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NewsRelease

TransCanada Reports 29% Increase in Second Quarter Earnings from Continuing Operations

Company Declares Quarterly Dividend

CALGARY, Alberta – July 27, 2001 – (TSE: TRP) (NYSE: TRP)

Second Quarter 2001 Highlights

(All financial figures are in Canadian dollars unless noted otherwise)

- TransCanada PipeLines Limited's net income applicable to common shares from continuing operations (net earnings) was $166 million or $0.35 per share for the second quarter 2001 compared to $129 million or $0.27 per share for the second quarter 2000, an increase of 29 per cent.

- Year-to-date 2001 net earnings from continuing operations, before unusual items, were $340 million or $0.72 per share compared to $265 million or $0.56 per share for the comparable period in 2000.

- In May, TransCanada announced plans to divest its natural gas marketing business as a going concern. As a result, the company has moved the gas marketing business segment into discontinued operations and recorded an associated provision for loss of $90 million against second quarter 2001 earnings.

- Net income applicable to common shares was $87 million or $0.18 per share for the second quarter 2001.

- TransCanada's Board of Directors today declared a quarterly dividend of $0.225 per share for the quarter ended September 30, 2001 on the outstanding common shares. This dividend is payable on October 31, 2001 to shareholders of record at the close of business on September 28, 2001. The Board also declared regular dividends on TransCanada's preferred shares.

- Deliveries of natural gas on the Alberta System for the first six months of 2001 averaged 11.3 billion cubic feet per day (Bcf/d), compared to 12.3 Bcf/d for the same period last year. Canadian Mainline deliveries of natural gas averaged 6.7 Bcf/d, compared to 7.4 Bcf/d for the first six months of 2000. The BC System delivered an average of 1.1 Bcf/d of natural gas, equal to the same period last year.

"We are pleased with TransCanada's second quarter results, which reflect strong operating performance from the company's two core businesses of natural gas transmission and power," said Hal Kvisle, TransCanada's chief executive officer.

Continued Focus on TransCanada's Key Strategies

"The essential elements of our strategic plan remain unchanged from last year," said Mr. Kvisle. "We will continue to focus on establishing a new regulatory framework; growing and optimizing our pipeline network; growing our power business; achieving operational excellence; and enhancing our financial strength. We've also incorporated some new ideas for the year ahead."

Mr. Kvisle said a key element of TransCanada's future path involves taking a "portfolio approach" to managing the company's assets and to continuously redeploy the resources to where they provide the highest value opportunity available. This approach aims to maximize the return on invested capital by regularly reviewing investments and their performance to ensure they provide TransCanada with maximum value.

Once the investment matures and risks are mitigated, the investment may be sold or put into a limited partnership. The resources are then redeployed to other opportunities that have greater future growth potential. "We've successfully employed this approach in redefining our Northern Tier strategy and the subsequent sale of non-core assets," said Mr. Kvisle. "It also led to the successful establishment of the TransCanada Power, L.P., and TC PipeLines, LP limited partnerships."

Establishing a New Regulatory Framework
"Our aim is for a regulatory framework with the required flexibility to successfully compete in the North American marketplace," said Mr. Kvisle. "We plan to accomplish this through customer negotiations (as contemplated in both the Alberta Rate System Settlement and the Mainline Services and Pricing Settlement), as well as through regulatory filings, and our business development activities."

In May, the Alberta Energy and Utilities Board approved TransCanada's application regarding 2001 and 2002 tolls and services on the company's Alberta System in its entirety. In June, TransCanada filed its Fair Return application with the National Energy Board (NEB), requesting the NEB determine the cost of capital to be included in the calculation of 2001 and 2002 tolls on TransCanada's Canadian Mainline. The company is seeking an after-tax weighted average cost of capital (ATWACC) of 7.5 per cent. "An ATWACC of 7.5 per cent is necessary to ensure the Mainline remains competitive with comparable investments," said Mr. Kvisle.

TransCanada anticipates the NEB will consider the Fair Return application in a public hearing sometime after the conclusion of a public hearing on the company's Canadian Mainline 2001 and 2002 Tolls and Tariff application. The hearing on the 2001 and 2002 Tolls and Tariff application, which was filed with the NEB in May, is now scheduled to begin September 17.

Growing and Optimizing the Pipeline Network
"In responding to market forces and our customers' needs, we continue to capitalize on opportunities to grow and optimize our pipeline network in North America's fastest growing markets," said Mr. Kvisle. In the second quarter, TransCanada purchased an additional 5.96 per cent of Iroquois Gas Transmission System and an additional 11.88 per cent of Portland Natural Gas Transmission System, increasing TransCanada's total interest in these natural gas systems to 40.96 percent and 33.29 per cent, respectively.

Also in the second quarter, TransCanada secured long-term contracts for additional new firm delivery service on its Alberta and BC systems. As a result, in October, the company expects to apply to the appropriate regulators to expand the Alberta System by up to 353 million cubic feet per day (MMcf/d) of incremental capacity and expand the BC System by up to 346 MMcf/d of incremental capacity. "These expansions will help us deliver on customers' requests for additional service to interconnections with pipelines that serve British Columbia, the Pacific Northwest and California," said Mr. Kvisle.

