# TRANSCANADA PIPELINES LIMITED

# ANNUAL INFORMATION FORM

**for the year ended December 31, 2001**

**February 26, 2002**

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**Date of Information**

Unless otherwise noted, the information contained in this Annual Information Form is given as at December 31, 2001.

## REFERENCE INFORMATION

### Exchange Rate of the Canadian Dollar

All dollar amounts are in Canadian dollars, except where otherwise indicated. The following table shows the high and low spot rates, the average noon spot rates and the year-end closing spot rates for the United States dollar for the past five years, each expressed in Canadian dollars, as reported by the Bank of Canada.

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2001 | 2000 | 1999 | 1998 | 1997 |
| High | 1.4935 | 1.5583 | 1.5475 | 1.5845 | 1.4399 |
| Low | 1.6034 | 1.4353 | 1.4420 | 1.4040 | 1.3345 |
| Average Noon Rate | 1.5484 | 1.4852 | 1.4858 | 1.4835 | 1.3844 |
| Year-End | 1.5926 | 1.5002 | 1.4433 | 1.5305 | 1.4291 |

On February 26, 2002, the noon spot rate for the United States dollar as reported by the Bank of Canada was U.S. $1.00 = Cdn. $1.6110.

### Metric Conversion Table

The conversion factors set out below are approximate factors. To convert from Metric to Imperial multiply by the factor indicated. To convert from Imperial to Metric divide by the factor indicated.

| Metric | Imperial | Factor |
|---|---|---|
| Kilometres | Miles | 0.62 |
| Millimetres | Inches | 0.04 |
| Gigajoules | Million British thermal units (“MMBtu”) | 0.95 |
| Cubic metres* | Cubic feet | 35.3 |
| Kilopascals | Pounds per square inch (“psi”) | 0.15 |
| Degrees Celsius | Degrees Fahrenheit | to convert to Fahrenheit multiply by 1.8, then add 32 degrees; to convert to Celsius subtract 32 degrees, then divide by 1.8 |

* The conversion is based on natural gas at a base pressure of 101.325 kilopascals and at a base temperature of 15° Celsius.

### Units of Energy and Power

GJ = Gigajoule = $10^9$ joules

MW = Megawatt = $10^6$ watts

## FORWARD-LOOKING INFORMATION

Certain written and oral statements made or incorporated by reference from time to time by TransCanada or its representatives in this Annual Information Form and other reports and filings made with the securities regulatory authorities, press releases, conferences or otherwise, are forward-looking and relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. Much of this information appears in the Management’s Discussion and Analysis (“MD&A”) found in TransCanada’s Annual Report to Shareholders for the year ended December 31, 2001 (the “Annual Report”). The MD&A portion thereof is incorporated herein by reference. By its nature, such forward-looking information is subject to various risks and uncertainties, including those discussed herein, which could cause TransCanada’s actual results and experience to differ materially from the anticipated results or other expectations expressed. Readers are cautioned not to place undue reliance on this forward-looking information, which is as of the date of this Annual Information Form, and TransCanada undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise. Factors which could cause actual results or events to differ materially from current expectations include, among other things, the ability of TransCanada to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the availability and price of energy commodities, the regulatory environment, competitive factors in the pipeline and power industry sectors, and the current and future economic conditions in North America.

# THE COMPANY

## TransCanada PipeLines Limited

TransCanada PipeLines Limited is a Canadian public company incorporated on March 21, 1951 as Trans-Canada Pipe Lines Limited, by Special Act of Parliament of Canada. On April 19, 1972, it continued under Part 1 of the *Canada Corporations Act* by Letters Patent, which included the alteration of its capital and change of name to TransCanada PipeLines Limited ("TransCanada"). On June 1, 1979, TransCanada continued under the *Canada Business Corporations Act* ("CBCA"). After continuance under the CBCA, TransCanada has had several amendments to its Articles with respect to its authorized share capital, as well as several restatements of its Articles to consolidate the various amendments to its Articles and for the creation of certain classes of preferred shares. On July 2, 1998, a Certificate of Arrangement was issued under the CBCA in connection with the Plan of Arrangement between TransCanada and NOVA Corporation ("NOVA") through which the companies merged and then split off the commodity chemicals business carried on by NOVA into a separate public company. On January 1, 1999, a Certificate of Amalgamation was issued in connection with TransCanada's vertical short form amalgamation with its wholly-owned subsidiary, Alberta Natural Gas Company Ltd. ("ANG"). On May 14, 1999, TransCanada amended its Articles to allow the directors to appoint up to two additional directors between annual meetings provided that such appointments would not exceed one-third of the number of directors elected at the previous annual meeting of shareholders. On January 1, 2000, a Certificate of Amalgamation was issued in connection with TransCanada's vertical short form amalgamation with its wholly-owned subsidiary, NOVA Gas International Ltd.

