Condensed consolidated statement of income

(unaudited - millions of Canadian $, except per share amounts)	three months ended September 30 2017	three months ended September 30 2016	nine months ended September 30 2017	nine months ended September 30 2016
Revenues				
Canadian Natural Gas Pipelines	**921**	951	**2,725**	2,677
U.S. Natural Gas Pipelines	**811**	812	**2,684**	1,585
Mexico Natural Gas Pipelines	**139**	121	**432**	249
Liquids Pipelines	**437**	440	**1,410**	1,292
Energy	**934**	1,308	**2,599**	3,083
	3,242	3,632	**9,850**	8,886
Income from Equity Investments	**156**	154	**527**	355
Operating and Other Expenses				
Plant operating costs and other	**976**	1,177	**2,980**	2,646
Commodity purchases resold	**621**	783	**1,711**	1,628
Property taxes	**127**	136	**442**	405
Depreciation and amortization	**506**	527	**1,539**	1,425
Goodwill and other asset impairment charges	**—**	1,085	**—**	1,296
	2,230	3,708	**6,672**	7,400
(Loss)/Gain on Sale of Assets	**(9)**	—	**489**	(4)
Financial Charges				
Interest expense	**504**	522	**1,528**	1,456
Allowance for funds used during construction	**(145)**	(110)	**(367)**	(322)
Interest income and other	**(84)**	(12)	**(193)**	(118)
	275	400	**968**	1,016
Income/(Loss) before Income Taxes	**884**	(322)	**3,226**	821
Income Tax Expense/(Recovery)				
Current	**6**	14	**128**	103
Deferred	**182**	(280)	**653**	(25)
	188	(266)	**781**	78
Net Income/(Loss)	**696**	(56)	**2,445**	743
Net income attributable to non-controlling interests	**44**	52	**189**	184
Net Income/(Loss)Attributable to Controlling Interests	**652**	(108)	**2,256**	559
Preferred share dividends	**40**	27	**120**	77
Net Income/(Loss) Attributable to Common Shares	**612**	(135)	**2,136**	482
Net Income/(Loss) per Common Share				
Basic	**$0.70**	($0.17)	**$2.46**	$0.66
Diluted	**$0.70**	($0.17)	**$2.45**	$0.66
Dividends Declared per Common Share	**$0.625**	$0.565	**$1.875**	$1.695
Weighted Average Number of Common Shares (millions)				
Basic	**873**	797	**870**	734
Diluted	**875**	798	**872**	735

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income

(unaudited - millions of Canadian $)	three months ended September 30		nine months ended September 30	
	2017	**2016**	**2017**	**2016**
Net Income/(Loss)	**696**	(56)	**2,445**	743
Other Comprehensive (Loss)/Income, Net of Income Taxes				
Foreign currency translation (losses)/gains on net investment in foreign operations	**(370)**	55	**(721)**	(152)
Reclassification of foreign currency translation gains on net investment in foreign operations	**—**	—	**(77)**	—
Change in fair value of net investment hedges	**(1)**	(1)	**(3)**	(9)
Change in fair value of cash flow hedges	**1**	5	**4**	21
Reclassification to net income of gains and losses on cash flow hedges	**—**	—	**(1)**	40
Unrealized actuarial gains and losses on pension and other post-retirement benefit plans	**2**	—	**2**	—
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	**4**	4	**11**	12
Other comprehensive income on equity investments	**3**	4	**6**	11
Other comprehensive (loss)/income (Note 9)	**(361)**	67	**(779)**	(77)
Comprehensive Income	**335**	11	**1,666**	666
Comprehensive (loss)/income attributable to non-controlling interests	**(25)**	76	**31**	104
Comprehensive Income/(Loss) Attributable to Controlling Interests	**360**	(65)	**1,635**	562
Preferred share dividends	**40**	27	**120**	77
Comprehensive Income/(Loss) Attributable to Common Shares	**320**	(92)	**1,515**	485

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statement of cash flows

	three months ended September 30		nine months ended September 30	
(unaudited - millions of Canadian $)	**2017**	**2016**	**2017**	**2016**
Cash Generated from Operations				
Net income/(loss)	**696**	(56)	**2,445**	743
Depreciation and amortization	**506**	527	**1,539**	1,425
Goodwill and other asset impairment charges	**—**	1,085	**—**	1,296
Deferred income taxes	**182**	(280)	**653**	(25)
Income from equity investments	**(156)**	(154)	**(527)**	(355)
Distributions received from operating activities of equity investments	**296**	185	**743**	625
Employee post-retirement benefits funding, net of expense	**(73)**	4	**(64)**	(5)
Loss/(gain) on sale of assets	**9**	—	**(489)**	4
Equity allowance for funds used during construction	**(107)**	(71)	**(249)**	(195)
Unrealized (gains)/losses on financial instruments	**(77)**	82	**14**	(71)
Other	**(5)**	1	**(1)**	24
(Increase)/decrease in operating working capital	**(86)**	(58)	**(224)**	28
Net cash provided by operations	**1,185**	1,265	**3,840**	3,494
Investing Activities				
Capital expenditures	**(2,031)**	(1,444)	**(5,383)**	(3,262)
Capital projects in development	**(37)**	(62)	**(135)**	(219)
Contributions to equity investments	**(475)**	(286)	**(1,140)**	(570)
Restricted cash	**—**	13,113	**—**	—
Acquisitions, net of cash acquired	**—**	(12,609)	**—**	(13,608)
Proceeds from sales of assets, net of transaction costs	**—**	—	**4,147**	6
Other distributions from equity investments	**—**	—	**362**	725
Deferred amounts and other	**165**	(14)	**(87)**	18
Net cash used in investing activities	**(2,378)**	(1,302)	**(2,236)**	(16,910)
Financing Activities				
Notes payable issued/(repaid), net	**451**	(423)	**1,232**	(100)
Long-term debt issued, net of issue costs	**1,151**	6	**1,968**	12,333
Long-term debt repaid	**(46)**	(53)	**(5,515)**	(2,343)
Junior subordinated notes issued, net of issue costs	**(3)**	1,551	**3,468**	1,551
Dividends on common shares	**(354)**	(397)	**(982)**	(1,159)
Dividends on preferred shares	**(39)**	(28)	**(116)**	(74)
Distributions paid to non-controlling interests	**(66)**	(77)	**(215)**	(201)
Common shares issued, net of issue costs	**6**	(37)	**42**	4,337
Common shares repurchased	**—**	—	**—**	(14)
Preferred shares issued, net of issue costs	**—**	—	**—**	492
Partnership units of TC PipeLines, LP issued, net of issue costs	**43**	45	**162**	151
Common units of Columbia Pipeline Partners LP acquired	**—**	—	**(1,205)**	—
Net cash provided by/(used in) financing activities	**1,143**	587	**(1,161)**	14,973
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	**(16)**	3	**(35)**	(127)
(Decrease)/Increase in Cash and Cash Equivalents	**(66)**	553	**408**	1,430
Cash and Cash Equivalents				
Beginning of period	**1,490**	1,727	**1,016**	850
Cash and Cash Equivalents				
End of period	**1,424**	2,280	**1,424**	2,280

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated balance sheet

(unaudited - millions of Canadian $)		September 30, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash and cash equivalents		**1,424**	1,016
Accounts receivable		**2,820**	2,075
Inventories		**390**	368
Assets held for sale		**431**	3,717
Other		**743**	908
		5,808	8,084
Plant, Property and Equipment	net of accumulated depreciation of $23,257 and $22,263, respectively	**55,842**	54,475
Equity Investments		**6,349**	6,544
Regulatory Assets		**1,309**	1,322
Goodwill		**13,076**	13,958
Intangible and Other Assets		**3,215**	3,026
Restricted Investments		**810**	642
		86,409	88,051
LIABILITIES			
Current Liabilities			
Notes payable		**1,963**	774
Accounts payable and other		**4,084**	3,861
Dividends payable		**559**	526
Accrued interest		**541**	595
Liabilities related to assets held for sale		**18**	86
Current portion of long-term debt		**4,216**	1,838
		11,381	7,680
Regulatory Liabilities		**2,512**	2,121
Other Long-Term Liabilities		**745**	1,183
Deferred Income Tax Liabilities		**8,069**	7,662
Long-Term Debt		**30,414**	38,312
Junior Subordinated Notes		**7,004**	3,931
		60,125	60,889
Common Units Subject to Rescission or Redemption		**—**	1,179
EQUITY			
Common shares, no par value		**20,744**	20,099
Issued and outstanding:	September 30, 2017 - 874 million shares		
	December 31, 2016 - 864 million shares		
Preferred shares		**3,980**	3,980
Additional paid-in capital		**—**	—
Retained earnings		**1,324**	1,138
Accumulated other comprehensive loss		**(1,581)**	(960)
Controlling Interests		**24,467**	24,257
Non-controlling interests		**1,817**	1,726
		26,284	25,983
		86,409	88,051

Commitments, Contingencies and Guarantees (Note 13)
Variable Interest Entities (Note 14)
Subsequent Event (Note 15)