Mr. Kvisle stressed that the development of pipelines from the Mackenzie Delta of the Northwest Territories and Alaska remains a principal element of TransCanada's pipeline growth strategy. "TransCanada is ready to use its experience and expertise to build pipelines in the North," said Mr. Kvisle. "We want to work closely with producers, aboriginal interests and governments to build and operate a natural gas pipeline from the Mackenzie Delta. As well, the regulatory framework is in place for the Alaska Highway Gas Pipeline Project, making it the best option for bringing natural gas from Alaska." The Alaska Highway Gas Pipeline Project is being pursued by Foothills Pipe Lines Ltd., of which TransCanada owns 50 per cent.

Growing the Power Business
"TransCanada has a proven track record of growing its power business successfully in its core markets," said Mr. Kvisle. "We see ample opportunities and will continue to aggressively expand our power business through new development and prudent acquisitions in Canadian and northern tier U.S. markets where we have a competitive advantage." Recently, TransCanada completed its purchase of two hydroelectric plants in New York State by acquiring Curtis Palmer Hydroelectric Company, L.P.

In the second quarter, TransCanada announced its fifth and sixth new Alberta power plant developments – the Bear Creek Cogeneration project, an 80 megawatt (MW) natural gas-fired cogeneration plant near Grande Prairie; and the MacKay River Cogeneration project, a 165 MW gas-fired cogeneration plant near Fort McMurray. "We intend to utilize our expertise to develop similar power facilities for customers in Western Canada, and the U.S. Midwest and Pacific Northwest."

Achieving Operational Excellence
Mr. Kvisle said TransCanada will continue to improve operating and business processes. "Operating under an operational excellence model, we aim to provide customers low-cost, hassle-free, dependable service, regardless of whether the service is natural gas transportation, power generation or new business development. In short, TransCanada is working hard to become a more cost effective, customer-focused organization."

Enhancing Our Financial Strength
"I'm pleased to report that in the first six months TransCanada has made substantial progress on its financial objectives," said Mr. Kvisle. "We've continued to strengthen our balance sheet and improve our earnings. In the year-to-date, we closed the sale of several assets in our divestiture program and used the proceeds to repay debt and reduce associated financing charges, as well as finance growth opportunities such as the new Alberta power plant developments. Also, our earnings from continuing operations improved in the second quarter."

In summary, Mr. Kvisle said TransCanada's financial strength leaves the company well positioned to continue pursuing growth opportunities in its two core businesses. "We have excellent credentials in pipelines and power, led by a very strong team. Our path forward is well thought out and established."

TransCanada will hold a teleconference July 27 at 1:00 p.m. (Mountain) / 3:00 p.m. (Eastern) to discuss the second quarter 2001 financial results, general developments and issues concerning the company. Analysts, members of the media and other interested parties wanting to participate in the call should dial 1-800-273-9672 or 416-695-5806 (Toronto area) at least 10 minutes prior to the start of the call. No pass code is required. A replay of the teleconference will be available two hours after the conclusion of the call until midnight, August 3, 2001, by dialing 1-800-408-3053 or 416-695-5800 (Toronto area) and entering passcode 846177. The conference will begin with a short address by members of TransCanada's executive management, followed by a question and answer period for investment analysts. A question and answer period for members of the media will immediately follow. A live audio web cast of the teleconference will also be available on TransCanada's web site (www.transcanada.com). The web cast will be archived and available for replay.

TransCanada is a leading North American energy company. It is focused on natural gas transmission and power services with employees who are expert in these businesses. The company's network of approximately 38,000 kilometres of pipeline transports the majority of western Canada's natural gas production to the fastest growing markets in Canada and the United States. TransCanada owns, controls or is developing a total of approximately 1,900 megawatts of power. An equal amount of power can meet the needs of nearly two million average households. The company's common shares trade under the symbol TRP on the Toronto and New York stock exchanges. Visit us on the internet at www.transcanada.com for more information.

Second Quarter 2001 Financial Highlights
(unaudited)

Operating Results (millions of dollars)	Three months ended June 30 **2001**	Three months ended June 30 2000	Six months ended June 30 **2001**	Six months ended June 30 2000
Revenues	**1,454**	1,075	**2,848**	2,207
Net Income Applicable to Common Shares				
Continuing operations before unusual items	**166**	129	**340**	265
Net Income applicable to common shares	**87**	132	**253**	310
Cash Flow				
Funds generated from continuing operations	**401**	365	**814**	714
Capital expenditures from continuing operations			**(179)**	(170)

Common Share Statistics	Three months ended June 30 **2001**	Three months ended June 30 2000	Six months ended June 30 **2001**	Six months ended June 30 2000
Net Income Per Share - Basic and Diluted				
Continuing operations before unusual items	**$0.35**	$0.27	**$0.72**	$0.56
Net income applicable to common shares	**$0.18**	$0.28	**$0.53**	$0.66
Dividend Per Share	**$0.225**	$0.20	**$0.45**	$0.40
Funds Generated Per Share from Continuing Operations	**$0.84**	$0.77	**$1.71**	$1.50
Common Shares Outstanding (millions)				
Average for the period	**475.5**	474.5	**475.3**	474.5
End of period	**475.6**	474.5	**475.6**	474.5