On April 27, 2001, TransCanada received shareholder approval to change its jurisdiction of incorporation to Alberta to facilitate an amalgamation with its wholly-owned subsidiary, NOVA Gas Transmission Ltd. TransCanada intends to proceed with the continuance and amalgamation in 2002 upon receipt of the appropriate regulatory relief.

Unless the context indicates otherwise, a reference in this Annual Information Form to "TransCanada" includes TransCanada PipeLines Limited and the subsidiaries through which its various business operations are conducted.

TransCanada's registered office and executive office are located at 450 - 1st Street S.W., Calgary, Alberta, T2P 5H1.

At December 31, 2001, TransCanada had approximately 2,550 employees working in Canada and the United States.

## Subsidiaries

A list of TransCanada's significant subsidiaries is contained in Schedule A of this Annual Information Form. The list excludes certain of TransCanada's subsidiaries whose total assets individually do not constitute more than ten percent of the consolidated assets of TransCanada as at December 31, 2001 and whose total revenues individually do not exceed ten percent of TransCanada's consolidated revenues for the year ended December 31, 2001. These excluded subsidiaries, in the aggregate, represent less than 20 percent of the consolidated assets of TransCanada as at December 31, 2001, and less than 20 percent of the consolidated revenues of TransCanada for the year ended December 31, 2001.

## Presentation of Information

This Annual Information Form has been prepared to reflect the presentation of TransCanada's continuing operations and its discontinued operations as they are presented in TransCanada's audited 2001 Consolidated Financial Statements. In December 1999, TransCanada announced that it would be focusing its business activities on natural gas transmission, power, and gas marketing in Canada and the northern tier of the United States. The Board of Directors approved formal plans for disposing of certain business operations which were accounted for as discontinued operations in the audited 1999 Consolidated Financial Statements. In July 2001, the Board of Directors approved a plan to dispose of the Company's gas marketing and trading business. By December 31, 2001, TransCanada had substantially completed its formal plans of disposal.

## GENERAL DEVELOPMENT OF THE BUSINESS

The general development of TransCanada's business during the last three financial years, and the significant events or conditions which have had an influence on that development, are summarized below. Most of these events are discussed in greater detail under the heading "Business of TransCanada" in this Annual Information Form.

***Transmission Business***

*Transmission Business: Domestic*

TransCanada has substantial domestic natural gas pipeline holdings, including:

- the mainline natural gas transmission system (the "Canadian Mainline");
- the natural gas transmission system in Alberta (the "Alberta System");
- a natural gas transmission system in British Columbia (the "BC System");
- a 50-percent interest in Foothills Pipe Lines Ltd. ("Foothills");
- both directly and through its interest in Foothills,
    - a 69.5-percent interest in Foothills Pipe Lines (Sask.) Ltd.,
    - a 74.5-percent interest in Foothills Pipe Lines (Alta.) Ltd., and
    - a 74.5-percent interest in Foothills Pipe Lines (South B.C.) Ltd.,

  each of which is an operating pipeline, and which together total 1,040 kilometres in length (the "Foothills System"). The Foothills System transports western Canadian natural gas from central Alberta to connecting pipelines for transportation to markets in the United States; and
- a 50-percent interest in Trans Québec & Maritimes Pipeline Inc. ("TQM"), a 572-kilometre natural gas pipeline that crosses the St. Lawrence River at Montreal and extends south to the Canada/U.S. border, and also north to Québec City and then crosses to the south side of the St. Lawrence River.

*Transmission Business: United States*

TransCanada's pipeline holdings in the United States include:

- a 50-percent interest in Great Lakes Gas Transmission Limited Partnership ("Great Lakes"), a 3,387-kilometre natural gas pipeline system which extends from Manitoba to the eastern and midwestern United States; and
- a 40.96-percent interest in the Iroquois Gas Transmission System ("Iroquois"), a 604-kilometre natural gas pipeline system connecting the Canadian Mainline across the St. Lawrence to the northeastern United States; and
- a 33.29-percent interest in the Portland Natural Gas Transmission System ("Portland"), a 491-kilometre natural gas pipeline system connecting TQM to markets in the eastern United States.

In 1999, TransCanada also held:

- a 30-percent interest in Northern Border Pipeline Company ("Northern Border"), a 2,010-kilometre natural gas pipeline system which connects with the Foothills System in Saskatchewan and serves the midwestern United States; and
- a 50-percent interest in Tuscarora Gas Transmission Company ("Tuscarora"), a 369-kilometre natural gas transmission system that extends from Malin, Oregon to Reno, Nevada.

TC Pipelines, LP is a publicly held limited partnership of which TransCanada holds indirectly a 33.4 percent interest and of which TransCanada, through a subsidiary, acts as the general partner. In 1999, TransCanada sold its 30-percent interest in Northern Border to TC Pipelines, LP. In 2000, TransCanada sold all but one percent of its 50-percent interest in Tuscarora to TC PipeLines, LP.