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statement of equity

(unaudited - millions of Canadian $)	nine months ended September 30 2017	2016
Common Shares		
Balance at beginning of period	**20,099**	12,102
Shares issued on exercise of stock options	**46**	70
Shares repurchased	**—**	(6)
Shares issued under dividend reinvestment and share purchase plan	**599**	—
Shares issued on exchange of subscription receipts	**—**	4,314
Balance at end of period	**20,744**	16,480
Preferred Shares		
Balance at beginning of period	**3,980**	2,499
Shares issued under public offering, net of issue costs	**—**	493
Balance at end of period	**3,980**	2,992
Additional Paid-In Capital		
Balance at beginning of period	**—**	7
Issuance of stock options, net of exercises	**4**	3
Dilution impact from TC PipeLines, LP units issued	**18**	17
Impact of common shares repurchased	**—**	(8)
Impact of asset drop downs to TC PipeLines, LP	**(202)**	(38)
Impact of Columbia Pipeline Partners LP acquisition	**(171)**	—
Reclassification of Additional Paid-In Capital deficit to Retained Earnings	**351**	19
Balance at end of period	**—**	—
Retained Earnings		
Balance at beginning of period	**1,138**	2,769
Net income attributable to controlling interests	**2,256**	559
Common share dividends	**(1,633)**	(1,246)
Preferred share dividends	**(98)**	(71)
Adjustment related to employee share-based payments (Note 2)	**12**	—
Reclassification of Additional Paid-In Capital deficit to Retained Earnings	**(351)**	(19)
Balance at end of period	**1,324**	1,992
Accumulated Other Comprehensive Loss		
Balance at beginning of period	**(960)**	(939)
Other comprehensive loss	**(621)**	3
Balance at end of period	**(1,581)**	(936)
Equity Attributable to Controlling Interests	**24,467**	20,528
Equity Attributable to Non-Controlling Interests		
Balance at beginning of period	**1,726**	1,717
Acquisition of non-controlling interests in Columbia Pipelines Partners LP	—	1,051
Net income attributable to non-controlling interests	**189**	184
Other comprehensive loss attributable to non-controlling interests	**(158)**	(80)
Issuance of TC PipeLines, LP units		
Proceeds, net of issue costs	**162**	151
Decrease in TransCanada's ownership of TC PipeLines, LP	**(29)**	(28)
Reclassification from/(to) common units of TC PipeLines, LP subject to rescission	**106**	(106)
Distributions declared to non-controlling interests	**(212)**	(200)
Impact of Columbia Pipeline Partners LP acquisition	**33**	—
Balance at end of period	**1,817**	2,689
Total Equity	**26,284**	23,217

See accompanying notes to the condensed consolidated financial statements.

Notes to condensed consolidated financial statements (unaudited)

1. Basis of presentation

These condensed consolidated financial statements of TransCanada Corporation (TransCanada or the Company) have been prepared by management in accordance with U.S. GAAP. The accounting policies applied are consistent with those outlined in TransCanada's annual audited consolidated financial statements for the year ended December 31, 2016, except as described in Note 2, Accounting changes. Capitalized and abbreviated terms that are used but not otherwise defined herein are identified in TransCanada's 2016 Annual Report.

These condensed consolidated financial statements reflect adjustments, all of which are normal recurring adjustments that are, in the opinion of management, necessary to reflect fairly the financial position and results of operations for the respective periods. These condensed consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2016 audited consolidated financial statements included in TransCanada's 2016 Annual Report. Certain comparative figures have been reclassified to conform with the current period's presentation.

Earnings for interim periods may not be indicative of results for the fiscal year in the Company's natural gas pipelines segments due to the timing of regulatory decisions and seasonal fluctuations in short-term throughput volumes on U.S. pipelines. Earnings for interim periods may also not be indicative of results for the fiscal year in the Company's Energy segment due to the impact of seasonal weather conditions on customer demand and market pricing in certain of the Company's investments in electrical power generation plants and non-regulated gas storage facilities.

USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements, TransCanada is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgement in making these estimates and assumptions. In the opinion of management, these condensed consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's significant accounting policies included in the annual audited consolidated financial statements for the year ended December 31, 2016, except as described in Note 2, Accounting changes.

2. Accounting changes

CHANGES IN ACCOUNTING POLICIES FOR 2017

Inventory

In July 2015, the FASB issued new guidance on simplifying the measurement of inventory. The new guidance specifies that an entity should measure inventory within the scope of this guidance at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This new guidance was effective January 1, 2017, was applied prospectively and did not have a material impact on the Company's consolidated balance sheet.

Derivatives and hedging

In March 2016, the FASB issued new guidance that clarifies the requirements for assessing whether contingent call or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The new guidance requires only an assessment of the four-step decision sequence outlined in U.S. GAAP to determine whether the economic characteristics and risks of call or put options are clearly and closely related to the economic characteristics and risks of their debt hosts. This new guidance was effective January 1, 2017, was applied prospectively and has not resulted in any impact on the Company's consolidated financial statements.

Equity method investments

In March 2016, the FASB issued new guidance that simplifies the transition to equity method accounting. The new guidance eliminates the requirement to retroactively apply the equity method of accounting when an increase in ownership interest in an investment qualifies it for equity method accounting. This new guidance was effective January 1, 2017, was applied prospectively and has not resulted in any impact on the Company's consolidated financial statements.

Employee share-based payments

In March 2016, the FASB issued new guidance that simplifies several aspects of the accounting for employee share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The new guidance also permits entities to make an accounting policy election either to continue to estimate the total number of awards for which the requisite service period will not be rendered or to account for forfeitures when they occur. The Company has elected to account for forfeitures when they occur. This new guidance was effective January 1, 2017 and resulted in a cumulative-effect adjustment of $12 million to opening retained earnings and the recognition of a deferred tax asset related to employee share-based payments that were made prior to the adoption of this guidance.

Consolidation

In October 2016, the FASB issued new guidance on consolidation relating to interests held through related parties that are under common control. The new guidance amends the consolidation requirements such that if a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party. The new guidance was effective January 1, 2017, was applied retrospectively and did not result in any change to the Company's consolidation conclusions.

FUTURE ACCOUNTING CHANGES

Revenue from contracts with customers

In 2014, the FASB issued new guidance on revenue from contracts with customers. The new guidance requires that an entity recognize revenue in accordance with a prescribed model. This model is used to depict the transfer of promised goods or services to customers in an amount that reflects the total consideration to which it expects to be entitled during the term of the contract in exchange for those goods or services. The new guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and the related cash flows. The Company will adopt the new standard on the effective date of January 1, 2018. There are two methods in which the new standard can be adopted: (1) a full retrospective approach with restatement of all prior periods presented, or (2) a modified retrospective approach with a cumulative-effect adjustment as of the date of adoption. The Company will adopt the standard using the modified retrospective approach with the cumulative-effect of the adjustment recognized at the date of adoption, subject to allowable and elected practical expedients.

The Company has identified all existing customer contracts that are within the scope of the new guidance and is on schedule in the process of analyzing individual contracts or groups of contracts by operating segment to identify any significant changes in how revenues are recognized as a result of implementing the new guidance. The Company has completed its analysis of the Liquids Pipelines and Energy operating segments and has not identified any material differences in the amount and timing of revenue recognition. The Company is currently analyzing its Canadian, U.S. and Mexico Natural Gas Pipelines and has not yet concluded on the impact of the new guidance on these operating segments. The Company continues its contract analysis to obtain the information necessary to quantify the cumulative-effect adjustment, if any, on prior period revenues and revenue recognized going forward, and is monitoring additional authoritative or interpretive guidance related to the new standard as it becomes available.

Although consolidated revenues may not be materially impacted by the new guidance, the Company currently anticipates significant changes to disclosures based on the additional requirements prescribed. These new disclosures include information regarding the significant judgments used in evaluating when and how revenue is recognized and information related to contract assets and liabilities. In addition, the new guidance requires that the Company's revenue recognition policy disclosure includes additional detail regarding the various performance obligations and the nature, amount, timing and estimates of revenue and cash flows generated from contracts with customers. The Company continues to develop and evaluate disclosures required with a particular focus on the scope of contracts subject to disclosure of remaining performance obligations. The Company also continues to address any system and process changes necessary to compile the information to meet the recognition and disclosure requirements of the new guidance.

Financial instruments

In January 2016, the FASB issued new guidance on the accounting for equity investments and financial liabilities. The new guidance will change the income statement effect of equity investments and the recognition of changes in the fair value of financial liabilities when the fair value option is elected. The new guidance also requires the Company to assess valuation allowances for deferred tax assets related to available for sale debt securities in combination with their other deferred tax assets. This new guidance is effective January 1, 2018 and a method of adoption is specified for each component of the guidance. The Company is currently evaluating the impact of the adoption of this guidance and has not yet determined the effect on its consolidated financial statements.

Leases

In February 2016, the FASB issued new guidance on the accounting for leases. The new guidance amends the definition of a lease requiring the customer to have both (1) the right to obtain substantially all of the economic benefits from the use of the asset and (2) the right to direct the use of the asset in order for an arrangement to qualify as a lease. The new guidance also establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and corresponding lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new guidance does not make extensive changes to lessor accounting.

The new guidance is effective on January 1, 2019, with early adoption permitted. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is continuing to identify and analyze existing lease agreements to determine the effect of adoption of the new guidance on its consolidated financial statements. The Company is also addressing system and process changes necessary to compile the information to meet the recognition and disclosure requirements of the new guidance.

