

NGTL Limited Partnership
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three Months Ended March 31, 2025

May 8, 2025

This MD&A contains information to help the reader make investment decisions about NGTL Limited Partnership (NGTL or the Partnership). NGTL is an indirect wholly-owned subsidiary of, as well as operated by, TransCanada Pipelines Limited (TCPL), which itself is a wholly-owned subsidiary of TC Energy. NGTL owns and operates the NGTL System, a natural gas transportation system in Alberta and northeastern British Columbia.

This MD&A discusses our business, operations, financial position, risks and other factors for the three months ended March 31, 2025 and should be read with the accompanying unaudited Condensed financial statements for the three months ended March 31, 2025, which have been prepared in accordance with U.S. GAAP.

This MD&A should also be read in conjunction with NGTL's 2024 Annual Documents. The Condensed financial statements are a continuation of the previous reporting entity. In the results preceding April 1, 2024, the Condensed financial statements consisted of the predecessor's operations, which represent a consolidated reporting entity of NOVA Gas Transmission Ltd. and its subsidiary, TransCanada Pipeline Ventures Limited Partnership. All financial information presented for the periods subsequent to April 1, 2024 represents the results of operations, financial position and cash flows of the Partnership. For more information on the previous reporting entity refer to NGTL's 2024 Annual Documents.

Capitalized and abbreviated terms that are used but not otherwise defined herein are defined in the glossary on page 11. Certain comparative figures have been adjusted to reflect the current period's presentation. All amounts are in Canadian dollars, unless noted otherwise.

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FORWARD-LOOKING INFORMATION

We disclose forward-looking information to help the reader understand management's assessment of our future plans and financial outlook and future prospects overall.

Statements that are **forward looking** are based on certain assumptions and on what we know and expect today and generally include words like **anticipate, expect, believe, may, will, should, estimate** or other similar words.

Forward-looking statements in this MD&A include information about the following, among other things:

- our financial and operational performance
- expectations about strategies and goals for growth and expansion, including acquisitions
- expected cash flows and future financing options available; including divestitures
- expectations regarding the size, structure, timing, conditions and outcome of ongoing and future transactions
- expected access to and cost of capital
- expected energy demand levels
- expected costs and schedules for planned projects, including projects under construction and in development
- expected capital expenditures, contractual obligations, commitments and contingent liabilities, including environmental remediation costs
- expected regulatory processes and outcomes
- expected outcomes with respect to legal proceedings, including arbitration and insurance claims
- expected impact of future tax and accounting changes
- commitments and targets contained in our parent's (TCPL) Report on Sustainability and GHG Emissions Reduction Plan, including statements related to TCPL's GHG emissions intensity reduction goals
- expected industry, market and economic conditions, and ongoing trade negotiations, including their impact on our customers and suppliers.

Forward-looking statements do not guarantee future performance. Actual events and results could be significantly different because of assumptions, risks or uncertainties related to our business or events that happen after the date of this MD&A.

Our forward-looking information is based on the following key assumptions and subject to the following risks and uncertainties:

Assumptions

- realization of expected impacts from acquisitions and divestitures
- regulatory decisions and outcomes
- planned and unplanned outages and the utilization of our pipeline assets
- integrity and reliability of our assets
- anticipated construction costs, schedules and completion dates
- access to capital
- expected industry, market and economic conditions, including the impact of these on our customers and suppliers
- inflation rates, commodity and labour prices
- interest, tax and foreign exchange rates.

Risks and uncertainties

- realization of expected impacts from acquisitions and divestitures
- our ability to successfully implement our strategic priorities and whether they will yield the expected benefits
- operating performance of our pipeline assets
- amount of capacity sold and rates achieved
- production levels within the supply basin
- construction and completion of capital projects
- cost, availability of, and inflationary pressures on, labour, equipment and materials
- availability and market prices of commodities
- access to capital markets on competitive terms
- interest, tax and foreign exchange rates
- performance and credit risk of our counterparties
- regulatory decisions and outcomes of legal proceedings, including arbitration and insurance claims
- our ability to effectively anticipate and assess changes to government policies and regulations, including those related to the environment
- our ability to realize the value of tangible assets and contractual recoveries
- competition in the pipeline sector
- unexpected or unusual weather
- acts of civil disobedience
- cybersecurity and technological developments
- sustainability-related risks including climate-related risks and the impact of energy transition on our business
- economic and political conditions, and ongoing trade negotiations in North America, as well as globally
- global health crises, such as pandemics and epidemics, and the impacts related thereto.