*Transmission Business: Developments in 2001*

In January 2001, TransCanada announced that it had reached a settlement in principle regarding 2001 and 2002 tolls and services on the Alberta System. The settlement established the Alberta System's fixed revenue requirement for the next two years. The settlement, approved by the Alberta Energy and Utilities Board ("EUB"), together with the receipt point-specific rate design previously approved by the EUB, forms the basis of the Alberta System's tolls through 2002. See "Wholly-Owned Pipelines — Alberta System — Regulation of the Alberta System", elsewhere in this Annual Information Form.

In February 2001, TransCanada announced that it had reached a settlement regarding 2001 and 2002 services and pricing on its Canadian Mainline natural gas transmission system that resolved all issues other than cost of capital. The parties agreed that the issue of cost of capital would be determined in a different forum. The National Energy Board ("NEB") has approved this settlement. See "Wholly-Owned Pipelines — Canadian Mainline — Regulation of the Canadian Mainline", elsewhere in this Annual Information Form.

***Power Business***

TransCanada owns and/or operates a number of power interests:

| Description: | Location: | Date: |
|---|---|---|
| • 38 MW Power Plant | Cancarb, Medicine Hat, Alberta | in service in 2000 |
| • 560 MW Power Purchase Arrangement, 100% of Output | Sundance A power plant, near Edmonton, Alberta | acquired in 2000 |
| • 706 MW Power Purchase Arrangement, 50% of Output | Sundance B power plant, near Edmonton, Alberta | acquired in 2001 |
| • 80 MW Power Plant | Carseland, Alberta | in service in 2001 |
| • 40 MW Power Plant | Redwater, Alberta | in service in 2001 |
| • 560 MW Ocean State Power | Rhode Island | interest increased to 100 percent in 2000 |
| • 60 MW Curtis Palmer Hydroelectric Plants (2) | Near Corinth, New York | acquired in 2001 |
| • 80 MW Power Plant | Bear Creek, Alberta | 2002* |
| • 165 MW Power Plant | MacKay River, Alberta | 2003* |
| | | * anticipated in-service date |

TransCanada holds a 35.6-percent interest in TransCanada Power, L.P. (the "Power LP") with the remaining interest being widely held. The Power LP owns several power plants which are managed by a subsidiary of TransCanada:

| Plant Output: | Location: | Completion Date: |
|---|---|---|
| • 40 MW | Nipigon, Ontario | 1997 |
| • 40 MW | Kapuskasing, Ontario | 1997 |
| • 40 MW | North Bay, Ontario | 1997 |
| • 43 MW | Tunis, Ontario | 1998 |
| • 64 MW | Castleton-on-Hudson, New York | 1999 |
| • 66 MW | Williams Lake, British Columbia | 1999 |
| • 35 MW | Calstock, Ontario | 2000 |

*Developments in 2001 — Corporate*

In January 2001, TransCanada announced a $0.025 increase to its quarterly dividend on the Company's outstanding common shares for the quarter ending March 31, 2001.

On March 21, 2001, the Board of Directors of TransCanada announced that Harold (Hal) Kvisle had been appointed President and Chief Executive Officer effective May 1, 2001.

*Developments in 2002 — Corporate*

On January 29, 2002, The Board of Directors declared an increase in the quarterly dividend from $0.225 to $0.25 per share on the company's outstanding common shares for the quarter ending March 31, 2002.

***Discontinued Operations over the Past Three Years***

In 1999, TransCanada announced that it would be focusing its business on core natural gas transmission, power generation and gas marketing in Canada and the northern tier of the United States. Consequently, TransCanada announced it would be exiting the International, Midstream and related crude oil marketing business and petroleum and products marketing, and would also be selling the Express Pipeline, a crude oil pipeline. In 1999, 2000 and 2001, TransCanada disposed of:

- its 25.48-percent interest in East Australian Pipeline Limited;
- its U.S. natural gas liquids marketing business;
- its U.S. midstream business;
- its U.S. crude oil marketing business;
- Angus Chemicals Ltd. (a specialty chemicals business, which it had fully acquired in 1996 through its acquisition of ANG);
- substantially all of its midstream assets;
- substantially all of its international interests (please refer to the heading, "Discontinued Operations", elsewhere in this Annual Information Form, for those international assets TransCanada still intends to sell);
- Northridge Petroleum Marketing Ltd., a Canadian company that marketed crude oil and refined products; and
- its 50-percent interest in the Express Pipeline, a crude oil pipeline system and associated marketing business.

During the same period, TransCanada also disposed of:

- the TransCanada West Office Tower (the former NOVA headquarters), located in downtown Calgary; and
- its interest in the Hermiston Power Partnership, a development project for a 536-megawatt combined cycle electrical generation facility near Hermiston, Oregon.