Measurement of credit losses on financial instruments

In June 2016, the FASB issued new guidance that significantly changes how entities measure credit losses for most financial assets and certain other financial instruments that are not measured at fair value through net income. The new guidance amends the impairment model of financial instruments basing it on expected losses rather than incurred losses. These expected credit losses will be recognized as an allowance rather than a direct write down of the amortized cost basis. The new guidance is effective January 1, 2020 and will be applied using a modified retrospective approach. The Company is currently evaluating the impact of the adoption of this guidance and has not yet determined the effect on its consolidated financial statements.

Income taxes

In October 2016, the FASB issued new guidance on the income tax effects of intra-entity transfers of assets other than inventory. The new guidance requires the recognition of deferred and current income taxes for an intra-entity asset transfer when the transfer occurs. The new guidance is effective January 1, 2018 and will be applied using a modified retrospective approach. The Company is currently evaluating the impact of the adoption of this guidance and has not yet determined the effect on its consolidated financial statements.

Restricted cash

In November 2016, the FASB issued new guidance on restricted cash and cash equivalents on the statement of cash flows. The new guidance requires that the statement of cash flows explain the change during the period in the total cash and cash equivalents balance, and amounts generally described as restricted cash or restricted cash equivalents. Restricted cash and cash equivalents will be included with Cash and cash equivalents when reconciling the beginning of year and end of year total amounts on the statement of cash flows. This new guidance is effective January 1, 2018 and will be applied retrospectively.

Goodwill impairment

In January 2017, the FASB issued new guidance on simplifying the test for goodwill impairment by eliminating Step 2 of the impairment test, which is the requirement to calculate the implied fair value of goodwill to measure the impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. This new guidance is effective January 1, 2020 and will be applied prospectively, however, early adoption is permitted.

Employee post-retirement benefits

In March 2017, the FASB issued new guidance that will require entities to disaggregate the current service cost component from the other components of net benefit cost and present it with other current compensation costs for related employees in the income statement. The new guidance also requires that the other components of net benefit cost be presented elsewhere in the income statement and excluded from income from operations if such a subtotal is presented. In addition, the new guidance makes changes to the components of net benefit cost that are eligible for capitalization. Entities must use a retrospective transition method to adopt the requirement for separate presentation in the income statement of the components of net benefit cost, and a prospective transition method to adopt the change to capitalization of benefit costs. This new guidance is effective January 1, 2018. The Company does not expect a material impact on its consolidated financial statements.

Amortization on purchased callable debt securities

In March 2017, the FASB issued new guidance that shortens the amortization period for the premium on certain purchased callable debt securities by requiring entities to amortize the premium to the earliest call date. This new guidance is effective January 1, 2019 and will be applied using a modified retrospective approach. The Company is currently evaluating the impact of the adoption of this guidance and has not yet determined the effect on its consolidated financial statements.

Hedge accounting

In August 2017, the FASB issued new guidance on hedge accounting, making more financial and non-financial hedging strategies eligible for hedge accounting. The new guidance also amends the presentation requirements relating to the change in fair value of a derivative and additional disclosure requirements include cumulative basis adjustments for fair value hedges and the effect of hedging on individual statement of income line items. This new guidance is effective January 1, 2019, with early adoption permitted, and will be applied prospectively with a cumulative-effect adjustment to opening retained earnings on adoption. The Company is currently evaluating the impact of the adoption of this guidance, however it does not anticipate a material impact on its consolidated financial statements.

3. Segmented information

three months ended September 30, 2017 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Energy**	**Corporate**	**Total**
Revenues	**921**	**811**	**139**	**437**	**934**	**—**	**3,242**
Income/(loss) from equity investments	**4**	**53**	**(11)**	**4**	**99**	**7**	**156**
Plant operating costs and other	**(318)**	**(341)**	**(10)**	**(145)**	**(126)**	**(36)**	**(976)**
Commodity purchases resold	**—**	**—**	**—**	**—**	**(621)**	**—**	**(621)**
Property taxes	**(63)**	**(41)**	**—**	**(22)**	**(1)**	**—**	**(127)**
Depreciation and amortization	**(228)**	**(145)**	**(23)**	**(71)**	**(39)**	**—**	**(506)**
Loss on sale of assets	**—**	**—**	**—**	**—**	**(9)**	**—**	**(9)**
Segmented earnings/(loss)	**316**	**337**	**95**	**203**	**237**	**(29)**	**1,159**
Interest expense							**(504)**
Allowance for funds used during construction							**145**
Interest income and other							**84**
Income before income taxes							**884**
Income tax expense							**(188)**
Net income							**696**
Net income attributable to non-controlling interests							**(44)**
Net income attributable to controlling interests							**652**
Preferred share dividends							**(40)**
Net income attributable to common shares							**612**

three months ended September 30, 2016 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Energy**	**Corporate**	**Total**
Revenues	951	812	121	440	1,308	—	3,632
Income/(loss) from equity investments	3	65	(2)	—	88	—	154
Plant operating costs and other	(340)	(369)	(8)	(163)	(261)	(36)	(1,177)
Commodity purchases resold	—	—	—	—	(783)	—	(783)
Property taxes	(65)	(38)	—	(21)	(12)	—	(136)
Depreciation and amortization	(220)	(138)	(13)	(73)	(83)	—	(527)
Asset impairment charges	—	—	—	—	(1,085)	—	(1,085)
Segmented earnings/(losses)	329	332	98	183	(828)	(36)	78
Interest expense							(522)
Allowance for funds used during construction							110
Interest income and other							12
Loss before income taxes							(322)
Income tax recovery							266
Net loss							(56)
Net income attributable to non-controlling interests							(52)
Net loss attributable to controlling interests							(108)
Preferred share dividends							(27)
Net loss attributable to common shares							(135)

nine months ended September 30, 2017 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Energy**	**Corporate**	**Total**
Revenues	**2,725**	**2,684**	**432**	**1,410**	**2,599**	**—**	**9,850**
Income/(loss) from equity investments	**9**	**175**	**—**	**3**	**341**	**(1)**	**527**
Plant operating costs and other	**(958)**	**(973)**	**(29)**	**(437)**	**(482)**	**(101)**	**(2,980)**
Commodity purchases resold	**—**	**—**	**—**	**—**	**(1,711)**	**—**	**(1,711)**
Property taxes	**(201)**	**(136)**	**—**	**(67)**	**(38)**	**—**	**(442)**
Depreciation and amortization	**(672)**	**(451)**	**(70)**	**(228)**	**(118)**	**—**	**(1,539)**
Gain on sale of assets	**—**	**—**	**—**	**—**	**489**	**—**	**489**
Segmented earnings/(loss)	**903**	**1,299**	**333**	**681**	**1,080**	**(102)**	**4,194**
Interest expense							**(1,528)**
Allowance for funds used during construction							**367**
Interest income and other							**193**
Income before income taxes							**3,226**
Income tax expense							**(781)**
Net income							**2,445**
Net income attributable to non-controlling interests							**(189)**
Net income attributable to controlling interests							**2,256**
Preferred share dividends							**(120)**
Net income attributable to common shares							**2,136**

nine months ended September 30, 2016 (unaudited - millions of Canadian $)	**Canadian Natural Gas Pipelines**	**U.S. Natural Gas Pipelines**	**Mexico Natural Gas Pipelines**	**Liquids Pipelines**	**Energy**	**Corporate**	**Total**
Revenues	2,677	1,585	249	1,292	3,083	—	8,886
Income/(loss) from equity investments	9	150	(2)	(1)	199	—	355
Plant operating costs and other	(886)	(597)	(34)	(417)	(625)	(87)	(2,646)
Commodity purchases resold	—	—	—	—	(1,628)	—	(1,628)
Property taxes	(202)	(78)	—	(67)	(58)	—	(405)
Depreciation and amortization	(655)	(269)	(29)	(214)	(258)	—	(1,425)
Asset impairment charges	—	—	—	—	(1,296)	—	(1,296)
Loss on sale of assets	—	(4)	—	—	—	—	(4)
Segmented earnings/(losses)	943	787	184	593	(583)	(87)	1,837
Interest expense							(1,456)
Allowance for funds used during construction							322
Interest income and other							118
Income before income taxes							821
Income tax expense							(78)
Net Income							743
Net income attributable to non-controlling interests							(184)
Net Income attributable to controlling interests							559
Preferred share dividends							(77)
Net Income attributable to common shares							482

TOTAL ASSETS

(unaudited - millions of Canadian $)	September 30, 2017	December 31, 2016
Canadian Natural Gas Pipelines	**17,010**	15,816
U.S. Natural Gas Pipelines	**34,897**	34,422
Mexico Natural Gas Pipelines	**5,470**	5,013
Liquids Pipelines	**16,436**	16,896
Energy	**8,979**	13,169
Corporate	**3,617**	2,735
	86,409	88,051

4. Assets held for sale

Solar Assets

On October 24, 2017, the Company entered into an agreement to sell its Ontario Solar assets to a third party for approximately $540 million. The sale is expected to close by the end of 2017, subject to certain regulatory and other approvals, and will include customary closing adjustments. An estimated gain of $130 million ($100 million after-tax) is expected to be recognized upon closing of the transaction.

At September 30, 2017, the related assets and liabilities were classified as held for sale in the Energy segment as follows:

(unaudited - millions of Canadian $)	
Assets held for sale	
Accounts receivable	**6**
Inventories	**1**
Plant, property and equipment	**424**
Total assets held for sale	**431**
Liabilities related to assets held for sale	
Accounts payable and other	**1**
Other long-term liabilities	**17**
Total liabilities related to assets held for sale	**18**

5. Income taxes

The effective tax rates for the nine-month periods ended September 30, 2017 and 2016 were 24 per cent and 10 per cent, respectively. The higher effective tax rate in 2017 was primarily the result of changes in the proportion of income earned between Canadian and foreign jurisdictions and the goodwill impairment charge in 2016.