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SECOND QUARTER 2001

Quarterly Report to Shareholders

Consolidated Results-at-a-Glance

(unaudited) (millions of dollars except per share amounts)	Three months ended June 30 **2001**	 2000	Six months ended June 30 **2001**	 2000
Net Income/(Loss) Applicable to Common Shares				
Continuing operations before the undernoted	**166**	129	**340**	265
Asset sales from continuing operations	**-**	-	**-**	23
Tax law and income tax rate changes	**-**	-	**-**	13
Continuing operations	**166**	129	**340**	301
Discontinued operations	**(79)**	3	**(87)**	9
	87	132	**253**	310
Net Income/(Loss) Per Share - Basic and Diluted				
Continuing operations before the undernoted	**$0.35**	$0.27	**$0.72**	$0.56
Asset sales from continuing operations	**-**	-	**-**	0.05
Tax law and income tax rate changes	**-**	-	**-**	0.03
Continuing operations	**$0.35**	$0.27	**$0.72**	$0.64
Discontinued operations	**(0.17)**	0.01	**(0.19)**	0.02
	$0.18	$0.28	**$0.53**	$0.66

Management's Discussion and Analysis of Results of Operations and Financial Condition

The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements of TransCanada PipeLines Limited (TransCanada or the company) and the notes thereto.

Results of Operations

Consolidated

TransCanada PipeLines Limited's net income applicable to common shares from continuing operations (net earnings) was $166 million or $0.35 per share for the second quarter 2001 compared to $129 million or $0.27 per share for the second quarter 2000. These results reflect solid operating performance from TransCanada's continuing businesses. Net income applicable to common shares was $87 million or $0.18 per share for the second quarter 2001 after reflecting a loss from discontinued operations of $79 million or $0.17 per share.

Year-to-date 2001 net earnings from continuing operations, before unusual items, were $340 million or $0.72 per share compared to $265 million or $0.56 per share for the comparable period in 2000. The increase of $75 million or $0.16 per share in the first six months of 2001 compared to the same period in 2000 is primarily due to strong results from the Power business, as well as reduced financial and preferred equity charges due to lower net debt balances and preferred share redemptions. These are partially offset by lower earnings from the Transmission business. Higher revenues and costs and expenses in the Power segment reflect higher power prices and increased commercial activity in 2001 when compared to 2000.

The year-to-date 2000 results include a gain on the sale of TransCanada's interest in the Hermiston Power Partnership amounting to $23 million, after tax, or $0.05 per share and a tax recovery of $13 million or $0.03 per share, representing the impact of tax law and income tax rate changes in the February 2000 Federal budget.

TransCanada's results reflect the plan approved by the Board of Directors to dispose of the gas marketing business which is included in discontinued operations. The company recorded a net loss from discontinued operations of $87 million, after-tax, in the six months ended June 30, 2001, related to Gas Marketing, being mainly a provision for loss on disposal of $90 million. All prior period comparative results have been restated to reflect gas marketing as discontinued operations.

Segment Results-at-a-Glance

(unaudited) (millions of dollars)	Three months ended June 30		Six months ended June 30	
	2001	2000	**2001**	2000
Transmission	**142**	150	**287**	310
Power	**38**	13	**84**	45
Corporate	**(14)**	(34)	**(31)**	(54)
Continuing operations	**166**	129	**340**	301
Discontinued operations	**(79)**	3	**(87)**	9
Net Income Applicable to Common Shares	**87**	132	**253**	310

Transmission

The Transmission business generated net earnings of $142 million and $287 million for the three and six months ended June 30, 2001, respectively.

Transmission Results-at-a-Glance

(unaudited)	Three months ended June 30		Six months ended June 30	
(millions of dollars)	**2001**	2000	**2001**	2000
Wholly-Owned Pipelines				
Alberta System	**49**	53	**93**	110
Canadian Mainline	**68**	72	**136**	140
BC System	**2**	2	**3**	4
	119	127	**232**	254
North American Pipeline Ventures				
Great Lakes	**13**	13	**28**	28
TC PipeLines, LP	**4**	2	**8**	5
Iroquois	**3**	3	**7**	7
Portland	**(1)**	(1)	**-**	-
Foothills	**6**	5	**11**	10
Trans Québec & Maritimes	**2**	2	**4**	4
Other	**(4)**	(1)	**(3)**	2
	23	23	**55**	56
Net earnings	**142**	150	**287**	310

Wholly-Owned Pipelines

Net earnings from the Alberta System were $49 million in the second quarter of 2001 compared to $53 million in the same quarter of 2000. Net earnings for the six months ended June 30, 2001 decreased by $17 million from the same period in 2000. The decrease in net earnings was primarily due to the expiry at the end of 2000 of the Cost-efficiency Incentive Settlement, which included a fixed rate of return on common equity on a significant portion of the investment base. Earnings in 2001 reflect results of the recently approved settlement for 2001 and 2002 tolls and services which is based on a fixed revenue requirement with a lower notional rate of return.

The Canadian Mainline's net earnings decreased $4 million for both the three and six months ended June 30, 2001 when compared to the corresponding periods in 2000. Net earnings for the six months ended June 30, 2001 reflect interim tolls approved by the National Energy Board (NEB). The decrease in earnings was mainly due to a decrease in the rate of return on common equity from 9.90 per cent to 9.61 per cent in 2001 and the lower investment base. The lower return was partially offset by the impact of higher incentive earnings. TransCanada has recently applied to the NEB for a higher rate of return retroactive to January 1, 2001.