In 2001 the Company entered into an agreement to sell Harmattan gas processing facility — a sour gas processing, natural gas liquids extraction and fractionation plant — which was completed in February 2002. However, the sale proceeds are in escrow pending certain legal proceedings.

For further information on Discontinued Operations please refer to Note 19, of the "2001 Consolidated Financial Statements", found in the Annual Report. The 2001 Consolidated Financial Statements are hereby incorporated by reference.

In July 2001 the Board of Directors approved a plan to dispose of the Company's gas marketing business. The gas marketing business provided supply, transportation and asset management services, as well as structured financial products and its services to its customers in Canada and the northern tier of the United States. See "Discontinued Operations — Gas Marketing and Trading" elsewhere in this Annual Information Form.

## BUSINESS OF TRANSCANADA

The following table shows TransCanada's revenues from continuing operations by segment, classified geographically, for the years ended December 31, 2001 and 2000.

| | 2001 | 2000 |
|---|---|---|
| | All Customers (millions of dollars) | All Customers (millions of dollars) |
| **Transmission** | | |
| Canada — Domestic Deliveries | 2,469 | 2,574 |
| Canada — Export Deliveries[1] | 1,239 | 1,120 |
| United States | 172 | 162 |
| | 3,880 | 3,856 |
| **Power** | | |
| Canada — Domestic Deliveries | 90 | — |
| Canada — Export Deliveries | 808 | 228 |
| United States | 471 | 337 |
| | 1,369 | 565 |
| **Total Revenues**[2] | 5,249 | 4,421 |

**Notes:**

(1) Export deliveries are deliveries to customers serving United States markets.

(2) Revenues are attributed to countries, based on country of origin of product or service.

### TRANSMISSION

The Transmission segment of TransCanada's business includes the operation of the Alberta System, the Canadian Mainline and the BC System. It also includes TransCanada's other investments in natural gas pipelines located in Canada and the United States.

Canadian natural gas transmission services are provided under gas transportation tariffs that provide for recovery of costs and return on investment base as determined under various agreements with customers and other interested parties, and as approved by the applicable regulatory authorities. As a transporter of natural gas, and subject to regulatory approval, the Transmission business' net income is generated based on such agreements. Net income is not directly affected by fluctuations in the commodity price of natural gas. Such fluctuations may, however, have an indirect effect on TransCanada's income because revenues from the sale of certain discretionary services are impacted in part by the price of natural gas and because such fluctuations can influence both production levels and the gas basin from which North American gas users elect to purchase gas supplies.

The volume of natural gas shipments on the Alberta System, the Canadian Mainline, and the BC System depends on the volume of natural gas produced and sold both in and outside of Alberta, and on the construction and availability of other pipeline capacity. The gas supply transported by TransCanada is sourced primarily from the Western Canada Sedimentary Basin ("WCSB"). Based on 2000 year-end estimates, the WCSB had remaining established reserves of natural gas of approximately 61 trillion cubic feet ("Tcf") with a remaining reserves-to-production ratio of approximately 10 years at current levels of production. Actual reserves are continually being discovered, and generally maintain the reserve-to-production ratio at close to ten years. Production of natural gas from the WCSB has increased thirteen percent overall since 1995. TransCanada expects that the WCSB natural gas supply could grow at a modest rate as producers increase their focus on natural gas prospects into areas of deeper and higher productivity. With the expansion of capacity on TransCanada's wholly and partly owned pipelines over the last few years and the start-up in December 2000 of the Alliance Pipeline, combined with significant growth in natural gas demand in Alberta, TransCanada anticipates there will be excess pipeline capacity out of the WCSB for the next several years.

In addition to the information concerning the Transmission segment of TransCanada's business set out herein, further information, including a discussion of the business risks facing the Transmission segment, is found in the MD&A under the heading "Transmission — Wholly-Owned Pipelines — Business Risks".

**Wholly-Owned Pipelines**

***Alberta System***

The Alberta System — held by NOVA Gas Transmission Ltd. ("NGTL"), a wholly-owned subsidiary of TransCanada — is an Alberta-wide natural gas transmission system that collects and transports natural gas for use in Alberta and for delivery to connecting pipelines, such as the Canadian Mainline, the Foothills System and the BC System, as well as to other unaffiliated pipelines, at the Alberta border for delivery to eastern Canada, British Columbia and the United States. The Alberta System includes approximately 22,500-kilometres of mainlines and laterals.

Capital expenditures relating to maintenance and capacity, which are dependent in part upon requests for increased transportation service by customers, were $127 million in 2001. TransCanada anticipates approximately $262 million of capital spending on the Alberta System in 2002. These capital expenditures will be primarily related to capacity expansion.

