

TC PIPELINES LP
Form 10-Q
May 08, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2015**

or

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

For the transition period from _____ to _____

Commission File Number: 001-35358

TC PipeLines, LP

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-2135448
(I.R.S. Employer
Identification Number)

700 Louisiana Street, Suite 700

Houston, Texas
(Address of principle executive offices)

77002-2761
(Zip code)

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877-290-2772

(Registrant's telephone number, including area code)

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

Yes No

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

Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes No

As of May 1, 2015, there were 63,820,547 of the registrant's common units outstanding.

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

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DEFINITIONS

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

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

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

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PART I

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

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

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

- the ability of our pipeline systems to sell available capacity on favorable terms and renew expiring contracts which are affected by, among other factors:
 - o demand for natural gas;
 - o changes in relative cost structures and production levels of natural gas producing basins;
 - o natural gas prices and regional differences;
 - o weather conditions;
 - o availability and location of natural gas supplies in Canada and the United States (U.S.) in relation to our pipeline systems;
 - o competition from other pipeline systems;
 - o natural gas storage levels; and
 - o rates and terms of service;
- the performance by the shippers of their contractual obligations on our pipeline systems;
- the outcome and frequency of rate proceedings or settlement negotiations on our pipeline systems;

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- changes in the taxation of master limited partnership investments by state or federal governments such as the elimination of pass-through taxation or tax deferred distributions;
- increases in operational or compliance costs resulting from changes in laws and governmental regulations affecting our pipeline systems, particularly regulations issued by the Federal Energy Regulatory Commission (FERC), the U.S. Environmental Protection Agency (EPA) and U.S. Department of Transportation (DOT);
- the impact of recent significant declines in oil and natural gas prices, including the effects on the creditworthiness of our shippers;
- our ongoing ability to grow distributions through acquisitions, accretive expansions or other growth opportunities, including the timing, structure and closure of further potential acquisitions;
- potential conflicts of interest between TC PipeLines GP, Inc., our general partner (General Partner), TransCanada and us;
- the ability to maintain secure operation of our information technology;
- the impact of any impairment charges;
- operating hazards, casualty losses and other matters beyond our control; and
- the level of our indebtedness, including the indebtedness of our pipeline systems, and the availability of capital.

These are not the only factors that could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Other factors described elsewhere in this document, or factors that are unknown or unpredictable, could also have material adverse effects on future results. These and other risks are described in greater detail in Part I, Item 1A. Risk Factors in our Form 10-K for the year ended December 31, 2014. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. All forward-looking statements are made only as of the date made and except as required by

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applicable law, we undertake no obligation to update any forward-looking statements to reflect new information, subsequent events or other changes.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****TC PIPELINES, LP****CONSOLIDATED STATEMENTS OF INCOME**

	Three months ended	
	March 31,	
<i>(unaudited)</i> <i>(millions of dollars except per common unit amounts)</i>	2015	2014
Transmission revenues	87	87
Equity earnings from unconsolidated affiliates <i>(Note 4)</i>	31	33
Operation and maintenance expenses	(11)	(12)
Property taxes	(6)	(6)
General and administrative	(3)	(2)
Depreciation	(21)	(21)
Financial charges and other	(13)	(12)
Net income	64	67
Net income attributable to non-controlling interests	7	10
Net income attributable to controlling interests	57	57
Net income attributable to controlling interests allocation <i>(Note 7)</i>		
Common units	56	56
General Partner	1	1
	57	57
Net income per common unit <i>(Note 7)</i> basic and diluted	\$0.88	\$0.90
Weighted average common units outstanding <i>(millions)</i> basic and diluted	63.6	62.3
Common units outstanding, end of period <i>(millions)</i>	63.6	62.3

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

Three months ended

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<i>(unaudited)</i> <i>(millions of dollars)</i>	2015	March 31,	2014
Net income	64		67
Other comprehensive income			
Change in fair value of cash flow hedges <i>(Note 11)</i>	-		-
Reclassification to net income of gains and losses on cash flow hedges <i>(Note 11)</i>	(1)		-
	(1)		-
Total comprehensive income	63		67
Comprehensive income attributable to non-controlling interests	7		10
Comprehensive income attributable to controlling interests	56		57