Operating Statistics

Six months ended June 30 (unaudited)	Alberta System		Canadian Mainline		BC System	
	2001	2000	**2001**	2000	**2001**	2000
Average investment base ($ millions)	**5,229**	5,300	**9,226**	9,485	**206**	213
Delivery volumes (Bcf)						
Total	**2,046**	2,246	**1,220**	1,339	**205**	201
Average per day	**11.3**	12.3	**6.7**	7.4	**1.1**	1.1

North American Pipeline Ventures

TransCanada's proportionate share of net earnings from its other gas transmission businesses for the three and six months ended June 30, 2001 are consistent with the same periods in 2000.

Power

Power Results-at-a-Glance

(unaudited) (millions of dollars)	Three months ended June 30 **2001**	2000	Six months ended June 30 **2001**	2000
Power LP investment	**9**	7	**20**	16
Northeastern U.S. operations	**34**	13	**68**	20
Western operations	**34**	9	**82**	15
General, administrative and support costs	**(10)**	(6)	**(21)**	(10)
Operating and other income	**67**	23	**149**	41
Financial charges	**(5)**	(3)	**(10)**	(7)
Income taxes	**(24)**	(7)	**(55)**	(12)
	38	13	**84**	22
After-tax gain on sale of Hermiston Power Partnership	**-**	-	**-**	23
Net earnings	**38**	13	**84**	45

The Power business contributed net earnings of $38 million for the quarter ended June 30, 2001, an increase of $25 million over the second quarter of 2000. Net earnings for the six months ended June 30, 2001, excluding the $23 million after-tax gain on sale of TransCanada's interest in the Hermiston Power Partnership in the first quarter of 2000, are $62 million higher when compared to the same period in 2000. The increased earnings reflect investments made in 2000 as well as increased marketing earnings.

Operating and other income in the three and six months ended June 30, 2001 from TransCanada's investment in TransCanada Power, L.P. (Power LP) increased as a result of the transfer of the Calstock power plant to Power LP in October 2000, increasing TransCanada's ownership from 32.7 per cent to 41.6 per cent. The increase in operating and other income from the Northeastern U.S. operations is primarily attributable to increased marketing income as well as an increased ownership to 100 per cent in Ocean State Power in October 2000.

Operating and other income from Western operations for both the second quarter 2001 and six months ended June 30, 2001 increased significantly when compared to the same periods in 2000. This is mainly attributable to income from the Sundance A Plant power purchase agreement acquired in 2000, increased marketing income due to TransCanada's ability to capitalize on the higher short-term prices for electricity in the western and northwestern United States, and the start-up of commercial operations at the Cancarb power plant. The increase in general, administrative and support costs is due to the continuing growth of the Power business.

Corporate

Net expenses for the second quarter 2001 in the Corporate segment were $14 million compared to $34 million in the second quarter 2000. This improvement is primarily due to lower financial and preferred equity charges as a result of lower net debt balances and the redemption of preferred shares. Net expenses were $31 million for the six months ended June 30, 2001 compared to $54 million for the same period in 2000. The 2000 results include a tax recovery of $13 million representing the impact of tax law and income tax rate changes in the February 2000 Federal budget. Excluding the impact of this tax recovery, net expenses for the six months ended June 30, 2001 have improved by $36 million compared to the same period in 2000 for the same reasons as are applicable to the second quarter.

Discontinued Operations

In December 1999, the Board of Directors approved a plan (December Plan) to dispose of the company's International business, its investment in the Express Pipeline System, the Canadian midstream business, Cancarb Limited and the petroleum and products marketing business. In the second quarter 2001, TransCanada reviewed the estimates used in calculating the provision for loss on discontinued operations related to the December Plan and concluded the remaining liability at June 30, 2001 adequately reflects the expected dispositions.

In July 2001, the Board of Directors approved a plan to dispose of the company's Gas Marketing business. The company recorded a net loss from discontinued operations of $87 million, after-tax, in the six months ended June 30, 2001, related to Gas Marketing. This amount includes earnings from operations of $3 million and a provision for loss on disposal of $90 million. The loss provision represents the estimated gains and losses on sale of the business, the results of the discontinued operations between the date of plan approval and the expected dates of disposal, together with direct incremental costs of disposition, including severance and transaction expenses. The provision is based on management's best estimates. Adjustments to the provision will be recorded as a gain or loss on discontinued operations in the period such changes are determined.

Liquidity and Capital Resources

Funds Generated from Operations

Funds generated from continuing operations for the second quarter 2001 increased by $36 million compared to the second quarter 2000. Funds generated from continuing operations were $814 million for the six months ended June 30, 2001, compared with $714 million for the same period in 2000. The increase was primarily due to an increase in net earnings from continuing operations.

TransCanada's ability to generate adequate amounts of cash and cash equivalents in the short term and the long term when needed, and to maintain capacity to provide for planned growth remains unchanged since December 31, 2000.

Investing Activities

Capital expenditures totalled $223 million in the six months ended June 30, 2001 and relate primarily to maintenance capital in the Transmission business and construction of new power plants in Alberta. TransCanada realized proceeds of $957 million in the first six months of 2001 from the sale of non-core assets under the company's divestiture plan.

Financing Activities

TransCanada used a portion of its cash resources to fund debt maturities of $347 million in the six months ended June 30, 2001.