The following table sets forth the annual volumes delivered off the Alberta System for the years ended December 31, 2001 and 2000.

| | 2001 | | 2000 | |
|---|---|---|---|---|
| **Delivery Points** | **Volume[(1)]** | **Percent** | **Volume[(2)]** | **Percent** |
| | (Bcf) | | (Bcf) | |
| Alberta | 423 | 10 | 514 | 11 |
| Eastern Canada and Eastern United States | 1,665 | 41 | 1,842 | 41 |
| Western United States | 833 | 21 | 852 | 19 |
| Midwestern United States | 1,097 | 27 | 1,248 | 28 |
| British Columbia | 41 | 1 | 34 | 1 |
| **Total** | 4,059 | 100 | 4,490 | 100 |

**Notes:**

(1) Of the total volumes transported in 2001, 1.99 Tcf of natural gas was delivered to the Canadian Mainline, 855 Bcf of natural gas was delivered to the BC System (including Foothills South B.C.) and 762 Bcf of natural gas was delivered to the Foothills System.

(2) Of the total volumes transported in 2000, 2.28 Tcf of natural gas was delivered to the Canadian Mainline, 874 Bcf of natural gas was delivered to the BC System (including Foothills South B.C.) and 795 Bcf of natural gas was delivered to the Foothills System.

*Alberta System Contracted Firm Transportation Services*

As of December 31, 2001, the Alberta System was providing transportation for 283 shippers pursuant to approximately 15,700 firm service transportation contracts.

As of December 31, 2001, the weighted average remaining term of transportation contracts was approximately 3.2 years. Currently, these contracts are renewable by the customer by providing notice to NGTL at least 12 months prior to the expiry of the current contract term. The Alberta System has seen a 25 percent decrease in firm contracted capacity since the 1998/99 contract year. For further information on the Alberta System please refer to the heading "Transmission — Wholly-Owned Pipelines — Business Risks — Competition" in the MD&A, hereby incorporated by reference.

*Regulation of the Alberta System*

The construction and operation of the Alberta System is regulated by the Alberta Energy and Utilities Board primarily under the provisions of the *Gas Utilities Act* (Alberta), and the *Pipeline Act* (Alberta). NGTL requires EUB approval to construct and operate pipeline facilities. In addition, NGTL requires EUB approval for rates, tolls and charges, and the terms and conditions under which it provides its services. Under the provisions of the

*Pipeline Act*, the EUB addresses matters relating to economic and orderly development of the pipeline with respect to design, construction, practices, acquisition of pipeline rights-of-way and environmental impact of pipelines and related facilities. In addition to requirements under the *Pipeline Act*, the construction and operation of natural gas pipelines in Alberta is subject to certain provisions of, and requires certain approvals under, other provincial legislation, such as the *Environmental Protection and Enhancement Act* (Alberta).

In 2001, a new agreement, the Alberta System Rate Settlement ("ASRS"), was negotiated with shippers and other interested parties for the years 2001 and 2002. Under the ASRS, approved by the EUB on May 29, 2001, the revenue to be collected for services provided is fixed for each year, subject to a number of adjustments, including adjustments for taxes, variances from previous agreements, pipe integrity spending and the costs associated with providing service to the Fort McMurray area. The rates are determined by the fixed revenue (subject to the adjustments above) and throughput. The ASRS also enabled the Alberta System to offer two new services: a service to meet shippers' one-year firm service requirements, and another to meet short-haul, point-to-point transportation needs within the province. The ASRS also provides an incentive to reduce costs below the fixed revenue requirement as any savings accrue to TransCanada's account. In addition, there is a commitment by parties to the ASRS to engage in future discussions to resolve outstanding rate and service issues.

Prior to the ASRS, the Alberta System was subject to the Cost-efficiency Incentive Settlement ("CEIS") which governed the calculation of NGTL's annual revenue requirement for the 1996 to 2000 calendar years and which provided a formula to establish the Alberta System's costs recoverable through its transportation tolls. It also introduced a 50/50 sharing mechanism between Alberta System customers and NGTL on certain cost savings realized.

For 1999, 2000 and 2001, certain operating, maintenance and administrative costs were subject to the Merger Costs and Benefits Agreement. This agreement was approved by the customers of TransCanada's wholly-owned pipelines in June 1999 and subsequently by the regulators of those pipelines. It provided for a targeted operating cost reduction of $70 million before tax by 2001, to be shared with customers. Under the terms of this agreement, TransCanada (through NGTL) shares the cost savings with its customers.

*Tolling Methodology for the Alberta System*

A new tolling methodology was approved by the EUB on February 4, 2000 and took effect April 1, 2000. It replaced a postage-stamp tolling methodology. The new tolling methodology and rate design resulted in differentiated pricing for each gas receipt-point on the Alberta System. The receipt-point price is dependent on geographic location, the diameter of the pipe through which the customer's gas travels and the term of the transportation contract.

***Canadian Mainline***

The Canadian Mainline consists of approximately 14,900 kilometres of pipeline system transporting natural gas from the Alberta border east to various delivery points in Canada and at the United States border.

