO REPRESENTATION OR WARRANTY TO PURCHASER WITH RESPECT TO ANY FINANCIAL PROJECTION, FORECAST OR FORWARD-LOOKING STATEMENT.**

**7.14 Waiver of Certain Damages.**

**IN NO EVENT WILL EITHER PARTY OR ITS SECURITY HOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS, MANAGERS, AGENTS OR REPRESENTATIVES BE LIABLE TO THE OTHER PARTY OR ITS SECURITY HOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS, MANAGERS, AGENTS OR REPRESENTATIVES UNDER THIS AGREEMENT AT ANY TIME FOR PUNITIVE, CONSEQUENTIAL, SPECIAL, OR INDIRECT LOSSES OR DAMAGES, INCLUDING LOSS OF PROFIT, LOSS OF REVENUE OR ANY OTHER SPECIAL OR INCIDENTAL DAMAGES, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE.**

[*Signature page follows*]

**IN WITNESS WHEREOF**, the parties hereto have executed this Membership Interest Purchase Agreement as of the date first set forth above.

**SELLER:**

**Northern Border Pipeline Company**

By: **TransCanada Northern Border Inc.,**
**its Operator**

By: /s/ Paul F. Miller
Name: Paul F. Miller
Title: Vice President and General Manager

By: /s/ Patricia M. Wiederholt
Name: Patricia M. Wiederholt
Title: Principal Financial Officer and Controller

**PURCHASER:**

**TransCanada PipeLine USA Ltd.**

By: /s/ Donald R. Marchand
Name: Donald R. Marchand
Title: Treasurer

By: /s/ Donald J.DeGrandis
Assistant Secretary

**Exhibit 10.2**

# FIRST AMENDMENT TO AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

**THIS FIRST AMENDMENT TO AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT** (this "***Amendment***"), is made and entered into as of July 31, 2008, by and among NORTHERN BORDER PIPELINE COMPANY, a Texas general partnership (the "***Borrower***"), the several banks and other financial institutions from time to time party hereto (collectively, the "***Lenders***"), SUNTRUST BANK, in its capacity as Administrative Agent for the Lenders (the "***Administrative Agent***"), as issuing bank (the "***Issuing Bank***") and as swingline lender (the "***Swingline Lender***"), WACHOVIA BANK, NATIONAL ASSOCIATION, as syndication agent (the "***Syndication Agent***") and BMO CAPITAL MARKETS, CITIBANK, N.A., and MIZUHO CORPORATE BANK, LTD., as Co-Documentation Agents.

**W I T N E S S E T H:**

WHEREAS, the Borrower, the Lenders, the Swingline Lender, the Issuing Bank, the Administrative Agent and the other agents party thereto are parties to a certain Amended and Restated Revolving Credit Agreement, dated as of April 27, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "***Credit Agreement***"; capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement), pursuant to which the Lenders and the Issuing Bank have made certain financial accommodations available to the Borrower;

WHEREAS, the Borrower has requested that the Lenders, the Swingline Lender, the Issuing Bank and the Administrative Agent amend certain provisions of the Credit Agreement, and subject to the terms and conditions hereof, the Lenders are willing to do so;

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of all of which are acknowledged, the Borrower, the Lenders, the Swingline Lender, the Issuing Bank and the Administrative Agent agree as follows:

1. **Amendments**.

(a) Section 1.1of the Credit Agreement is hereby amended by adding the following definition of Bison Pipeline Acquisition Agreement in the appropriate alphabetical order:

> "Bison Pipeline Acquisition Agreement" shall mean that certain acquisition agreement between the Borrower and TransCanada Pipeline USA Ltd. or its wholly owned subsidiary in form and substance satisfactory to the Administrative Agent and on terms substantially similar to those set out in the indication of interest letter dated as of July 28, 2008 between the Borrower and TransCanada Pipeline USA Ltd., pursuant to which the Borrower sells all of the membership interests it owns in Bison Pipeline LLC to TransCanada Pipeline USA Ltd. or its wholly owned subsidiary.