Dividends

On July 27, 2001, TransCanada's Board of Directors declared a quarterly dividend of $0.225 per share for the quarter ended September 30, 2001 on the outstanding common shares. This is the 151st consecutive dividend paid by TransCanada on its common shares, and is payable on October 31, 2001 to shareholders of record at the close of business on September 28, 2001. The Board also declared regular dividends on TransCanada's preferred shares.

Discontinued Operations

Net cash used in discontinued operating activities was $603 million for the six months ended June 30, 2001 compared with net cash provided by discontinued operating activities of $71 million for the same period in 2000. The net cash used in the six months ended June 30, 2001 was primarily in the Gas Marketing business. This was related to the return in 2001 of margin cash received in 2000, funds used in operations including the settlement in 2001 of natural gas trading losses, and other working capital adjustments.

Risk Management

TransCanada's market and credit risks remain substantially unchanged since December 31, 2000. For further information on risks, refer to Management's Discussion and Analysis in TransCanada's 2000 Annual Report.

TransCanada manages market and credit risk exposures in accordance with corporate risk policies and position limits. The policies and limits are designed to mitigate the risk of significant loss. The company's primary market risks result from volatility in commodity prices and interest and foreign currency exchange rates. TransCanada manages the impact of market and credit risk exposure on earnings as well as the impact on the values of assets and liabilities.

Outlook

TransCanada has substantially completed its divestiture program announced in late 1999 and has now sold, or has agreements to sell, approximately $3.3 billion of assets under the December Plan. Proceeds received to date have been used primarily to reduce debt and associated financial charges.

With TransCanada's recently announced divestiture of the Gas Marketing business, the company will direct its focus on the core segments of natural gas transmission and power in Canada and the northern tier of the United States. The company is also directing its efforts towards reducing costs and optimizing its assets. The outlook, including economic and business trends, for the company's two core segments remains substantially unchanged since December 31, 2000. For further information on outlook, refer to Management's Discussion and Analysis in TransCanada's 2000 Annual Report.

Recent Developments

Transmission

Canadian Mainline

In May 2001, TransCanada filed a 2001 and 2002 Tolls and Tariff Application (the Application) with the NEB. The Application was based on the terms of a two-year Mainline Service and Pricing Settlement which addressed all toll and tariff matters for 2001 and 2002, other than the matter of capital structure and return on capital. In June 2001, the NEB advised TransCanada that it will convene an oral proceeding to consider the Application. The hearing is scheduled to commence in September 2001.

In June 2001, TransCanada filed its Fair Return Application with the NEB. This application requests the NEB to determine the cost of capital to be included in the calculation of 2001 and 2002 tolls on the Canadian Mainline. The company is seeking approval of an after-tax weighted average cost of capital (ATWACC) of 7.5 per cent retroactive to January 1, 2001. This compares to the ATWACC of 5.84 per cent resulting from the current interim tolls approved by the NEB for 2001.

Alberta System

On May 22, 2001, the Alberta Energy and Utilities Board approved the 2001 and 2002 Alberta System Rate Settlement in its entirety. This settlement establishes a fixed revenue requirement for 2001 and 2002 that allows TransCanada to recover projected costs and earn a return on the investment base.

North American Pipeline Ventures

In May 2001, TransCanada purchased an additional 5.96 per cent interest in Iroquois Gas Transmission System increasing the company's total interest to 40.96 per cent. In June 2001, TransCanada purchased an additional 11.88 per cent interest in Portland Natural Gas Transmission System increasing the company's total interest to 33.29 per cent.

Power

In April 2001, TransCanada announced plans to build the Bear Creek Cogeneration project, an 80 megawatt (MW) natural gas-fired cogeneration plant near Grande Prairie, Alberta. Subject to regulatory approvals, construction of the plant with an estimated capital cost of $80 million will commence this fall with expected completion by December 2002. This facility will be developed, owned and operated by TransCanada.

In May 2001, TransCanada announced plans to build the MacKay River Cogeneration project, a 165 MW natural gas-fired cogeneration power plant near Fort McMurray, Alberta. Pending regulatory approvals, construction of the plant with an estimated capital cost of $135 million will commence this fall with an expected in-service date no later than 2004. This facility will be developed, owned and operated by TransCanada.

In July 2001, TransCanada closed its acquisition of the Curtis Palmer Hydroelectric Company, L.P. from International Paper Company for approximately US$285 million. The Curtis Palmer facilities have a generating capacity of approximately 60 megawatts and the entire output from the plants is sold under a fixed price power purchase agreement with a term expected to extend for at least 25 years.

TransCanada's natural gas-fired cogeneration plants under construction near Carseland and Redwater in Alberta are expected to be completed and in service on time with the estimated capital costs on budget.

Forward-Looking Information

Certain information in this quarterly report is forward-looking information and relates to, among other things, targeted cost savings, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "target" or similar words suggesting future outcomes. By their nature, such statements are subject to various risks and uncertainties, which could cause TransCanada's actual results and experience to differ materially from the anticipated results. Such risks and uncertainties include, but are not limited to: availability and price of energy commodities; regulatory decisions; the ability of TransCanada to successfully implement the initiatives referred to in this quarterly report; management's ability to execute the disposition of its remaining discontinued operations; competitive factors and pricing pressures; and overcapacity in the pipeline industry. For further information on additional risks and uncertainties, you are advised to consult TransCanada's Annual Information Form under the heading "Forward-Looking Information".