6. Long-term debt

LONG-TERM DEBT ISSUED

The Company issued long-term debt in the nine months ended September 30, 2017 as follows:

(unaudited - millions of Canadian $, unless noted otherwise) **Company**	**Issue date**	**Type**	**Maturity date**	**Amount**	**Interest rate**
TRANSCANADA PIPELINES LIMITED					
	September 2017	Medium Term Notes	March 2028	300	3.39%
	September 2017	Medium Term Notes	September 2047	700	4.33%
TUSCARORA GAS TRANSMISSION COMPANY					
	August 2017	Term Loan	August 2020	US 25	Floating
TC PIPELINES, LP					
	May 2017	Senior Unsecured Notes	May 2027	US 500	3.90%

LONG-TERM DEBT RETIRED

The Company retired long-term debt in the nine months ended September 30, 2017 as follows:

(unaudited - millions of Canadian $, unless noted otherwise) **Company**	**Retirement date**	**Type**	**Amount**	**Interest rate**
TUSCARORA GAS TRANSMISSION COMPANY				
	August 2017	Senior Secured Notes	US 12	3.82%
TRANSCANADA PIPELINES LIMITED				
	June 2017	Acquisition Bridge Facility	US 1,513	Floating
	February 2017	Acquisition Bridge Facility	US 500	Floating
	January 2017	Medium Term Notes	300	5.10%
TRANSCANADA PIPELINE USA LTD.				
	June 2017	Acquisition Bridge Facility	US 630	Floating
	April 2017	Acquisition Bridge Facility	US 1,070	Floating

The acquisition bridge facilities were put into place to finance a portion of the Columbia acquisition. Proceeds from the sale of the U.S. Northeast power assets were used to fully retire the remaining acquisition bridge facilities in second quarter 2017.

In the three and nine months ended September 30, 2017, TransCanada capitalized interest related to capital projects of $49 million and $150 million (2016 - $46 million and $133 million).

7. Junior subordinated notes issued

(unaudited - millions of Canadian $, unless noted otherwise) Company	Issue date	Type	Maturity date	Amount	Interest rate
TRANSCANADA PIPELINES LIMITED					
	May 2017	Junior Subordinated Notes[1,2]	May 2077	1,500	4.90%
	March 2017	Junior Subordinated Notes[1,2]	March 2077	US 1,500	5.55%

1 The Junior subordinated notes are subordinated in right of payment to existing and future senior indebtedness or other obligations of TCPL.

2 The Junior subordinated notes were issued to TransCanada Trust (the Trust), a financing trust subsidiary wholly-owned by TCPL. While the obligations of the Trust are fully and unconditionally guaranteed by TCPL on a subordinated basis, the Trust is not consolidated in TransCanada's financial statements because TCPL does not have a variable interest in the Trust and the only substantive assets of the Trust are junior subordinated notes of TCPL.

In May 2017, the Trust issued $1.5 billion of Trust Notes - Series 2017-B (Trust Notes) to third party investors with a fixed interest rate of 4.65 per cent for the first ten years converting to a floating rate thereafter. All of the proceeds of the issuance by the Trust were loaned to TCPL for $1.5 billion of junior subordinated notes of TCPL at an initial fixed rate of 4.90 per cent, including a 0.25 per cent administration charge. The rate will reset commencing May 2027 until May 2047 to the then three month Bankers' Acceptance rate plus 3.33 per cent per annum; from May 2047 until May 2077, the interest rate will reset to the then three month Bankers' Acceptance rate plus 4.08 per cent per annum. The junior subordinated notes are callable at TCPL's option at any time on or after May 18, 2027 at 100 per cent of the principal amount plus accrued and unpaid interest to the date of redemption.

In March 2017, the Trust issued US$1.5 billion of Trust Notes - Series 2017-A (Trust Notes) to third party investors with a fixed interest rate of 5.30 per cent for the first ten years converting to a floating rate thereafter. All of the proceeds of the issuance by the Trust were loaned to TCPL for US$1.5 billion of junior subordinated notes of TCPL at an initial fixed rate of 5.55 per cent, including a 0.25 per cent administration charge. The rate will reset commencing March 2027 until March 2047 to the then three month LIBOR plus 3.458 per cent per annum; from March 2047 until March 2077, the interest rate will reset to the then three month LIBOR plus 4.208 per cent per annum. The junior subordinated notes are callable at TCPL's option at any time on or after March 15, 2027 at 100 per cent of the principal amount plus accrued and unpaid interest to the date of redemption.

Pursuant to the terms of the Trust Notes and related agreements, in certain circumstances (1) TCPL may issue deferral preferred shares to holders of the Trust Notes in lieu of interest; and (2) TransCanada and TCPL would be prohibited from declaring or paying dividends on or redeeming their outstanding preferred shares (or, if none are outstanding, their respective common shares) until all deferral preferred shares are redeemed by TCPL. The Trust Notes may also be automatically exchanged for preferred shares of TCPL upon certain kinds of bankruptcy and insolvency events. All of these preferred shares would rank equally with any other outstanding first preferred shares of TCPL.

8. Common units subject to rescission or redemption

Columbia Pipeline Partners LP acquisition

On February 17, 2017, the Company acquired all outstanding publicly held common units of Columbia Pipeline Partners LP (CPPL) at a price of US$17.00 and a stub period distribution payment of US$0.10 per common unit for an aggregate transaction value of US$921 million. As this was a transaction between entities under common control, it was recognized in equity.

At December 31, 2016, the entire $1,073 million (US$799 million) of the Company's non-controlling interest in CPPL was recorded as Common units subject to rescission or redemption on the condensed consolidated balance sheet.

Common units of TC PipeLines, LP subject to rescission

In 2017, rescission rights on 1.6 million TC PipeLines, LP common units expired and $106 million (US$82 million) was reclassified to equity. At September 30, 2017, there were no outstanding Common units subject to rescission or redemption on the condensed consolidated balance sheet (December 31, 2016 - $106 million (US$82 million)).

9. Other comprehensive (loss)/income and accumulated other comprehensive loss

Components of other comprehensive (loss)/income, including the portion attributable to non-controlling interests and related tax effects, are as follows:

three months ended September 30, 2017 (unaudited - millions of Canadian $)	**Before Tax Amount**	**Income Tax Recovery/ Expense**	**Net of Tax Amount**
Foreign currency translation losses on net investment in foreign operations	**(364)**	**(6)**	**(370)**
Change in fair value of net investment hedges	**(1)**	**—**	**(1)**
Change in fair value of cash flow hedges	**1**	**—**	**1**
Unrealized actuarial gains and losses on pension and other post-retirement benefit plans	**5**	**(3)**	**2**
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	**6**	**(2)**	**4**
Other comprehensive income on equity investments	**4**	**(1)**	**3**
Other comprehensive loss	**(349)**	**(12)**	**(361)**

three months ended September 30, 2016 (unaudited - millions of Canadian $)	**Before Tax Amount**	**Income Tax Recovery/ Expense**	**Net of Tax Amount**
Foreign currency translation gains on net investment in foreign operations	55	—	55
Change in fair value of net investment hedges	(2)	1	(1)
Change in fair value of cash flow hedges	6	(1)	5
Reclassification to net income of gains and losses on cash flow hedges	1	(1)	—
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	6	(2)	4
Other comprehensive income on equity investments	5	(1)	4
Other comprehensive income	71	(4)	67

nine months ended September 30, 2017 (unaudited - millions of Canadian $)	**Before Tax Amount**	**Income Tax Recovery/ Expense**	**Net of Tax Amount**
Foreign currency translation losses on net investment in foreign operations	**(717)**	**(4)**	**(721)**
Reclassification of foreign currency translation gains on net investment on disposal of foreign operations	**(77)**	**—**	**(77)**
Change in fair value of net investment hedges	**(4)**	**1**	**(3)**
Change in fair value of cash flow hedges	**5**	**(1)**	**4**
Reclassification to net income of gains and losses on cash flow hedges	**(2)**	**1**	**(1)**
Unrealized actuarial gains and losses on pension and other post-retirement benefit plans	**5**	**(3)**	**2**
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	**16**	**(5)**	**11**
Other comprehensive income on equity investments	**8**	**(2)**	**6**
Other comprehensive loss	**(766)**	**(13)**	**(779)**

nine months ended September 30, 2016 (unaudited - millions of Canadian $)	Before Tax Amount	Income Tax Recovery/ Expense	Net of Tax Amount
Foreign currency translation losses on net investment in foreign operations	(150)	(2)	(152)
Change in fair value of net investment hedges	(12)	3	(9)
Change in fair value of cash flow hedges	33	(12)	21
Reclassification to net income of gains and losses on cash flow hedges	65	(25)	40
Reclassification of actuarial gains and losses on pension and other post-retirement benefit plans	17	(5)	12
Other comprehensive income on equity investments	14	(3)	11
Other comprehensive loss	(33)	(44)	(77)

The changes in AOCI by component are as follows:

three months ended September 30, 2017 (unaudited - millions of Canadian $)	Currency Translation Adjustments	Cash Flow Hedges	Pension and OPEB Plan Adjustments	Equity Investments	Total[1]
AOCI balance at July 1, 2017	**(716)**	**(27)**	**(201)**	**(345)**	**(1,289)**
Other comprehensive (loss)/income before reclassifications[2,3]	**(303)**	**2**	**2**	**—**	**(299)**
Amounts reclassified from accumulated other comprehensive loss	**—**	**—**	**4**	**3**	**7**
Net current period other comprehensive (loss)/ income	**(303)**	**2**	**6**	**3**	**(292)**
AOCI balance at September 30, 2017	**(1,019)**	**(25)**	**(195)**	**(342)**	**(1,581)**

1 All amounts are net of tax. Amounts in parentheses indicate losses recorded to OCI.

2 Other comprehensive (loss)/income before reclassifications on currency translation adjustments and cash flow hedges is net of non-controlling interest losses of $68 million and losses of $1 million, respectively.