Capital expenditures on the Canadian Mainline in 2001 were approximately $97 million. These expenditures were primarily maintenance related. TransCanada anticipates approximately $82 million of capital spending on the Canadian Mainline in 2002. These capital expenditures will be primarily maintenance related.

The following table sets forth the revenues earned and volumes delivered for the years ended December 31, 2001 and 2000 for the Canadian Mainline.

| | 2001 | | 2000 | |
|---|---|---|---|---|
| | Revenues | Percent | Revenues | Percent |
| *Revenues* | (millions of dollars) | | (millions of dollars) | |
| Domestic | 973 | 45 | 1,087 | 50 |
| Export | 1,168 | 55 | 1,108 | 50 |
| **Total** | 2,141 | 100 | 2,195 | 100 |

| | 2001 | | 2000 | |
|---|---|---|---|---|
| | Volume(1) | Percent | Volume(2) | Percent |
| *Volumes Transported* | (Bcf) | | (Bcf) | |
| Domestic | 1,216 | 50 | 1,348 | 50 |
| Export | 1,234 | 50 | 1,327 | 50 |
| **Total** | 2,450 | 100 | 2,675 | 100 |

**Notes:**

(1) Of the total volumes transported in 2001, 345 Bcf or 14 percent of total volumes were transported for a wholly-owned subsidiary of TransCanada.

(2) Of the total volumes transported in 2000, 484 Bcf or 18.1 percent of total volumes were transported for a wholly-owned qsubsidiary of TransCanada.

*Canadian Mainline Contracted Firm Transportation Service*

As of December 31, 2001, the Canadian Mainline was providing transportation for 261 shippers pursuant to 335 firm service transportation contracts. Approximately 50 percent of the total daily transportation volume represented by these contracts relate to contracts for delivery of natural gas destined for United States markets.

As of December 31, 2001, the weighted average remaining term of transportation contracts on the Canadian Mainline was approximately 4.3 years compared to 5.2 years at December 31, 2000. These contracts are renewable by the customer providing notice to TransCanada at least six months prior to the expiry of the current contract term. The Canadian Mainline operated at capacity with one year or longer firm service contracts during the contract year 1998/99. The Canadian Mainline has since seen a 23 percent decrease in firm contracted capacity. For further information please refer to the heading “Transmission — Wholly-Owned Pipelines — Business Risks — Competition” in the MD&A, hereby incorporated by reference.

*Regulation of the Canadian Mainline*

Under the terms of the *National Energy Board Act* (Canada), the National Energy Board (“NEB”) regulates the construction, operation, tolls and tariffs of the Canadian Mainline. The NEB is a responsible authority under the *Canadian Environmental Assessment Act* to consider the environmental and social impacts of proposed pipeline projects. The Canadian Mainline tolls charged for the transportation of gas are designed to generate sufficient revenues for TransCanada to recover operating expenses, depreciation, taxes and financing costs of the Canadian Mainline, including interest on debt and payments on preferred securities attributable to the Canadian Mainline together with a return on deemed common equity.

The tolls are composed of a demand charge component and a commodity charge component. The demand charge component is independent of the volumes shipped and is designed to recover fixed costs, such as fixed operating expenses, financing costs (including a return on deemed common equity), taxes and depreciation. The commodity charge is designed to recover variable operating costs. These charges are paid by shippers under transportation contracts with TransCanada.

During 2001, TransCanada filed two applications with the NEB requesting approval of the 2001 and 2002 Canadian Mainline Service and Pricing Settlement ("S&P Settlement") and approval of a change to the Canadian Mainline's cost of capital for 2001 and 2002.

The S&P Settlement application was filed with the NEB in May 2001 following an agreement in April between TransCanada and the majority of its shippers. The S&P Settlement has a two-year term commencing January 1, 2001 and expiring on December 31, 2002. The S&P Settlement, which is based on a cost of service framework, established, for 2001 and 2002, revenue requirement components, excluding cost of capital, and certain cost and revenue incentives that provide mutual benefits for TransCanada and its shippers. The S&P Settlement provides enhancements to firm transportation service through the implementation of firm transportation make-up and authorized overrun service credits. The S&P Settlement also provides the foundation for resolving several rate design and service issues over the next two years. Following a hearing in September 2001, the NEB issued a decision in November 2001 approving the S&P Settlement in its entirety.

TransCanada filed its Fair Return Application with the NEB in June 2001, seeking approval, for 2001 and 2002, of an after-tax weighted average cost of capital ("ATWACC") of 7.5 percent, adjusted for the difference between the market cost of debt and the embedded cost of debt of the Company. In the event that the NEB declines to adopt the ATWACC methodology, the Company has asked the NEB to approve, under its traditional approach, a 12.5 percent rate of return on common equity on a deemed common equity component of 40 percent. The hearing of this application began on February 27, 2002 with an anticipated NEB decision by mid-2002.