Consolidated Income

(unaudited) (millions of dollars except per share amounts)	Three months ended June 30 **2001**	 2000	Six months ended June 30 **2001**	 2000
Revenues	**1,454**	1,075	**2,848**	2,207
Operating Expenses				
Costs and expenses	**725**	411	**1,376**	873
Depreciation	**204**	188	**404**	369
	929	599	**1,780**	1,242
Operating Income	**525**	476	**1,068**	965
Other Expenses/(Income)				
Financial charges	**216**	237	**444**	477
Financial charges of joint ventures	**26**	28	**52**	56
Allowance for funds used during construction	**(1)**	(1)	**(3)**	(4)
Interest and other income	**(21)**	(30)	**(48)**	(52)
Gain on sale of assets	**-**	-	**-**	(26)
	220	234	**445**	451
Income from Continuing Operations before Income Taxes	**305**	242	**623**	514
Income Taxes - Current and Future	**121**	93	**248**	172
Net Income from Continuing Operations	**184**	149	**375**	342
Net (Loss)/Income from Discontinued Operations	**(79)**	3	**(87)**	9
Net Income	**105**	152	**288**	351
Preferred Securities Charges	**12**	10	**24**	22
Preferred Share Dividends	**6**	10	**11**	19
Net Income Applicable to Common Shares	**87**	132	**253**	310
Net Income/(Loss) Applicable to Common Shares				
Continuing operations	**166**	129	**340**	301
Discontinued operations	**(79)**	3	**(87)**	9
	87	132	**253**	310
Net Income/(Loss) Per Share - Basic and Diluted				
Continuing operations	**$0.35**	$0.27	**$0.72**	$0.64
Discontinued operations	**(0.17)**	0.01	**(0.19)**	0.02
	$0.18	$0.28	**$0.53**	$0.66
Average Shares Outstanding (millions)	**475.5**	474.5	**475.3**	474.5

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Cash Flows

(unaudited) (millions of dollars)	Three months ended June 30 **2001**	 2000	Six months ended June 30 **2001**	 2000
Cash Generated From Operations				
Net income from continuing operations	**184**	149	**375**	342
Depreciation	**204**	188	**404**	369
Change in net unrealized position on energy trading contracts	**16**	-	**28**	-
Gain on sale of assets	**-**	-	**-**	(26)
Future income taxes	**3**	21	**34**	29
Other	**(6)**	7	**(27)**	-
Funds generated from continuing operations	**401**	365	**814**	714
(Increase)/decrease in operating working capital	**(31)**	172	**(79)**	(12)
Net cash provided by continuing operating activities	**370**	537	**735**	702
Net cash (used in)/provided by discontinued operating activities	**(249)**	(15)	**(603)**	71
	121	522	**132**	773
Investing Activities				
Capital expenditures	**(75)**	(156)	**(223)**	(283)
Acquisitions, net of cash acquired	**(37)**	(68)	**(37)**	(68)
Disposition of assets	**260**	77	**957**	159
Deferred amounts and other	**12**	16	**(8)**	5
Net cash provided by/(used in) investing activities	**160**	(131)	**689**	(187)
Financing Activities				
Dividends and preferred securities charges	**(134)**	(124)	**(248)**	(286)
Notes payable (repaid)/issued, net	**(53)**	150	**(55)**	685
Reduction of long-term debt	**(200)**	(524)	**(347)**	(988)
Non-recourse debt of joint ventures issued	**6**	283	**11**	291
Reduction of non-recourse debt of joint ventures	**(23)**	(216)	**(33)**	(233)
Preferred shares redeemed	**-**	-	**-**	(28)
Common shares issued	**2**	-	**10**	-
Net cash used in financing activities	**(402)**	(431)	**(662)**	(559)
(Decrease)/Increase in Cash and Short-Term Investments	**(121)**	(40)	**159**	27
Cash and Short-Term Investments				
Beginning of period	**789**	478	**509**	411
Cash and Short-Term Investments				
End of period	**668**	438	**668**	438

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

(millions of dollars)	June 30, 2001 (unaudited)	December 31, 2000
ASSETS		
Current Assets		
Cash and short-term investments	**668**	509
Accounts receivable	**558**	563
Inventories	**200**	208
Other	**25**	28
Unrealized gains on energy trading contracts	**226**	582
Current assets of discontinued operations	**2,949**	3,493
	4,626	5,383
Unrealized Gains on Energy Trading Contracts	**287**	379
Long-Term Investments	**196**	171
Plant, Property and Equipment	**17,567**	17,663
Other Assets	**98**	68
Future Income Taxes	**10**	158
Long-Term Assets of Discontinued Operations	**781**	1,726
	23,565	25,548
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable	**103**	200
Accounts payable	**489**	632
Accrued interest	**252**	264
Long-term debt due within one year	**379**	612
Non-recourse debt of joint ventures due within one year	**38**	29
Provision for loss on discontinued operations	**538**	128
Unrealized losses on energy trading contracts	**185**	542
Current liabilities of discontinued operations	**2,792**	3,844
	4,776	6,251
Unrealized Losses on Energy Trading Contracts	**107**	170
Deferred Amounts	**367**	326
Long-Term Debt	**9,833**	9,928
Non-Recourse Debt of Joint Ventures	**1,354**	1,296
Junior Subordinated Debentures	**244**	243
Long-Term Liabilities of Discontinued Operations	**262**	744
Non-Controlling Interests	**2**	2
	16,945	18,960
Shareholders' Equity		
Preferred securities	**971**	969
Preferred shares	**389**	389
Common shares	**4,550**	4,540
Contributed surplus	**263**	263
Retained earnings	**453**	414
Foreign exchange adjustment	**(6)**	13
	6,620	6,588
	23,565	25,548

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Retained Earnings

(unaudited) (millions of dollars)	Six months ended June 30 **2001**	 2000
Balance at beginning of period	**414**	119
Net income	**288**	351
Preferred securities charges	**(24)**	(22)
Preferred share dividends	**(11)**	(19)
Common share dividends	**(214)**	(190)
Accounting changes	**-**	(37)
	453	202

See accompanying Notes to the Consolidated Financial Statements.