(b) Section 7.3(b) of the Credit Agreement is hereby amended by replacing subsection B of such Section in its entirety with the following:

> (b) The Borrower shall not lease, sell or otherwise dispose of its assets to any other Person except: (i) sales of inventory and other assets in the ordinary course of business, (ii) leases, sales or other dispositions of its assets that, together with all other assets of Borrower previously leased, sold or disposed of (other than disposed of pursuant to this Section 7.3(b)) during the twelve-month period ending with the month in which any such lease, sale or other disposition occurs, do not constitute a substantial portion of the assets of Borrower, (iii) sales of assets which are concurrently leased back, (iv) dispositions of assets which are obsolete or no longer used or useful in the business of Borrower, (v) as permitted pursuant to Section 14 or Section 15 (to the extent it applies to a merger pursuant to Section 14) of the Borrower Partnership Agreement, and (vi) the sale of membership interests in Bison Pipeline LLC pursuant to the Bison Pipeline Acquisition Agreement.

(c) Section 7.5 of the Credit Agreement is hereby amended by replacing such Section in its entirety with the following:

> Section 7.5 Restricted Payments. The Borrower will not, and will not permit its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any dividend on any class of its stock, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement, defeasance or other acquisition of, any shares of common stock or Indebtedness subordinated to the Obligations of the Borrower or any Guarantee thereof or any options, warrants, or other rights to purchase such common stock or such Indebtedness, whether now or hereafter outstanding (each, a "Restricted Payment"), except for (i) dividends payable by the Borrower solely in shares of any class of its common stock, (ii) Restricted Payments made by any Subsidiary to the Borrower or to another Subsidiary, on at least a pro rata basis with any other shareholders if such Subsidiary is not wholly owned by the Borrower and other wholly owned Subsidiaries, (iii) if no Event of Default has occurred or would result therefrom, distributions on the partnership interests in accordance with the Borrower Partnership Agreement and (iv) if no Event of Default has occurred or would result therefrom, distributions of proceeds from the Bison Pipeline Acquisition Agreement.

(d) Section 7.7 of the Credit Agreement is hereby amended by replacing such Section in its entirety with the following:

> **Section 7.7 Transactions with Affiliates**. Except as set forth in Schedule 7.7, the Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) any Restricted Payment permitted by Section 7.5 and (c) pursuant to the Bison Pipeline Acquisition Agreement.

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2. **Conditions to Effectiveness of this Amendment.** Notwithstanding any other provision of this Amendment and without affecting in any manner the rights of the Lenders hereunder, it is understood and agreed that this Amendment shall not become effective, and the Borrower shall have no rights under this Amendment, until the Administrative Agent shall have received each of the following documents:

(a) executed counterparts to this Amendment from the Borrower, each of the Guarantors and the Lenders; and

(b) the indication of interest letter dated as of July 28, 2008 between the Borrower and TransCanada Pipeline USA Ltd. substantially setting out the terms of the Bison Pipeline Acquisition Agreement.

3. **Representations and Warranties.** To induce the Lenders and the Administrative Agent to enter into this Amendment, the Borrower hereby represents and warrants to the Lenders and the Administrative Agent:

(a) The Borrower, each of its Subsidiaries and the Operator (i) is duly organized, validly existing and in good standing as a corporation, partnership or limited liability company under the laws of the jurisdiction of its organization, (ii) has all requisite power and authority to carry on its business as now conducted, and (iii) is duly qualified to do business, and is in good standing, in each jurisdiction where such qualification is required, except where a failure to be so qualified could not reasonably be expected to result in a Material Adverse Effect.

(b) The execution, delivery and performance by the Borrower of the Loan Documents are within such Person's organizational powers and have been duly authorized by all necessary organizational, and if required, shareholder, partner or member, action;

(c) The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents (i) do not require any consent or approval of, registration or filing with, or any action by, any Governmental Authority, except those as have been obtained or made and are in full force and effect, (ii) will not violate any Requirements of Law applicable to the Borrower and any of its Subsidiaries, or any judgment, order or ruling of any Governmental Authority, (iii) will not violate or result in a default under any indenture, agreement or other instrument binding on the Borrower or any of its Subsidiaries or any of its assets or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries, in each case other than violations, defaults or rights which could not reasonably be expected to result in a Material Adverse Effect, and (iv) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries, except Liens (if any) created under the Loan Documents;

(d) This Amendment has been duly executed and delivered by the Borrower, and constitutes valid and binding obligations of the Borrower, enforceable against it in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity; and

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(e) After giving effect to this Amendment, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects, and no Default or Event of Default has occurred and is continuing as of the date hereof.