You can read more about these factors and others in this MD&A and in other reports we have filed with the Canadian securities regulators, including the MD&A in NGTL's 2024 Annual Documents.

As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information and should not use future-oriented information or financial outlooks for anything other than their intended purpose. We do not update our forward-looking statements due to new information or future events, unless we are required to by law.

FOR MORE INFORMATION

You can find more information about NGTL, including other disclosure documents, which are available on SEDAR+ (www.sedarplus.ca) under NGTL Limited Partnership or NOVA Gas Transmission Ltd.

RESULTS - FIRST QUARTER 2025

Net Income

Our net income is primarily driven by the NGTL System whose operations are regulated by the CER. Fluctuations in our net income over the long term primarily reflect our level of investment in the NGTL System as well as the terms of negotiated settlements and regulatory decisions.

Our net income increased by \$86 million for the three months ended March 31, 2025, compared to the same period in 2024 mainly as a result of lower financial charges and income taxes. As a limited partnership, NGTL is not subject to income taxes and the tax obligations are those of its partners. Therefore, the financial statements do not include a provision for income tax subsequent to April 1, 2024. For more information refer to NGTL's 2024 Annual Documents.

The NGTL System is operating under the 2025-2029 Revenue Requirement Settlement which includes an approved ROE of 10.1 per cent on 40 per cent deemed common equity. This settlement provides the NGTL System with higher depreciation rates and the opportunity to further increase depreciation rates with an incentive if tolls fall below specified levels, or if growth projects are undertaken. It also includes incentive mechanisms to reduce both physical emissions and emission compliance costs, while also providing incentive for certain operating costs where variances from projected amounts and emissions savings are shared with customers.

OUTLOOK

Net Income

Our net income for the NGTL System in 2025 is expected to be consistent with 2024 as outlined in NGTL's 2024 Annual Documents.

Capital Spending

Our expected total capital expenditures for 2025 of \$0.9 billion as outlined in NGTL's 2024 Annual Documents remains materially unchanged.

CAPITAL PROGRAM

Our capital program consists of approximately \$2.0 billion of secured projects that represent commercially supported, committed projects that are either under construction or are in, or preparing to, commence the permitting stage.

Three years of maintenance capital expenditures are included in the Secured projects table. Maintenance capital expenditures are added to rate base on which the NGTL System has the opportunity to earn a return and recover these expenditures through current or future tolls, which is similar to our capacity capital projects.

All projects are subject to cost and timing adjustments due to factors including weather, market conditions, route refinement, land acquisition, permitting conditions, scheduling and timing of regulatory permits, as well as other potential restrictions and uncertainties, including inflationary pressures on labour and materials. Amounts in the following table exclude AFUDC, where applicable.

Secured projects

(billions of \$)	Expected in-service date	Estimated project cost ¹	Project costs incurred as at March 31, 2025
Capacity capital	2026	0.7	0.4
	2027+	0.2	—
Maintenance capital	2025 - 2027	1.1	0.1
Total secured projects		2.0	0.5

¹ Includes amounts related to projects within the Multi-Year Growth Plan (MYGP) that have received FID.

FINANCIAL CONDITION

We believe that our financial position remains sound, as does our ability to generate cash in the short and long term, to maintain liquidity, financial capacity and flexibility and to fund planned growth. Our liquidity position is underpinned by predictable and growing cash flows from operations and financial support provided by TCPL.

At March 31, 2025, our current assets totaled \$1.1 billion and current liabilities amounted to \$2.5 billion, leaving a working capital deficit of \$1.4 billion, compared to a deficit of \$1.0 billion at December 31, 2024. Our working capital deficiency is considered to be in the normal course of business and is managed through an ability to generate predictable cash flows from operations and access to capital through TCPL.

Cash Provided by Operating Activities

Net cash provided by operations for the three months ended March 31, 2025 was \$555 million compared to \$438 million for the same period in 2024, with the increases primarily due to higher net income and higher recovery of depreciation.

Cash Used in Investing Activities

Net cash used in investing activities for the three months ended March 31, 2025 was \$259 million and generally consistent with \$251 million for the same period in 2024.