3 Other comprehensive (loss)/income before reclassifications on pension and OPEB plan adjustments includes a $27 million reduction on settlements and curtailments.

nine months ended September 30, 2017 (unaudited - millions of Canadian $)	Currency Translation Adjustments	Cash Flow Hedges	Pension and OPEB Plan Adjustments	Equity Investments	Total[1]
AOCI balance at January 1, 2017	**(376)**	**(28)**	**(208)**	**(348)**	**(960)**
Other comprehensive (loss)/income before reclassifications[2,3]	**(566)**	**4**	**2**	**—**	**(560)**
Amounts reclassified from accumulated other comprehensive loss	**(77)**	**(1)**	**11**	**6**	**(61)**
Net current period other comprehensive (loss)/ income[4]	**(643)**	**3**	**13**	**6**	**(621)**
AOCI balance at September 30, 2017	**(1,019)**	**(25)**	**(195)**	**(342)**	**(1,581)**

1 All amounts are net of tax. Amounts in parentheses indicate losses recorded to OCI.

2 Other comprehensive (loss)/income before reclassifications on currency translation adjustments net of non-controlling interest losses of $158 million.

3 Other comprehensive (loss)/income before reclassifications on pension and OPEB plan adjustments includes a $27 million reduction on settlements and curtailments.

4 Losses related to cash flow hedges reported in AOCI and expected to be reclassified to net income in the next 12 months are estimated to be $10 million ($7 million, net of tax) at September 30, 2017. These estimates assume constant commodity prices, interest rates and foreign exchange rates over time, however, the amounts reclassified will vary based on the actual value of these factors at the date of settlement.

Details about reclassifications out of AOCI into the consolidated statement of income are as follows:

	Amounts reclassified from accumulated other comprehensive loss[1]				Affected line item in the condensed consolidated statement of income
	three months ended September 30		nine months ended September 30		
(unaudited - millions of Canadian $)	**2017**	2016	**2017**	2016	
Cash flow hedges					
Commodities	**4**	7	**15**	(54)	Revenues (Energy)
Foreign exchange	**—**	(5)	**—**	—	Interest income and other
Interest rate	**(4)**	(3)	**(13)**	(11)	Interest expense
	—	(1)	**2**	(65)	Total before tax
	—	1	**(1)**	25	Income tax expense
	—	—	**1**	(40)	Net of tax
Pension and other post-retirement benefit plan adjustments					
Amortization of actuarial loss	**(4)**	(6)	**(12)**	(17)	Plant operating costs and other[2]
Settlement charge	**(2)**	—	**(2)**	—	Plant operating costs and other[2]
	(6)	(6)	**(14)**	(17)	Total before tax
	2	2	**5**	5	Income tax expense
	(4)	(4)	**(9)**	(12)	Net of tax
Equity investments					
Equity income	**(4)**	(5)	**(8)**	(14)	Income from equity investments
	1	1	**2**	3	Income tax expense
	(3)	(4)	**(6)**	(11)	Net of tax
Currency translation adjustments					
Realization of foreign currency translation gain on disposal of foreign operations	**—**	—	**77**	—	(Loss)/Gain on sale of assets
	—	—	**—**	—	Income tax expense
	—	—	**77**	—	Net of tax

1 All amounts in parentheses indicate expenses to the condensed consolidated statement of income.

2 These accumulated other comprehensive loss components are included in the computation of net benefit cost. Refer to Note 10 for additional detail.

10. Employee post-retirement benefits

As a result of settlements and curtailments that occurred upon the completion of the U.S. Northeast power generation asset sales, remeasurements were performed in the third quarter on TransCanada's U.S. defined benefit plan (DB plan) and other post-retirement benefit plans. The U.S. DB plan and other post-retirement benefit plan remeasurements used a weighted average discount rate of 4.10 per cent. All other assumptions were consistent with those employed at December 31, 2016. The impact of these remeasurements reduced the DB plan's unrealized actuarial losses by $3 million, which was included in Other comprehensive income, and resulted in a settlement charge of $2 million which was recorded in net benefit cost in third quarter 2017. These remeasurements had no impact on the other post-retirement benefit plan's unrealized actuarial losses.

In third quarter 2017, the year to date lump sum payouts exceeded service and interest costs for the Columbia's DB plan. As a result, remeasurements were performed on the Columbia DB plan using a discount rate of 3.70 per cent. All other assumptions were consistent with those employed at December 31, 2016. The remeasurement of the Columbia DB plan increased the Company's unrealized actuarial gains by $16 million, of which $14 million was recorded in Regulatory assets and $2 million was recorded in Other comprehensive income.

The net benefit cost recognized for the Company's defined benefit pension plans and other post-retirement benefit plans is as follows:

	three months ended September 30				nine months ended September 30			
	Pension benefit plans		Other post-retirement benefit plans		Pension benefit plans		Other post-retirement benefit plans	
(unaudited - millions of Canadian $)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Service cost	**25**	28	**1**	1	**81**	79	**3**	2
Interest cost	**30**	34	**3**	4	**92**	93	**10**	9
Expected return on plan assets	**(45)**	(48)	**(5)**	(5)	**(134)**	(127)	**(16)**	(6)
Amortization of actuarial loss	**3**	5	**1**	1	**11**	15	**1**	2
Amortization of regulatory asset	**26**	8	**—**	—	**33**	17	**1**	—
Amortization of transitional obligation related to regulated business	**—**	—	**—**	—	**—**	—	**—**	1
Settlement charge	**2**	—	**—**	—	**2**	—	**—**	—
Net benefit cost recognized	**41**	27	**—**	1	**85**	77	**(1)**	8

Effective April 1, 2017, the Company closed its U.S. DB plan to non-union new entrants. As of April 1, 2017, all non-union hires will participate in the existing defined contribution plan (DC plan). Non-union U.S. employees who currently participate in the DC plan will have one final election opportunity to become a member of the U.S. DB plan as of January 1, 2018.

11. Risk management and financial instruments

RISK MANAGEMENT OVERVIEW

TransCanada has exposure to market risk and counterparty credit risk, and has strategies, policies and limits in place to manage the impact of these risks on earnings and cash flow.

COUNTERPARTY CREDIT RISK

TransCanada's maximum counterparty credit exposure with respect to financial instruments at September 30, 2017, without taking into account security held, consisted of cash and cash equivalents, accounts receivable, available for sale assets, derivative assets, loans and advances receivable. The Company regularly reviews its accounts receivable and records an allowance for doubtful accounts as necessary using the specific identification method. At September 30, 2017, there were no significant amounts past due or impaired, no significant credit risk concentration and no significant credit losses during the period.

LOAN RECEIVABLE FROM AFFILIATE

Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

TransCanada holds a 60 per cent equity interest in a joint venture with IEnova to build, own and operate the Sur de Texas pipeline. The Company accounts for the joint venture as an equity investment. On April 21, 2017, TransCanada entered into a MXN$13.6 billion unsecured revolving credit facility with the joint venture, which bears interest at a floating rate and matures in March 2022. At September 30, 2017, Intangible and other assets on the Company's condensed consolidated balance sheet included a $578 million loan receivable from the Sur de Texas joint venture. This loan receivable represents TransCanada's proportionate share of the debt financing requirements related to the joint venture and is included in Contributions to equity investments on the Company's condensed consolidated statement of cash flows. Interest income and other included income of $11 million and $14 million for the three and nine months ended September 30, 2017. These amounts were offset by a corresponding expense recorded in Income from equity investments.

NET INVESTMENT IN FOREIGN OPERATIONS

The Company hedges its net investment in foreign operations (on an after-tax basis) with U.S. dollar-denominated debt, cross-currency interest rate swaps and foreign exchange forward contracts and options.

The fair values and notional or principal amounts for the derivatives designated as a net investment hedge were as follows:

	September 30, 2017		December 31, 2016	
(unaudited - millions of Canadian $, unless noted otherwise)	**Fair value[1]**	**Notional or principal amount**	**Fair value[1]**	**Notional or principal amount**
U.S. dollar cross-currency interest rate swaps (maturing 2017 to 2019)[2]	**(222)**	**US 1,400**	(425)	US 2,350
U.S. dollar foreign exchange forward contracts	**—**	**—**	(7)	US 150
	(222)	**US 1,400**	(432)	US 2,500

1 Fair values equal carrying values.

2 In the three and nine months ended September 30, 2017, Net income includes net realized gains of $1 million and $3 million, respectively, (2016 - gains of $1 million and $5 million, respectively) related to the interest component of cross-currency swap settlements which are reported within Interest expense.