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

Table of Contents**TC PIPELINES, LP****CONSOLIDATED BALANCE SHEETS**

<i>(unaudited)</i> <i>(millions of dollars)</i>	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	384	26
Accounts receivable and other <i>(Note 12)</i>	35	35
Inventories	8	7
	427	68
Investments in unconsolidated affiliates <i>(Note 4)</i>	1,183	1,177
Plant, property and equipment (Net of \$757 accumulated depreciation; 2014 - \$737)	1,950	1,968
Goodwill	130	130
Other assets	8	6
	3,698	3,349
LIABILITIES AND PARTNERS EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	27	23
Accounts payable to affiliates <i>(Note 10)</i>	8	15
Accrued interest	13	4
Short-term loan <i>(Note 5)</i>	170	170
Current portion of long-term debt <i>(Note 5)</i>	79	79
	297	291
Long-term debt <i>(Note 5)</i>	1,785	1,446
Other liabilities	27	26
	2,109	1,763
Partners Equity		
Common units	1,331	1,325
General partner	29	29
Accumulated other comprehensive loss	(3)	(2)
Controlling interests	1,357	1,352
Non-controlling interests	232	234
	1,589	1,586
	3,698	3,349

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

Table of Contents**TC PIPELINES, LP****CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended March 31,	
	2015	2014
Cash Generated From Operations		
Net income	64	67
Depreciation	21	21
Amortization of debt issue costs	1	-
Accrual for costs related to 2015 GTN Acquisition <i>(Note 13)</i>	2	-
Equity earnings in excess of cumulative distributions:		
Northern Border	-	(2)
Great Lakes	(4)	(5)
Change in operating working capital <i>(Note 9)</i>	3	16
	87	97
Investing Activities		
Cumulative distributions in excess of equity earnings:		
Northern Border	2	-
Investment in Great Lakes	(4)	(4)
Capital expenditures	(3)	(2)
	(5)	(6)
Financing Activities		
Distributions paid <i>(Note 8)</i>	(55)	(52)
Distributions paid to non-controlling interests	(9)	(13)
ATM equity issuance, net <i>(Note 6)</i>	3	-
Long-term debt issued, net of discount	349	-
Long-term debt repaid	(10)	(10)
Debt issuance costs	(2)	-
	276	(75)
Increase/(decrease) in cash and cash equivalents	358	16
Cash and cash equivalents, beginning of period	26	25
Cash and cash equivalents, end of period	384	41

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

Table of Contents**TC PIPELINES, LP****CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS EQUITY**

<i>(unaudited)</i>	Common Units		General Partner	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
	<i>(millions of units)</i>	<i>(millions of dollars)</i>	<i>(millions of dollars)</i>	<i>(millions of dollars)</i>	<i>(millions of dollars)</i>	<i>(millions of dollars)</i>
Partners Equity at December 31, 2014	63.6	1,325	29	(2)	234	1,586
Net income	-	56	1	-	7	64
Other Comprehensive Loss	-	-	-	(1)	-	(1)
ATM Equity Issuance, net <i>(Note 6)</i>	-	3	-	-	-	3
Distributions paid	-	(53)	(1)	-	(9)	(63)
Partners Equity at March 31, 2015	63.6	1,331	29	(3)	232	1,589

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

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

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TC PIPELINES, LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Presentation

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

(b) Use of Estimates

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

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NOTE 3 ACCOUNTING PRONOUNCEMENTS

Revenue from contracts with customers

In May 2014, the FASB issued new guidance on Revenue from Contracts with Customers (Topic 606). This guidance supersedes the revenue recognition requirements in Topic 605, Revenue Recognition and most industry-specific guidance. This new guidance requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This new guidance is effective from January 1, 2017 with two methods in which the amendment can be applied; (1) retrospectively to each prior reporting period presented, or (2) retrospectively with the cumulative effect recognized at the date of initial application. On April 1, 2015, the FASB proposed deferring the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB also proposed permitting early adoption of the standard, but not before the original effective date of December 15, 2016. The Partnership is currently evaluating the impact of the adoption of this Accounting Standards Update (ASU) and has not yet determined the effect on its consolidated financial statements.