Notes to Consolidated Financial Statements
(Unaudited)

1. Significant Accounting Policies

The consolidated financial statements of TransCanada PipeLines Limited (TransCanada or the company) have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies applied are consistent with those outlined in the company's annual financial statements for the year ended December 31, 2000 except as stated below. These consolidated financial statements for the six months ended June 30, 2001 do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements included in TransCanada's 2000 Annual Report. Amounts are stated in Canadian dollars unless otherwise indicated. Certain comparative figures have been reclassified to conform with the current period's presentation.

Since a determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these consolidated financial statements requires the use of estimates and assumptions which have been made using careful judgement. In the opinion of Management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the company's significant accounting policies.

2. Accounting Changes

Earnings per share

Effective January 1, 2001, TransCanada adopted the new standard of the Canadian Institute of Chartered Accountants with respect to earnings per share. This new standard requires a new basis for calculating diluted earnings per share using the treasury stock method instead of the imputed earnings approach to determine the dilutive effects of warrants, options and equivalents. This accounting change was applied retroactively but did not impact previously reported earnings per share.

3. Segmented Information

Three months ended June 30 (unaudited - millions of dollars)	Transmission 2001	Transmission 2000	Power 2001	Power 2000	Corporate 2001	Corporate 2000	Total 2001	Total 2000
Revenues	**950**	959	**504**	116	**-**	-	**1,454**	1,075
Costs and expenses	**(293)**	(313)	**(426)**	(91)	**(6)**	(7)	**(725)**	(411)
Depreciation	**(188)**	(178)	**(15)**	(8)	**(1)**	(2)	**(204)**	(188)
Operating income/(loss)	**469**	468	**63**	17	**(7)**	(9)	**525**	476
Financial and preferred equity charges	**(214)**	(215)	**(3)**	-	**(17)**	(42)	**(234)**	(257)
Financial charges of joint ventures	**(24)**	(25)	**(2)**	(3)	**-**	-	**(26)**	(28)
Other income	**6**	15	**4**	6	**12**	10	**22**	31
Income taxes	**(95)**	(93)	**(24)**	(7)	**(2)**	7	**(121)**	(93)
Continuing operations	**142**	150	**38**	13	**(14)**	(34)	**166**	129
Discontinued operations							**(79)**	3
Net Income Applicable to Common Shares							**87**	132

Six months ended June 30 (unaudited - millions of dollars)	Transmission 2001	Transmission 2000	Power 2001	Power 2000	Corporate 2001	Corporate 2000	Total 2001	Total 2000
Revenues	**1,916**	1,965	**932**	242	**-**	-	**2,848**	2,207
Costs and expenses	**(602)**	(663)	**(761)**	(195)	**(13)**	(15)	**(1,376)**	(873)
Depreciation	**(374)**	(351)	**(28)**	(15)	**(2)**	(3)	**(404)**	(369)
Operating income/(loss)	**940**	951	**143**	32	**(15)**	(18)	**1,068**	965
Financial and preferred equity charges	**(430)**	(436)	**(7)**	-	**(42)**	(82)	**(479)**	(518)
Financial charges of joint ventures	**(49)**	(49)	**(3)**	(7)	**-**	-	**(52)**	(56)
Other income	**20**	30	**6**	34	**25**	18	**51**	82
Income taxes	**(194)**	(186)	**(55)**	(14)	**1**	28	**(248)**	(172)
Continuing operations	**287**	310	**84**	45	**(31)**	(54)	**340**	301
Discontinued operations							**(87)**	9
Net Income Applicable to Common Shares							**253**	310

Total Assets (millions of dollars)	**June 30, 2001** (unaudited)	December 31, 2000
Transmission	**17,194**	17,391
Power	**1,475**	1,889
Corporate	**1,166**	1,049
Continuing Operations	**19,835**	20,329
Discontinued Operations	**3,730**	5,219
	23,565	25,548

4. Discontinued Operations

In December 1999, the Board of Directors approved a plan (December Plan) to dispose of the company's International business, its investment in the Express Pipeline System, the Canadian midstream business, Cancarb Limited and the petroleum and products marketing business.

This disposal plan was substantially completed in 2000. Adjustments to the estimate of the net loss on disposal will be recognized as a gain or loss on discontinued operations as these estimates change. As at June 30, 2001, remaining discontinued businesses under the December Plan are primarily certain of the company's International investments. Management continues its efforts to dispose of these remaining assets.

Capital expenditures attributable to discontinued operations under the December Plan for the six months ended June 30, 2001 were $44 million (2000 - $113 million).