The Canadian Mainline has remained on NEB-approved interim tolls for 2001 at a level of $1.01 per GJ (Eastern Zone Toll) from January 2001, and as adjusted in February 2001 to $1.13 per GJ (Eastern Zone Toll). In its decision on the Mainline S&P Settlement, the NEB ordered continuation of the interim tolls at $1.13 per GJ (Eastern Zone Toll) pending its decision on the Fair Return Application.

***BC System***

The BC System consists of approximately 180 kilometres of pipeline that carries natural gas from a connecting point with the Alberta System through British Columbia to the PG&E Gas Transmission Northwest Corporation system which reaches to California.

In 2001, capital expenditures on the BC System were approximately $3 million. TransCanada anticipates approximately $62 million of capital spending on the BC System in 2002. The 2002 capital expenditures are primarily for capacity expansion.

The BC System is regulated by the NEB and the tolls are based on a cost-of-service methodology.

**North American Pipeline Ventures**

***North American Pipelines***

TransCanada actively pursues gas pipeline development, acquisition and operation opportunities in Canada and the northern tier of the United States, where these opportunities are driven by strong customer demand.

*Great Lakes*

Great Lakes, a 3,387-kilometre pipeline system in which TransCanada holds a 50 percent interest, transports Canadian natural gas from its interconnect with the Canadian Mainline at Emerson, Manitoba to markets in central Canada at St. Clair, Ontario and serves markets in the eastern and midwestern United States. Great Lakes has received U.S. Federal Energy Regulatory Commission ("FERC") approval regarding a settlement agreement on its rate structure through to October 31, 2005.

*TC PipeLines, LP*

TC PipeLines, LP, a U.S. publicly-held limited partnership, was formed to acquire, own and participate in the management of U.S.-based pipeline assets. In May 1999, TransCanada's 30 percent general partner interest in Northern Border Pipeline Company ("Northern Border") was conveyed to TC PipeLines, LP in exchange for cash and a 33.4-percent interest in TC PipeLines, LP, represented by common units, subordinated units and a two percent general partnership interest. TC PipeLines, LP also issued common units to the public. Northern Border, in which TransCanada now indirectly holds an approximate ten percent interest through its investment in TC PipeLines, LP, operates a 2,010-kilometre natural gas pipeline system which connects with the Foothills System in Saskatchewan and serves the midwestern United States terminating at North Hayden, Indiana. In October 2001, Northern Border completed Project 2000, which consists of a 34-mile (55-kilometre) pipeline extension and additional compression and provides 545 million cubic feet per day of incremental transportation capacity to North Hayden, Indiana. In addition, Northern Border's delivery capability into the Chicago area has been expanded by approximately 30 percent due to Project 2000.

On September 1, 2000, TC PipeLines, LP acquired a 49 percent general partner interest in Tuscarora from TransCanada. TransCanada, through a wholly-owned subsidiary, retains a one percent general partner interest in Tuscarora. Tuscarora is a 369-kilometre natural gas pipeline system, which has been in operation since December 1995. This system transports natural gas from Malin, Oregon to Reno, Nevada and delivers to points in northeastern California. The Hungry Valley lateral extension, Tuscarora's second city-gate connection into Reno, was completed in January 2001. On January 30, 2002, TC PipeLines, LP announced that FERC had issued a final certificate, approving the proposed expansion of Tuscarora consisting of three compressor stations and a fourteen mile (23-kilometre) pipeline extension from Reno, Nevada to Wadsworth, Nevada.

A subsidiary of TransCanada acts as the general partner of TC PipeLines, LP.

*Iroquois*

Iroquois connects with the Canadian Mainline in eastern Ontario. This 604-kilometre pipeline delivers gas to customers in the northeastern United States and terminates on Long Island, New York. In February 1999, TransCanada purchased an additional six percent general partnership interest in Iroquois, and in May 2001, TransCanada acquired an additional 5.96% interest. TransCanada's total interest in Iroquois, through two wholly-owned subsidiaries, is 40.96%. Iroquois has a settlement agreement on a rate structure with the FERC effective through January 1, 2004.

In December 2001, Iroquois received final FERC approval to construct the US$210 million Eastchester Expansion Project. Construction on this project, which will extend Iroquois' system from Long Island into the New York City market, is scheduled to begin in the spring of 2002, with service anticipated to commence by March 2003. The expansion will provide an additional capacity of 230 MMcf/d of new service into this market.

Three applications were filed by Iroquois with FERC in the fourth quarter of 2001 that, if approved, would see total capital additions of US$148 million to the Iroquois system between 2003 and 2005.

*Trans Québec & Maritimes*

TransCanada holds a 50 percent interest in TQM. In 1998, TQM received approval from the NEB to construct the pipeline route sections on an extension to interconnect with the Portland system. As a result of the extension, the TQM pipeline system has a total length of 572 kilometres.