Cash (Used in) Provided by Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2025 was \$267 million compared to Net cash used in financing activities of \$187 million for the same period in 2024 due to higher net issuances of long-term debt and lower dividends, partially offset by lower Due to parent funding.

Due to Parent

Decrease in amount due to parent for the three months ended March 31, 2025 was \$4 million compared to an increase of \$234 million for the same period in 2024 primarily due to timing of capital expenditures and repayment of long-term debt.

CREDIT FACILITIES

At March 31, 2025, we had a \$4.0 billion unsecured revolving credit facility (the Revolver) with TCPL, of which \$3.0 billion of borrowing capacity was available.

Long-term Debt Issued/Repaid

From January to March 2025, \$275 million and \$800 million was drawn and repaid on the Revolver, respectively.

On February 20, 2025, we issued a \$800 million promissory note to TCPL, bearing interest at 4.58 per cent and due February 20, 2035. The net proceeds from this promissory note were used to repay a portion of the Revolver.

In April 2025, we repaid \$1.0 billion on the Revolver using funds from our Due to parent account and subsequently terminated the facility.

CONTRACTUAL OBLIGATIONS

Capital expenditure commitments decreased by approximately \$101 million to \$132 million since December 31, 2024, reflecting normal course fulfillment of construction contracts, partially offset by new commitments on capital projects.

There were no material changes to our contractual obligations in first quarter 2025 or to payments due in the next five years or after. For additional information on these contractual obligations, refer to NGTL's 2024 Annual Documents.

FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

We are exposed to various financial risks and have strategies, policies and limits in place to manage the impact of these risks on our earnings, cash flows and value to the Partnership.

Risk management strategies, policies and limits are designed to ensure our risks and related exposures are in line with our business objectives and risk tolerance.

Refer to NGTL's 2024 Annual Documents for additional information about the risks we face in the business which have not changed materially since December 31, 2024, other than as noted within this MD&A.

Foreign Exchange Risk

Foreign exchange risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates.

Counterparty Credit Risk

NGTL's exposure to counterparty credit risk includes accounts receivable and available-for-sale assets.

Market events causing disruptions in global energy demand and supply may contribute to economic uncertainties impacting a number of NGTL's customers. While the majority of our credit exposure is to large creditworthy entities, NGTL maintains close monitoring and communication with those counterparties experiencing greater financial pressures. Refer to NGTL's 2024 audited Consolidated financial statements for more information about the factors that mitigate our counterparty credit risk exposure.

We review financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. We use historical credit loss and recovery data, adjusted for our judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in Operating costs. At March 31, 2025, there were no significant credit losses, no significant credit risk concentrations and no significant amounts past due or impaired.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. We manage our liquidity risk by ensuring sufficient cash and credit facilities are available through TCPL, to meet our operating, financing and capital expenditure obligations when needed.

FINANCIAL INSTRUMENTS

Non-Derivative Financial Instruments

Available-for-sale assets consisting of restricted investments are recorded at fair value which is calculated using quoted market prices where available and are classified in either Level I or Level II of the fair value hierarchy. Certain other non-derivative financial instruments included in Cash and cash equivalents, Accounts receivable and other, Restricted investments and other, Accounts payable and other and Due to parent have carrying amounts that approximate their fair values due to the nature of the item or the short time to maturity and are classified in Level I or Level II of the fair value hierarchy.

Credit risk is taken into consideration when calculating the fair value of non-derivative financial instruments.

The fair value of our long-term debt was estimated using an income approach based on the quoted market prices for the same or similar debt instruments from external data service providers. As at March 31, 2025, the carrying value of Long-term debt, including the current portion, was \$11.7 billion (December 31, 2024 – 11.4 billion) and the fair value was \$11.8 billion (December 31, 2024 – 11.5 billion). The fair value measurement of long-term debt is included in Level II of the fair value hierarchy. There were no transfers from Level II to Level III for the three months ended March 31, 2025.

RELATED PARTY TRANSACTIONS

Financing transactions with TCPL are entered into at prevailing commercial terms and interest rates and are reflected in Current portion of long-term debt, Due to parent and Long-term debt on our Condensed balance sheet. All other transactions with related parties occurred in the normal course of operations and are recorded at the exchange amount.