The notional amounts and fair value of U.S. dollar-denominated debt designated as a net investment hedge were as follows:

(unaudited - millions of Canadian $, unless noted otherwise)	September 30, 2017	December 31, 2016
Notional amount	**24,900 (US 19,900)**	26,600 (US 19,800)
Fair value	**28,300 (US 22,600)**	29,400 (US 21,900)

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Fair value of non-derivative financial instruments

The fair value of Long-term debt and Junior subordinated notes is estimated using an income approach based on quoted market prices for the same or similar debt instruments from external data service providers.

Available for sale assets are recorded at fair value which is calculated using quoted market prices where available. Certain non-derivative financial instruments included in cash and cash equivalents, accounts receivable, intangible and other assets, notes payable, accounts payable and other, accrued interest and other long-term liabilities have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity and would also be classified in Level II of the fair value hierarchy.

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

Balance sheet presentation of non-derivative financial instruments

The following table details the fair value of the Company's non-derivative financial instruments, excluding those where carrying amounts approximate fair value, which would be classified in Level II of the fair value hierarchy:

	September 30, 2017		December 31, 2016	
(unaudited - millions of Canadian $)	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt including current portion[1,2]	**(34,630)**	**(39,627)**	(40,150)	(45,047)
Junior subordinated notes	**(7,004)**	**(7,238)**	(3,931)	(3,825)
	(41,634)	**(46,865)**	(44,081)	(48,872)

1 Long-term debt is recorded at amortized cost except for US$850 million (December 31, 2016 - US$850 million) that is attributed to hedged risk and recorded at fair value.

2 Net income for the three and nine months ended September 30, 2017 included unrealized gains of $1 million and $2 million, respectively, (2016 unrealized gains of $7 million and losses of $6 million, respectively) for fair value adjustments attributable to the hedged interest rate risk associated with interest rate swap fair value hedging relationships on US$850 million of long-term debt at September 30, 2017 (December 31, 2016 - US$850 million). There were no other unrealized gains or losses from fair value adjustments to the non-derivative financial instruments.

Available for sale assets summary

The following tables summarize additional information about the Company's restricted investments that are classified as available for sale assets:

	September 30, 2017		December 31, 2016	
(unaudited - millions of Canadian $)	LMCI restricted investments	Other restricted investments[2]	LMCI restricted investments	Other restricted investments[2]
Fair Values[1]				
Fixed income securities (maturing within 1 year)	**—**	**25**	—	19
Fixed income securities (maturing within 1-5 years)	**—**	**97**	—	117
Fixed income securities (maturing within 5-10 years)	**24**	**—**	9	—
Fixed income securities (maturing after 10 years)	**679**	**—**	513	—
	703	**122**	522	136

1 Available for sale assets are recorded at fair value and included in Other current assets and Restricted investments on the condensed consolidated balance sheet.

2 Other restricted investments have been set aside to fund insurance claim losses to be paid by the Company's wholly-owned captive insurance subsidiary.

	September 30, 2017		September 30, 2016	
(unaudited - millions of Canadian $)	LMCI restricted investments[1]	Other restricted investments[2]	LMCI restricted investments[1]	Other restricted investments[2]
Net unrealized (losses)/gains in the period				
three months ended	**(38)**	**—**	3	—
nine months ended	**(23)**	**—**	25	1
Net realized (losses)/gains in the period				
three months ended	**—**	**—**	1	—
nine months ended	**(1)**	**—**	1	—

1 Gains and losses arising from changes in the fair value of LMCI restricted investments impact the subsequent amounts to be collected through tolls to cover future pipeline abandonment costs. As a result, the Company records these gains and losses as regulatory assets or liabilities.

2 Unrealized gains and losses on other restricted investments are included in OCI.

Derivative instruments

Fair value of derivative instruments

The fair value of foreign exchange and interest rate derivatives has been calculated using the income approach which uses period end market rates and applies a discounted cash flow valuation model. The fair value of commodity derivatives has been calculated using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques have been used. The fair value of options has been calculated using the Black-Scholes pricing model. Credit risk has been taken into consideration when calculating the fair value of derivative instruments.

In some cases, even though the derivatives are considered to be effective economic hedges, they do not meet the specific criteria for hedge accounting treatment or are not designated as a hedge and are accounted for at fair value with changes in fair value recorded in net income in the period of change. This may expose the Company to increased variability in reported earnings because the fair value of the derivative instruments can fluctuate significantly from period to period.

Balance sheet presentation of derivative instruments

The balance sheet classification of the fair value of the derivative instruments as at September 30, 2017 is as follows:

at September 30, 2017 (unaudited - millions of Canadian $)	**Cash Flow Hedges**	**Fair Value Hedges**	**Net Investment Hedges**	**Held for Trading**	**Total Fair Value of Derivative Instruments**[1]
Other current assets					
Commodities[2]	**4**	**—**	**—**	**196**	**200**
Foreign exchange	**—**	**—**	**2**	**81**	**83**
Interest rate	**2**	**—**	**—**	**1**	**3**
	6	**—**	**2**	**278**	**286**
Intangible and other assets					
Commodities[2]	**1**	**—**	**—**	**88**	**89**
Foreign exchange	**—**	**—**	**—**	**—**	**—**
	1	**—**	**—**	**88**	**89**
Total Derivative Assets	**7**	**—**	**2**	**366**	**375**
Accounts payable and other					
Commodities[2]	**(1)**	**—**	**—**	**(249)**	**(250)**
Foreign exchange	**—**	**—**	**(181)**	**(20)**	**(201)**
Interest rate	**—**	**(2)**	**—**	**—**	**(2)**
	(1)	**(2)**	**(181)**	**(269)**	**(453)**
Other long-term liabilities					
Commodities[2]	**(1)**	**—**	**—**	**(110)**	**(111)**
Foreign exchange	**—**	**—**	**(43)**	**—**	**(43)**
Interest rate	**—**	**(1)**	**—**	**—**	**(1)**
	(1)	**(1)**	**(43)**	**(110)**	**(155)**
Total Derivative Liabilities	**(2)**	**(3)**	**(224)**	**(379)**	**(608)**
Total Derivatives	**5**	**(3)**	**(222)**	**(13)**	**(233)**

1 Fair value equals carrying value.
2 Includes purchases and sales of power, natural gas and liquids.

The balance sheet classification of the fair value of the derivative instruments as at December 31, 2016 is as follows:

at December 31, 2016 (unaudited - millions of Canadian $)	**Cash Flow Hedges**	**Fair Value Hedges**	**Net Investment Hedges**	**Held for Trading**	**Total Fair Value of Derivative Instruments**[1]
Other current assets					
Commodities[2]	6	—	—	351	357
Foreign exchange	—	—	6	10	16
Interest rate	1	1	—	1	3
	7	1	6	362	376
Intangible and other assets					
Commodities[2]	4	—	—	118	122
Foreign exchange	—	—	10	—	10
Interest rate	1	—	—	—	1
	5	—	10	118	133
Total Derivative Assets	12	1	16	480	509
Accounts payable and other					
Commodities[2]	—	—	—	(330)	(330)
Foreign exchange	—	—	(237)	(38)	(275)
Interest rate	(1)	(1)	—	—	(2)
	(1)	(1)	(237)	(368)	(607)
Other long-term liabilities					
Commodities[2]	—	—	—	(118)	(118)
Foreign exchange	—	—	(211)	—	(211)
Interest rate	—	(1)	—	—	(1)
	—	(1)	(211)	(118)	(330)
Total Derivative Liabilities	(1)	(2)	(448)	(486)	(937)
Total Derivatives	11	(1)	(432)	(6)	(428)

1 Fair value equals carrying value.
2 Includes purchases and sales of power, natural gas and liquids.

The majority of derivative instruments held for trading have been entered into for risk management purposes and all are subject to the Company's risk management strategies, policies and limits. These include derivatives that have not been designated as hedges or do not qualify for hedge accounting treatment but have been entered into as economic hedges to manage the Company's exposures to market risk.

Notional and Maturity Summary

The maturity and notional principal or quantity outstanding related to the Company's derivative instruments excluding hedges of the net investment in foreign operations is as follows:

at September 30, 2017 (unaudited)	Power	Natural Gas	Liquids	Foreign Exchange	Interest
Purchases[1]	**83,491**	**159**	**8**	**—**	**—**
Sales[1]	**53,727**	**152**	**10**	**—**	**—**
Millions of U.S. dollars	**—**	**—**	**—**	**US 3,072**	**US 1,550**
Millions of Mexican pesos	**—**	**—**	**—**	**MXN 100**	**—**
Maturity dates	**2017-2022**	**2017-2020**	**2017**	**2017-2018**	**2017-2019**

1 Volumes for power, natural gas and liquids derivatives are in GWh, Bcf and MMBbls, respectively.

at December 31, 2016 (unaudited)	Power	Natural Gas	Liquids	Foreign Exchange	Interest
Purchases[1]	86,887	182	6	—	—
Sales[1]	58,561	147	6	—	—
Millions of U.S. dollars	—	—	—	US 2,394	US 1,550
Maturity dates	2017-2021	2017-2020	2017	2017	2017-2019

1 Volumes for power, natural gas and liquids derivatives are in GWh, Bcf and MMBbls, respectively.

Unrealized and Realized Gains/(Losses) on Derivative Instruments

The following summary does not include hedges of the net investment in foreign operations.

	three months ended September 30		nine months ended September 30	
(unaudited - millions of Canadian $)	2017	2016	2017	2016
Derivative instruments held for trading[1]				
Amount of unrealized gains/(losses) in the period				
Commodities[2]	**45**	(97)	**(102)**	23
Foreign exchange	**33**	—	**89**	47
Interest rate	**(1)**	—	**(1)**	—
Amount of realized (losses)/gains in the period				
Commodities	**(82)**	(23)	**(167)**	(165)
Foreign exchange	**19**	(5)	**10**	52
Interest rate	**1**	—	**1**	—
Derivative instruments in hedging relationships				
Amount of realized gains/(losses) in the period				
Commodities	**4**	(15)	**17**	(155)
Foreign exchange	**—**	5	**5**	(101)
Interest rate	**—**	1	**1**	4

1 Realized and unrealized gains and losses on held for trading derivative instruments used to purchase and sell commodities are included net in Revenues. Realized and unrealized gains and losses on interest rate and foreign exchange derivative instruments held for trading are included net in Interest expense and Interest income and other, respectively.