Consolidation

In February 2015, the FASB issued an amendment of previously issued guidance on consolidation (Topic 810). This updated guidance requires that an entity evaluate whether it should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. This guidance is effective from January 1, 2016 and early application is permitted. Application of this amendment could be performed using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. Alternatively, the amendment could be applied retrospectively. The Partnership is currently evaluating the impact of the adoption of this ASU and has not yet determined the effect on its consolidated financial statements.

Imputation of interest

In April 2015, the FASB issued an amendment of previously issued guidance on imputation of interest (Subtopic 835-30). This updated guidance requires debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liabilities, consistent with debt discount or premiums. The recognition and measurement for debt issuance costs would not be affected. This guidance is effective from January 1, 2016 and early application is permitted. This guidance should be adopted on a retrospective basis, wherein the balance sheet of each individual period presented would be adjusted to reflect the period-specific effects of applying the new guidance. The application of this amendment will result in a reclassification of debt issuance costs currently recorded in Other Assets to an offset of their respective debt liabilities.

Table of Contents**NOTE 4 INVESTMENTS IN UNCONSOLIDATED AFFILIATES**

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

<i>(unaudited)</i> <i>(millions of dollars)</i>	Ownership	Equity Earnings from Unconsolidated Affiliates		Investments in Unconsolidated Affiliates	
	Interest at March 31, 2015	Three months ended March 31, 2015	2014	March 31, 2015	December 31, 2014
Northern Border(a)	50%	20	23	503	505
Great Lakes	46.45%	11	10	680	672
		31	33	1,183	1,177

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

Northern Border

The Partnership recorded no undistributed earnings from Northern Border for the three months ended March 31, 2015 and 2014.

The summarized financial information for Northern Border is as follows:

<i>(unaudited)</i> <i>(millions of dollars)</i>	March 31, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	51	41
Other current assets	36	34
Plant, property and equipment, net	1,150	1,163
Other assets	33	34
	1,270	1,272
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities	65	64
Deferred credits and other	23	22
Long-term debt, including current maturities	411	411
Partners' equity	773	777
Partners' capital	773	777
Accumulated other comprehensive loss	(2)	(2)
	1,270	1,272

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<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended	
	2015	2014
Transmission revenues	75	86
Operating expenses	(16)	(18)
Depreciation	(15)	(15)
Financial charges and other	(5)	(6)
Net income	39	47

Great Lakes

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

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The Partnership recorded no undistributed earnings from Great Lakes for the three months ended March 31, 2015 and 2014.

The summarized financial information for Great Lakes is as follows:

<i>(unaudited)</i> <i>(millions of dollars)</i>	March 31, 2015	December 31, 2014
ASSETS		
Current assets	88	66
Plant, property and equipment, net	741	748
	829	814
LIABILITIES AND PARTNERS EQUITY		
Current liabilities	45	38
Long-term debt, including current maturities	307	316
Partners' equity	477	460
	829	814

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended March 31,	
	2015	2014
Transmission revenues	48	48
Operating expenses	(11)	(12)
Depreciation	(7)	(7)
Financial charges and other	(6)	(7)
Net income	24	22

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

<i>(unaudited)</i> <i>(millions of dollars)</i>	March 31, 2015	December 31, 2014
Senior Credit Facility due 2017	320	330
Term Loan Facility due 2018	500	500
Short-Term Loan Facility due 2015	170	170
4.65% Unsecured Senior Notes due 2021, net of discount (2015 and 2014 - nil)	350	350
4.375% Unsecured Senior Notes due 2025, net of \$1 million discount	349	-
5.09% Unsecured Senior Notes due 2015	75	75
5.29% Unsecured Senior Notes due 2020	100	100
5.69% Unsecured Senior Notes due 2035	150	150
3.82% Series D Senior Notes due 2017	20	20
	2,034	1,695
Less: current portion	249	249
	1,785	1,446

The Partnership's Senior Credit Facility consists of a \$500 million senior revolving credit facility with a banking syndicate, maturing November 20, 2017, under which \$320 million was outstanding at March 31, 2015 (December 31, 2014 - \$330 million), leaving \$180 million available for future borrowing.