In July 2001, the Board of Directors approved a plan to dispose of the company's Gas Marketing business. The company expects to substantially complete the disposition by the end of 2001. The Gas Marketing business provides supply, transportation and asset management services, as well as structured financial products and services, to its customers in Canada and the northern tier of the United States.

The company recorded a net loss of $87 million, after-tax, in the six months ended June 30, 2001, related to Gas Marketing. This loss is based on management's best estimates including proceeds to be realized and related disposal costs. Adjustments to the estimate of the net loss on disposal will be recognized as a gain or loss on discontinued operations in the period such changes are determined.

The provision for loss on discontinued operations at June 30, 2001 was $538 million (December 31, 2000 - $128 million). This was comprised of $90 million relating to Gas Marketing and $448 million relating to the December Plan, representing the remaining discontinued businesses.

Revenues and Net Income/(Loss) from Discontinued Operations

(unaudited) (millions of dollars)	Three months ended June 30 **2001**	2000	Six months ended June 30 **2001**	2000
Revenues from Discontinued Operations				
December Plan	**11**	1,040	**32**	2,135
Gas Marketing	**3,349**	2,566	**9,857**	4,541
	3,360	3,606	**9,889**	6,676
Net Income/(Loss) from Discontinued Operations [1]				
Gas Marketing	**21**	3	**5**	15
Income Taxes	**(10)**	-	**(2)**	(6)
Results of operations prior to plan approval	**11**	3	**3**	9
Net loss from Discontinued Operations				
Gas Marketing	**(139)**	-	**(139)**	-
Income Taxes	**49**	-	**49**	-
	(90)	-	**(90)**	-
	(79)	3	**(87)**	9

(1) The net loss on disposal for Gas Marketing includes the estimated gains and losses on sale, the results of the discontinued operations between the date of plan approval and the expected dates of disposal, together with direct incremental costs of the disposition, including severance and transaction expenses.

Other Financial Information on Discontinued Operations

(millions of dollars)	**June 30, 2001** (unaudited)	December 31, 2000
Current Assets		
Accounts receivable	**1,803**	1,598
Unrealized gains on energy trading contracts	**1,022**	1,752
Other current assets	**124**	143
	2,949	3,493
Unrealized Gains on Energy Trading Contracts	**175**	355
Long-Term Investments	**411**	734
Plant, Property and Equipment	**110**	382
Other Non-Current Assets	**85**	255
	3,730	5,219
Current Liabilities		
Accounts payable	**1,845**	2,045
Unrealized losses on energy trading contracts	**947**	1,799
	2,792	3,844
Unrealized Losses on Energy Trading Contracts	**229**	438
Long-Term and Non-Recourse Debt	**-**	213
Other Non-Current Liabilities	**33**	93
	3,054	4,588
Net Assets of Discontinued Operations	**676**	631

The company's restated consolidated income statement for the year ended December 31, 2000 after reflecting Gas Marketing as discontinued operations is as follows.

(millions of dollars except per share amounts)	As previously reported	As adjusted
Revenues	21,156	4,421
Operating Expenses		
Cost of sales	17,240	-
Other costs and expenses	1,415	1,670
Depreciation	740	739
	19,395	2,409
Operating Income	1,761	2,012
Other Expenses/(Income)		
Financial charges	959	951
Financial charges of joint ventures	113	113
Allowance for funds used during construction	(8)	(8)
Interest and other income	(114)	(107)
Gain on sale of assets	(37)	(37)
	913	912
Income from Continuing Operations before Income Taxes	848	1,100
Income Taxes - Current and Future	258	371
Net Income from Continuing Operations	590	729
Net Income from Discontinued Operations	200	61
Net Income	790	790
Preferred Securities Charges	44	44
Preferred Share Dividends	35	35
Net Income Applicable to Common Shares	711	711
Net Income Applicable to Common Shares		
Continuing operations	511	650
Discontinued operations	200	61
	711	711
Net Income Per Share - Basic and Diluted		
Continuing operations	$1.08	$1.37
Discontinued operations	0.42	0.13
	$1.50	$1.50
Average Shares Outstanding (millions)	474.6	474.6

The company's restated segment results after reflecting Gas Marketing as discontinued operations are as follows for the four quarters of 2000.

(unaudited) (millions of dollars except per share amounts)	Mar. 31	Three months ended June 30	Sept. 30	Dec. 31	Total
Net Income Applicable to Common Shares					
Transmission	160	150	159	154	623
Power	32	13	21	39	105
Corporate	(20)	(34)	(22)	(2)	(78)
Continuing operations	172	129	158	191	650
Net Income Per Share - Basic and Diluted					
Continuing operations	$0.37	$0.27	$0.33	$0.40	$1.37
Average Shares Outstanding (millions)	474.5	474.5	474.6	474.8	474.6

Supplementary Information

As at June 30, 2001, TransCanada had 475,631,758 issued and outstanding common shares. In addition, there were 16,401,883 outstanding options to purchase common shares, of which 12,891,067 were exercisable as at June 30, 2001.

TransCanada welcomes questions from shareholders and potential investors. Please telephone:

Investor Relations, at 1-800-361-6522 (Canada and U.S. Mainland) or direct dial David Moneta at (403) 920-7917. The investor fax line is (403) 920-2457.

Media Contact: Glenn Herchak/Kurt Kadatz at (403) 920-7859.

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