4. **Effect of Amendment.** Except as set forth expressly herein, all terms of the Credit Agreement, as amended hereby, and the other Loan Documents shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Borrower to the Lenders and the Administrative Agent. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement.

5. **Governing Law.** This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York and all applicable federal laws of the United States of America.

6. **No Novation.** This Amendment is not intended by the parties to be, and shall not be construed to be, a novation of the Credit Agreement or an accord and satisfaction in regard thereto.

7. **Costs and Expenses**. The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of outside counsel for the Administrative Agent with respect thereto.

8. **Counterparts.** This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in pdf form shall be as effective as delivery of a manually executed counterpart hereof.

9. **Binding Nature.** This Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

10. **Entire Understanding.** This Amendment sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations or agreements, whether written or oral, with respect thereto.

[*Signature Pages To Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed, under seal in the case of the Borrower and the Guarantors, by their respective authorized officers as of the day and year first above written.

**BORROWER:**

**NORTHERN BORDER PIPELINE COMPANY**

By: TransCanada Northern Border Inc., its Operator

By /s/ Paul F. Miller
Name: Paul F. Miller
Title: Principal Executive Officer,Vice President and General Manager

By /s/ Patricia M. Wiederholt
Name: Patricia M. Wiederholt
Title: Principal Financial Officer and Controller

**[SIGNATURE PAGE TO FIRST AMENDMENT]**

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**LENDERS:**

**SUNTRUST BANK**
**as Administrative Agent, as Issuing Bank, as Swingline Lender and as a Lender**

By /s/ Joe McCreery
Name: Joe McCreery
Title: Director

**WACHOVIA BANK, NATIONAL ASSOCIATION**
**as Syndication Agent and as a Lender**

By /s/ Lawrence P. Sullivan
Name: Lawrence P. Sullivan
Title: Managing Director

**BMO CAPITAL MARKETS, as Co-Documentation Agent**

By /s/ Ian M. Plester
Name: Ian M. Plester
Title: Director

**BMO CAPITAL MARKETS FINANCING, INC., as a Lender**

By /s/ Ian M. Plester
Name: Ian M. Plester
Title: Director

**[SIGNATURE PAGE TO FIRST AMENDMENT]**

**CITIBANK, N.A., as Co-Documentation Agent and as a Lender**

By /s/ Andrew L. Kreeger
Name: Andrew L. Kreeger
Title: Vice President

**MIZUHO CORPORATE BANK, LTD., as Co-Documentation Agent and as a Lender**

By /s/ Leon Mo
Name: Leon Mo
Title: Senior Vice President

**JPMORGAN CHASE BANK, N.A., as Managing Agent and as a Lender**

By /s/ Kenneth J. Fatur
Name: Kenneth J. Fatur
Title: Managing Director

**EXPORT DEVELOPMENT CANADA, as Managing Agent and as a Lender**

By /s/ Janine Dopson
Name: Janine Dopson
Title: Loan Asset Manager

By /s/ H. Clysdale
Name: Howard Clysdale
Title: Portfolio Manager

WELLS FARGO BANK N.A., **as a Lender**

By ________________________________________
Name:
Title:

BANK OF AMERICA, N.A., **as a Lender**

By /s/ Jay Salitza
Name: Jay Salitza
Title: Vice President

ROYAL BANK OF CANADA, **as a Lender**

By ________________________________________
Name:
Title:

**Exhibit 31.1**

# CERTIFICATION

I, Russell K. Girling, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2008 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: November 3, 2008 /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)

**Exhibit 31.2**

# CERTIFICATION

I, Amy W. Leong, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2008 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: November 3, 2008 /s/ Amy W. Leong
Amy W. Leong

Controller
TC PipeLines GP, Inc., as general partner of
TC PipeLines, LP (Principal Financial Officer)

**Exhibit 32.1**

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 September 30, 2008 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: November 3, 2008

/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)

**Exhibit 32.2**

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 September 30, 2008 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: November 3, 2008 /s/ Amy W. Leong
Amy W. Leong

Controller
TC PipeLines GP, Inc., as general partner of
TC PipeLines, LP (Principal Financial Officer)