The London Interbank Offered Rate (LIBOR) based interest rate on the Senior Credit Facility averaged 1.43 percent for the three months ended March 31, 2015 (2014 - 1.42 percent). The LIBOR-based interest rate was 1.43 percent at March 31, 2015 (December 31, 2014 - 1.41 percent).

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The LIBOR-based interest rate on the Term Loan Facility due 2018 averaged 1.43 percent for the three months ended March 31, 2015 (2014 1.42 percent). After hedging activity, the interest rate incurred on the Term Loan Facility averaged 1.83 percent for three months ended March 31, 2015 (2014 1.83 percent). Prior to hedging activities, the LIBOR-based interest rate was 1.43 percent at March 31, 2015 (December 31, 2014 1.41 percent).

The LIBOR-based interest rate on the Short-Term Loan Facility averaged 1.30 percent for the three months ended March 31, 2015 and was 1.30 percent at March 31, 2015.

The Senior Credit Facility, the Term Loan Facilities and Short-Term Loan Facility require the Partnership to maintain a certain leverage ratio (debt to adjusted cash flow [net income plus cash distributions received, extraordinary losses, interest expense, expense for taxes paid or accrued, and depreciation and amortization expense less equity earnings and extraordinary gains]). In the quarter in which an acquisition has occurred, and the two quarters following the acquisition, the allowable leverage ratio increases to 5.50 to 1.00. Thereafter, the ratio returns to 5.00 to 1.00. The allowable ratio for the quarter ended March 31, 2015 is 5.50 to 1.00. The leverage ratio was 5.20 to 1.00 as of March 31, 2015 which included the impact of the issuance of the \$350 million senior unsecured notes. As of April 1, 2015, in connection with closing of the 2015 GTN Acquisition, the leverage ratio was reduced to 4.97 to 1.00.

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

On June 1, 2015, GTN's 5.09 percent unsecured Senior Notes will mature. As market conditions dictate, GTN intends to refinance all or portion of this debt with either fixed-rate or variable rate debt. GTN's Senior Notes provisions contain a covenant that limits total debt to no greater than 70 percent of total capitalization.

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

At March 31, 2015, the Partnership was in compliance with its financial covenants, in addition to the other covenants which include restrictions on entering into mergers, consolidations and sales of assets, granting liens, material amendments to the Second Amended and Restated Agreement of Limited Partnership (Partnership Agreement), incurring additional debt and distributions to unitholders.

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

(unaudited)

(millions of dollars)

2015	249
2016	4
2017	332
2018	500
2019	-
2020	100
Thereafter	849
	2,034

NOTE 6 PARTNERS EQUITY

ATM equity issuance program (ATM program)

In August 2014, the Partnership entered into an Equity Distribution Agreement (the EDA) with five different financial institutions (Managers), pursuant to which the Partnership may from time to time, offer and sell common

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units having an aggregate offering price of up to \$200 million. Sales of such common units will be made by means of ordinary brokers transactions on the NYSE at market prices, in block transactions or as otherwise agreed upon by one or more of the Managers and the Partnership.

During the three months ended March 31, 2015, the Partnership issued 54,701 common units under the ATM program generating net proceeds of approximately \$3.4 million, plus approximately \$0.1 million from the General Partner to maintain its effective two percent interest. The commissions to our sales agents were approximately \$34 thousand. The net proceeds were used for general partnership purposes.