2 In the three and nine months ended September 30, 2017, there were no gains or losses included in Net Income relating to discontinued cash flow hedges where it was probable that the anticipated transaction would not occur (2016 - nil and a net loss of $42 million, respectively).

Derivatives in cash flow hedging relationships

The components of OCI (Note 9) related to derivatives in cash flow hedging relationships including the portion attributable to non-controlling interests are as follows:

(unaudited - millions of Canadian $, pre-tax)	three months ended September 30		nine months ended September 30	
	2017	**2016**	**2017**	**2016**
Change in fair value of derivative instruments recognized in OCI (effective portion)[1]				
Commodities	**2**	7	**5**	33
Foreign exchange	**—**	(5)	**—**	—
Interest rate	**(1)**	4	**—**	—
	1	6	**5**	33
Reclassification of (losses)/gains on derivative instruments from AOCI to net income (effective portion)[1]				
Commodities[2]	**(4)**	(7)	**(15)**	54
Foreign exchange[3]	**—**	5	**—**	—
Interest rate[4]	**4**	3	**13**	11
	—	1	**(2)**	65
Gains/(losses) on derivative instruments recognized in net income (ineffective portion)				
Commodities[2]	**—**	14	**—**	(1)
	—	14	**—**	(1)

1 No amounts have been excluded from the assessment of hedge effectiveness. Amounts in parentheses indicate losses recorded to OCI and AOCI.
2 Reported within Revenues on the condensed consolidated statement of income.
3 Reported within Interest income and other on the condensed consolidated statement of income.
4 Reported within Interest expense on the condensed consolidated statement of income.

Offsetting of derivative instruments

The Company enters into derivative contracts with the right to offset in the normal course of business as well as in the event of default. TransCanada has no master netting agreements, however, similar contracts are entered into containing rights to offset. The Company has elected to present the fair value of derivative instruments with the right to offset on a gross basis in the balance sheet. The following table shows the impact on the presentation of the fair value of derivative instrument assets and liabilities had the Company elected to present these contracts on a net basis:

at September 30, 2017 (unaudited - millions of Canadian $)	**Gross derivative instruments presented on the balance sheet**	**Amounts available for offset[1]**	**Net amounts**
Derivative – Asset			
Commodities	**289**	**(220)**	**69**
Foreign exchange	**83**	**(63)**	**20**
Interest rate	**3**	**(1)**	**2**
Total	**375**	**(284)**	**91**
Derivative – Liability			
Commodities	**(361)**	**220**	**(141)**
Foreign exchange	**(244)**	**63**	**(181)**
Interest rate	**(3)**	**1**	**(2)**
Total	**(608)**	**284**	**(324)**

1 Amounts available for offset do not include cash collateral pledged or received.

The following table shows the impact on the presentation of the fair value of derivative instrument assets and liabilities had the Company elected to present these contracts on a net basis as at December 31, 2016:

at December 31, 2016 (unaudited - millions of Canadian $)	**Gross derivative instruments presented on the balance sheet**	**Amounts available for offset**[1]	**Net amounts**
Derivative - Asset			
Commodities	479	(362)	117
Foreign exchange	26	(26)	—
Interest rate	4	(1)	3
Total	509	(389)	120
Derivative - Liability			
Commodities	(448)	362	(86)
Foreign exchange	(486)	26	(460)
Interest rate	(3)	1	(2)
Total	(937)	389	(548)

1 Amounts available for offset do not include cash collateral pledged or received.

With respect to the derivative instruments presented above as at September 30, 2017, the Company provided cash collateral of $230 million (December 31, 2016 - $305 million) and letters of credit of $22 million (December 31, 2016 - $27 million) to its counterparties. The Company held nil (December 31, 2016 - nil) in cash collateral and $3 million (December 31, 2016 - $3 million) in letters of credit from counterparties on asset exposures at September 30, 2017.

Credit risk related contingent features of derivative instruments

Derivative contracts entered into to manage market risk often contain financial assurance provisions that allow parties to the contracts to manage credit risk. These provisions may require collateral to be provided if a credit-risk-related contingent event occurs, such as a downgrade in the Company's credit rating to non-investment grade.

Based on contracts in place and market prices at September 30, 2017, the aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position was $11 million (December 31, 2016 - $19 million), for which the Company had provided collateral in the normal course of business of nil (December 31, 2016 - nil). If the credit-risk-related contingent features in these agreements were triggered on September 30, 2017, the Company would have been required to provide additional collateral of $11 million (December 31, 2016 - $19 million) to its counterparties. Collateral may also need to be provided should the fair value of derivative instruments exceed pre-defined contractual exposure limit thresholds.

The Company has sufficient liquidity in the form of cash and undrawn committed revolving credit facilities to meet these contingent obligations should they arise.

FAIR VALUE HIERARCHY

The Company's financial assets and liabilities recorded at fair value have been categorized into three categories based on a fair value hierarchy.

Levels	How fair value has been determined
Level I	Quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.
Level II	Valuation based on the extrapolation of inputs, other than quoted prices included within Level I, for which all significant inputs are observable directly or indirectly. Inputs include published exchange rates, interest rates, interest rate swap curves, yield curves and broker quotes from external data service providers. This category includes interest rate and foreign exchange derivative assets and liabilities where fair value is determined using the income approach and commodity derivatives where fair value is determined using the market approach. Transfers between Level I and Level II would occur when there is a change in market circumstances.
Level III	Valuation of assets and liabilities are measured using a market approach based on extrapolation of inputs that are unobservable or where observable data does not support a significant portion of the derivative's fair value. This category mainly includes long-dated commodity transactions in certain markets where liquidity is low and the Company uses the most observable inputs available or, if not available, long-term broker quotes to estimate the fair value for these transactions. Valuation of options is based on the Black-Scholes pricing model. Assets and liabilities measured at fair value can fluctuate between Level II and Level III depending on the proportion of the value of the contract that extends beyond the time frame for which significant inputs are considered to be observable. As contracts near maturity and observable market data become available, they are transferred out of Level III and into Level II.

The fair value of the Company's derivative assets and liabilities measured on a recurring basis, including both current and non-current portions for at September 30, 2017, are categorized as follows:

at September 30, 2017 (unaudited - millions of Canadian $)	**Quoted prices in active markets (Level I)**[1]	**Significant other observable inputs (Level II)**[1]	**Significant unobservable inputs (Level III)**[1]	**Total**
Derivative instrument assets:				
Commodities	**30**	**240**	**19**	**289**
Foreign exchange	**—**	**83**	**—**	**83**
Interest rate	**—**	**3**	**—**	**3**
Derivative instrument liabilities:				
Commodities	**(36)**	**(304)**	**(21)**	**(361)**
Foreign exchange	**—**	**(244)**	**—**	**(244)**
Interest rate	**—**	**(3)**	**—**	**(3)**
	(6)	**(225)**	**(2)**	**(233)**

1 There were no transfers from Level I to Level II or from Level II to Level III for the nine months ended September 30, 2017.

The fair value of the Company's derivative assets and liabilities measured on a recurring basis, including both current and non-current portions at December 31, 2016, were categorized as follows:

at December 31, 2016 (unaudited - millions of Canadian $)	**Quoted prices in active markets (Level I)**[1]	**Significant other observable inputs (Level II)**[1]	**Significant unobservable inputs (Level III)**[1]	**Total**
Derivative instrument assets:				
Commodities	134	326	19	479
Foreign exchange	—	26	—	26
Interest rate	—	4	—	4
Derivative instrument liabilities:				
Commodities	(102)	(343)	(3)	(448)
Foreign exchange	—	(486)	—	(486)
Interest rate	—	(3)	—	(3)
	32	(476)	16	(428)

1 There were no transfers from Level I to Level II or from Level II to Level III for the year ended December 31, 2016.

The following table presents the net change in fair value of derivative assets and liabilities classified as Level III of the fair value hierarchy:

	three months ended September 30		**nine months ended September 30**	
(unaudited - millions of Canadian $)	**2017**	**2016**	**2017**	**2016**
Balance at beginning of period	**9**	12	**16**	9
Total (losses)/gains included in net income	**(10)**	2	**(12)**	13
Settlements	**(1)**	1	**4**	(1)
Sales	**—**	—	**(5)**	(2)
Transfers out of Level III	**—**	(3)	**(5)**	(6)
Total losses included in OCI	**—**	—	**—**	(1)
Balance at end of period[1]	**(2)**	12	**(2)**	12

1 For the three and nine months ended September 30, 2017, revenues include unrealized losses of $10 million and $14 million, respectively, attributed to derivatives in the Level III category that were still held at September 30, 2017 (2016 - gains of $1 million and $3 million, respectively).