TCPL

In accordance with the operating agreement between NGTL and TCPL, TCPL is responsible for providing NGTL's administrative and operating services necessary to operate the NGTL System. As such, the cost of these administrative and operating services are considered related party transactions. These administrative and operating costs are allocated to NGTL and capitalized or expensed based on the nature of these activities.

(millions of \$)	three months ended March 31	
	2025	2024
Administrative and operating	109	139
Capital (Plant, property and equipment)	27	29
	136	168

Included in Financial charges and other for the three months ended March 31, 2025 was interest expense with TCPL of \$124 million (2024 – \$171 million).

At March 31, 2025, \$128 million (December 31, 2024 – \$116 million) of interest payable to TCPL was included in Due to parent.

Foothills

Foothills is an affiliate of NGTL as Foothills is a wholly-owned subsidiary of TCPL. For the three months ended March 31, 2025, we recorded \$14 million (2024 – \$19 million) in Operating expenses for gas transportation services provided by Foothills. At March 31, 2025, \$5 million (December 31, 2024 – \$7 million) was included in Accounts payable and other for amounts owing for transportation services provided by Foothills.

OTHER INFORMATION

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY CHANGES

When we prepare financial statements that conform with U.S. GAAP, we are required to make estimates and assumptions that affect the timing and amounts recorded for assets, liabilities, revenues and expenses because these items may be affected by future events. We base the estimates and assumptions on the most current information available, using our best judgment. We also regularly assess the assets and liabilities themselves. We have no critical accounting estimates for the period ended March 31, 2025.

ACCOUNTING CHANGES

Our significant accounting policies have remained unchanged since December 31, 2024 other than as described in Note 2, Accounting changes, in our Condensed financial statements. A summary of our significant accounting policies is included in NGTL's December 31, 2024 audited Consolidated financial statements.

QUARTERLY RESULTS

SELECTED QUARTERLY CONDENSED FINANCIAL DATA

(millions of \$)	2025		2024		2023			
	First	Fourth	Third	Second	First	Fourth	Third	Second
Operating Results:								
Revenues	935	917	907	938	923	866	850	853
Net income	244	227	234	232	158	196	146	155

FACTORS AFFECTING QUARTERLY FINANCIAL INFORMATION

Our annual revenues and net income fluctuate over the long-term primarily due to the level of investment and regulatory decisions and terms of negotiated settlements with respect to the NGTL System.

Generally, quarter-over-quarter revenues and net income during any particular fiscal year remain relatively stable with fluctuations arising from:

- regulatory decisions
- negotiated settlements with customers
- newly constructed assets increasing investment base
- debt balance changes
- interest rate changes
- acquisitions and divestitures
- developments outside of the normal course of operations.

First Quarter 2025

Net income increased between second quarter 2023 to first quarter 2025 primarily due to lower financial charges and NGTL System's growing average investment base resulting from continued system expansions.

GLOSSARY

Units of Measure		Government and Regulatory Body	
Bcf	Billion cubic feet	CER	Canada Energy Regulator
km	Kilometres		
MMcf/d	Million cubic feet per day		
General Terms and Terms Related to Our Operations		Accounting Terms	
Abandonment Trust	Funds collected and invested for future abandonment costs	AFUDC	Allowance for funds used during construction
ESG	Environment, social and governance	Annual Documents	Audited Consolidated financial statements including notes thereto and the MD&A
FID	Final investment decision	FASB	Financial Accounting Standards Board
Foothills	Foothills Pipe Lines (Alta.) Ltd.	MD&A	Management's discussion and analysis
GHG	Greenhouse gas	ROE	Return on common equity
investment base	Includes rate base as well as assets under construction	RRA	Rate-regulated accounting
NGTL or Partnership	NGTL Limited Partnership. TCPL and NGTL GP collectively own all partnership interests in NGTL	U.S. GAAP/GAAP	U.S. generally accepted accounting principles
NGTL GP	NGTL GP Ltd. is a direct wholly owned subsidiary of TCPL and the general partner of NGTL		
MYGP	Multi-year growth plan		
rate base	Average assets in-service, working capital and deferred amounts used in determination of regulated rates		
Revolver	\$4.0 billion unsecured revolving credit facility with TCPL		
TC Energy	TC Energy Corporation		
TCPL	TransCanada PipeLines Limited		