NOTE 7 NET INCOME PER COMMON UNIT

Net income per common unit is computed by dividing net income attributable to controlling interests, 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 effective two percent general partner interest, plus an amount equal to incentive distributions. Incentive distributions are paid to the General Partner if quarterly cash distributions on the common units exceed levels specified in the Partnership Agreement. For the three months ended March 31, 2015, incentive distributions allocated to the General Partner were \$0.3 million. No incentive distributions were allocated to the General Partner for the three months ended March 31, 2014.

Net income per common unit was determined as follows:

<i>(unaudited)</i> <i>(millions of dollars, except per common unit amounts)</i>	Three months ended March 31,	
	2015	2014
Net income attributable to controlling interests	57	57
Net income allocated to General Partner, including incentive distribution rights (IDRs) (a)	1	1
Net income allocable to common units	56	56
Weighted average common units outstanding (<i>millions</i>) basic and diluted(b)	63.6	62.3
Net income per common unit basic and diluted	\$0.88	\$0.90

(a) In the calculation of basic and diluted net income per common unit, the net income allocated to the General Partner includes IDRs pertaining to the current reporting period, but declared and paid in the subsequent period.

(b) Under the ATM program, the Partnership has issued 1,288,481 common units.

NOTE 8 CASH DISTRIBUTIONS

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For the three months ended March 31, 2015, the Partnership distributed \$0.84 per common unit (2014 - \$0.81 per common unit) for a total of \$55 million (2014 - \$52 million). The distributions paid for the three months ended March 31, 2015 included incentive distribution to the General Partners of approximately \$0.3 million. There were no incentive distributions paid to the General Partner for the three months ended March 31, 2014.

NOTE 9 CHANGE IN OPERATING WORKING CAPITAL

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended March 31, 2015	2014
Change in accounts receivable and other	(1)	3
Change in accounts payable and accrued liabilities	2	4
Change in accounts payable to affiliates	(7)	1
Change in accrued interest	9	8
Change in operating working capital	3	16

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The Partnership does not have any employees. The management and operating functions are provided by the General Partner. The General Partner does not receive a management fee in connection with its management of the Partnership. The Partnership reimburses the General Partner for all costs of services provided, including the costs of employee, officer and director compensation and benefits, and all other expenses necessary or appropriate to the conduct of the business of, and allocable to, the Partnership. Such costs include (i) overhead costs (such as office space and equipment) and (ii) out-of-pocket expenses related to the provision of such services. The Partnership Agreement provides that the General Partner will determine the costs that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Total costs charged to the Partnership by the General Partner were \$1 million for the three months ended March 31, 2015 (2014 \$1 million).

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

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

<i>(unaudited)</i> <i>(millions of dollars)</i>	Three months ended March 31,	
	2015	2014
Capital and operating costs charged by TransCanada's subsidiaries to:		
GTN (a)	6	6
Northern Border (a)	7	7
Bison (a)	1	1
Great Lakes (a)	6	7
North Baja	1	1
Tuscarora	1	1
Impact on the Partnership's net income attributable to controlling interests:		
GTN	4	4
Northern Border	3	4
Bison	1	1
Great Lakes	3	3
North Baja	1	1
Tuscarora	1	1

(a) Represents 100 percent of the costs.

<i>(unaudited)</i> <i>(millions of dollars)</i>	March 31, 2015	December 31, 2014
Amount payable to TransCanada's subsidiaries for costs charged in the period by:		
GTN (a)	5	10

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Northern Border (a)	4	10
Bison	1	2
Great Lakes (a)	4	9
North Baja	1	1
Tuscarora	1	1

(a) Represents 100 percent of the costs.

Great Lakes earns transportation revenues from TransCanada and its affiliates under contracts, some of which are provided at discounted rates and some at maximum recourse rates. Great Lakes earned \$29 million of transportation revenues under these contracts for the three months ended March 31, 2015 (2014 - \$22 million). These amounts represent 61 percent of total revenues earned by Great Lakes for the three months ended March 31, 2015 (2014 - 47 percent).

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Revenue from TransCanada and its affiliates of \$14 million is included in the Partnership's equity earnings from Great Lakes for the t