A 10 per cent increase or decrease in commodity prices, with all other variables held constant, would result in a $2 million decrease or $1 million increase, respectively, in the fair value of outstanding derivative instruments included in Level III as at September 30, 2017.

12. Acquisitions & Dispositions

Mexico Natural Gas Pipelines

TransGas

In third quarter 2017, TransCanada recognized an impairment charge of $12 million on its 46.5 per cent equity investment in TransGas de Occidente S.A. (TransGas). TransGas constructed and operated a natural gas pipeline in Colombia for a 20-year contract term. As per the terms of the agreement, upon completion of the 20-year contract in August 2017, TransGas transfered its pipeline assets to Transportadora de Gas Internacional S.A.. The impairment charge represents the write-down of the remaining carrying value of the equity investment. The non-cash impairment charge was recognized in Income from equity investments in the condensed consolidated statement of income.

Canadian Natural Gas Pipelines

Prince Rupert Gas Transmission

In July 2017, the Company was notified that PNW LNG would not be proceeding with their proposed LNG project and that Progress Energy (Progress) would be terminating their agreement with TransCanada for development of the PRGT project effective August 10, 2017. In accordance with the terms of the agreement, all project costs incurred to advance the project, including carrying charges, are fully recoverable upon termination. At September 30, 2017, the expected reimbursement of project costs, previously recorded in Intangibles and other assets on the Company's condensed consolidated balance sheet, was included in Accounts receivable. In October 2017, the Company received full payment of the $0.6 billion reimbursement from Progress.

U.S. Natural Gas Pipelines

Iroquois Gas Transmission System and Portland Natural Gas Transmission System

On June 1, 2017, TransCanada completed the sale of its 49.34 per cent interest in Iroquois and its remaining 11.81 per cent interest in PNGTS to TC PipeLines LP, valued at US$765 million. Proceeds were comprised of US$597 million in cash and US$168 million representing a proportionate share of Iroquois and PNGTS debt.

Columbia Pipeline Group

In second quarter 2017, the Company completed its procedures over measuring the volume of base gas acquired as part of the acquisition of Columbia. As a result, the Company decreased the fair value of base gas by $116 million (US$90 million). This impacted the purchase price equation by decreasing property, plant and equipment by $116 million (US$90 million), decreasing deferred tax liabilities by $45 million (US$35 million) and increasing goodwill by $71 million (US$55 million). This adjustment did not impact the Company's net income.

Energy

U.S. Northeast Power Assets

On June 2, 2017, TransCanada completed the sale of Ravenswood, Ironwood, Kibby Wind and Ocean State Power for proceeds of approximately US$2.029 billion, subject to post-closing adjustments. In 2016, the Company recorded a loss of approximately $829 million ($863 million after tax) which included the impact of an estimated $70 million of foreign currency translation gains. The Company recorded an additional loss on sale of $226 million ($183 million after tax) in the nine months ended September 30, 2017, of which $7 million ($7 million after tax) was recorded in the third quarter. The 2017 loss included $2 million in foreign currency translation gains. These additional losses primarily related to adjustments to the purchase price and repair costs for an unplanned outage at Ravenswood prior to close. The actual foreign currency translation gains of $72 million were reclassified from AOCI to Net income on closing of the transaction.

On April 19, 2017, the Company completed the sale of TC Hydro for gross proceeds of US$1.07 billion, subject to post-closing adjustments. As a result, in the nine months ended September 30, 2017, the Company recorded a gain on sale of approximately $715 million ($440 million after tax) including the impact of an estimated $5 million of foreign currency translation gains which were reclassified from AOCI to net income. The gain on sale included an adjustment of $2 million ($1 million after tax) that was recorded in the third quarter.

Gains and losses from these sales are included in (Loss)/gain on sale of assets in the condensed consolidated statement of income. The proceeds received from the sale of the U.S. Northeast Power assets were used to fully repay the outstanding balances on the Company's acquisition bridge facilities that partially funded the acquisition of Columbia.

13. Commitments, contingencies and guarantees

COMMITMENTS

TransCanada's operating lease commitments at December 31, 2016 included future payments related to our U.S. Northeast power assets. As a result of the completion of the thermal power asset sale on June 2, 2017, the remaining future obligations reported at December 31, 2016 have decreased by: $2 million in 2017, $52 million in 2018, $34 million in 2019 and $102 million in 2022 and beyond.

CONTINGENCIES

TransCanada and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of management that the resolution of such proceedings and actions will not have a material impact on the Company's consolidated financial position or results of operations.

In March 2017, the U.S. Department of State issued a U.S. Presidential Permit authorizing construction of the U.S./ Canada border crossing facilities of the Keystone XL pipeline. TransCanada discontinued the claim under Chapter 11 of the North American Free Trade Agreement and has also withdrawn the U.S. Constitutional challenge.

GUARANTEES

TransCanada and its partner on the Sur de Texas pipeline, IEnova, have jointly guaranteed the obligations for construction services during the construction of the pipeline.

TransCanada and its joint venture partner on Bruce Power, BPC Generation Infrastructure Trust, have each severally guaranteed certain contingent financial obligations of Bruce Power related to a lease agreement and contractor and supplier services.

The Company and its partners in certain other jointly owned entities have either (i) jointly and severally, (ii) jointly or (iii) severally guaranteed the financial performance of these entities. Such agreements include guarantees and letters of credit which are primarily related to delivery of natural gas, construction services and the payment of liabilities. For certain of these entities, any payments made by TransCanada under these guarantees in excess of its ownership interest are to be reimbursed by its partners.

The carrying value of these guarantees has been included in other long-term liabilities. Information regarding the Company's guarantees is as follows:

		at September 30, 2017		at December 31, 2016	
(unaudited - millions of Canadian $)	Term	Potential exposure[1]	Carrying value	Potential exposure[1]	Carrying value
Sur de Texas	ranging to 2020	**397**	**4**	805	53
Bruce Power	ranging to 2018	**88**	**1**	88	1
Other jointly owned entities	ranging to 2059	**105**	**14**	87	28
		590	**19**	980	82

1 TransCanada's share of the potential estimated current or contingent exposure.

14. Variable interest entities

The Company consolidates a number of entities that are considered to be VIEs. A VIE is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity.

In the normal course of business, the Company consolidates VIEs in which it has a variable interest and for which it is considered to be the primary beneficiary. VIEs in which the Company has a variable interest but is not the primary beneficiary are considered non-consolidated VIEs and are accounted for as equity investments.

Consolidated VIEs

The Company's consolidated VIEs consist of legal entities where the Company has the power, through voting or similar rights, to direct the activities of the VIE that most significantly impact economic performance including purchasing or selling significant assets; maintenance and operations of assets; incurring additional indebtedness; or determining the strategic operating direction of the entity. In addition, the Company has the obligation to absorb losses or the right to receive benefits from the consolidated VIE that could potentially be significant to the VIE.

A significant portion of the Company's assets are held through VIEs in which the Company holds a 100 per cent voting interest, the VIE meets the definition of a business and the VIE's assets can be used for general corporate purposes. The assets and liabilities of the consolidated VIEs whose assets cannot be used for purposes other than the settlement of the VIE's obligations are as follows:

(unaudited - millions of Canadian $)	September 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	**91**	77
Accounts receivable	**56**	71
Inventories	**22**	25
Other	**8**	10
	177	183
Plant, Property and Equipment	**3,552**	3,685
Equity Investments	**923**	606
Goodwill	**489**	525
Intangible and Other Assets	**—**	1
	5,141	5,000
LIABILITIES		
Current Liabilities		
Accounts payable and other	**80**	80
Accrued interest	**30**	21
Current portion of long-term debt	**87**	76
	197	177
Regulatory Liabilities	**33**	34
Other Long-Term Liabilities	**3**	4
Deferred Income Tax Liabilities	**13**	7
Long-Term Debt	**3,349**	2,827
	3,595	3,049

Non-Consolidated VIEs

The Company's non-consolidated VIEs consist of legal entities where the Company does not have the power to direct the activities that most significantly impact the economic performance of these entities or where this power is shared with third parties. The Company contributes capital to these VIEs and receives ownership interests that provide it with residual claims on assets after liabilities are paid.

The carrying value of these VIEs and the maximum exposure to loss as a result of the Company's involvement with these VIEs are as follows:

(unaudited - millions of Canadian $)	September 30, 2017	December 31, 2016
Balance sheet		
Equity investments	**4,409**	4,964
Off-balance sheet		
Potential exposure to guarantees	**171**	163
Maximum exposure to loss	**4,580**	5,127

15. Subsequent event

Energy East and Related Projects

On October 5, 2017, the Company concluded a review process of the Energy East, Eastern Mainline and Upland projects and informed the NEB that it will not proceed with the projects. At September 30, 2017, approximately $1.3 billion related to these projects, including AFUDC, was recorded in Intangible and other assets on the Company's condensed consolidated balance sheet. Due to the project's inability to reach a regulatory decision, no recoveries of costs from third parties are expected, and the Company will record an approximate $1.0 billion after-tax non-cash impairment charge in fourth quarter 2017.