*Portland*

TransCanada's interest in Portland Natural Gas Transmission System ("Portland") is held through two wholly-owned subsidiaries. In June 2001, TransCanada acquired an additional 11.88 percent interest in Portland following Federal Trade Commission approval, bringing its total interest to 33.29 percent. Portland is a 471-kilometre interstate pipeline that interconnects with the pipeline system of TQM at the United States/ Canadian border at Pittsburg, New Hampshire and with the Tennessee Gas Pipeline in Haverhill and Dracut, Massachusetts. The southern sections of Portland, consisting of 163-kilometres, are part of the joint facilities shared with Maritimes and Northeast Pipeline. Portland holds a one-third ownership interest in the joint facilities.

Portland filed a rate application with FERC in October 2001, complying with original certification conditions. Portland received a favorable order from FERC accepting the tariff as filed. The new rates will go into effect subject to refund in April 2002. It is anticipated that Portland and its customers will work towards a negotiated settlement.

*Foothills*

TransCanada has a 50-percent interest in Foothills Pipe Lines Ltd. Directly and indirectly, TransCanada currently owns a 69.5 percent interest in Foothills Pipe Lines (Sask.) Ltd., a 74.5 percent interest in Foothills Pipe Lines (Alta.) Ltd. and a 74.5 percent interest in Foothills Pipe Lines (South B.C.) Ltd., each of which is an operating pipeline. Together, these natural gas pipeline systems total 1,040 kilometres in length. The Foothills System transports western Canadian natural gas from central Alberta to connecting pipelines for transportation to markets in the United States.

*Northern Development*

TransCanada is actively pursuing opportunities for developing transportation systems for both Alaskan gas volumes and those from the Mackenzie Delta in Canada. TransCanada is playing a leading role in seeking involvement in a project for the transportation of Alaskan natural gas to the lower 48 states. It is a 50-percent shareholder in Foothills Pipe Lines Ltd. ("Foothills") which holds the certificates in Canada for the Alaska Natural Gas Transportation System ("ANGTS") and is an active partner in the Alaska Northwest Natural Gas Transportation Company ("ANNGTC"), which holds the certificate for the ANGTS in Alaska. In October, 2001, TransCanada, together with the other active partner in ANNGTC — which is a subsidiary of Foothills — signed a memorandum of understanding with various major U.S. companies relating to the Alaska portion of an Alaska Highway project. All of these companies (or their antecedents) were involved in developing the Alaska Highway project in the late 1970s and early 1980s. TransCanada believes that ANGTS has significant advantages over competing proposals to deliver Alaskan gas to market, and that a successful completion of the project would see the needs of both the Alaskan producers and North American consumers being met.

TransCanada continues to work with Mackenzie Delta producers in Canada to bring Mackenzie Delta natural gas to market by accessing natural gas resources through new infrastructure in the Northwest Territories and utilizing TransCanada's existing Alberta infrastructure. TransCanada believes it is uniquely positioned to add value to a Delta project. Through 2002, TransCanada expects both projects to advance to commercial agreements. These northern projects are opportunities that are targeted to create additional growth through new investment as well as add value to TransCanada's existing pipeline assets.

*Northwinds Project*

In September 2001, TransCanada and National Fuel Gas Supply Corporation announced the formation of a strategic partnership to evaluate the feasibility of developing a new natural gas pipeline project to provide transportation service from Dawn, Ontario to the Ellisburg-Leidy area in Pennsylvania. If undertaken, the Northwinds Pipeline would be designed to bring new natural gas supplies to growing markets along the United States East Coast via a 215-mile (346-kilometre) pipeline, using existing utility corridors and rights-of-way to the greatest extent possible, as early as November 2005.

*Millennium Pipeline Project*

TransCanada is one of four project sponsors of the proposed Millennium Pipeline project ("Millennium Pipeline"). TransCanada holds a 21 percent interest in Millennium Pipeline in the United States and 100 percent of the Canadian portion of the Lake Erie crossing. The proposed project would deliver 700 MMcf/d of natural gas from Dawn, Ontario to markets in New York. In August 2001, TransCanada and Westcoast Energy jointly withdrew their respective NEB applications. In October 2001, Millennium received a FERC Final Environmental Impact Statement and in December it received a Conditional FERC Certificate. Also, in December the Minister of the Environment for Canada terminated the environmental assessment of the

Canadian Millennium project and disbanded the joint NEB-CEAA review panel. TransCanada is assessing the FERC certificate to determine what regulatory actions it will take in Canada to accommodate the Canadian segment of the Millennium project.

***Other Pipeline Ventures***

*Ventures LP*

TransCanada Pipeline Ventures Limited Partnership ("Ventures LP") is a business created by TransCanada to provide energy solutions for its customers operating in the WCSB.

On April 1, 1999, Ventures LP completed a 110-kilometre natural gas pipeline, which provides delivery service from the Alberta System to the Fort McMurray oil sands region in northern Alberta (the "Fort McMurray Oilsands Pipeline").

In October 1999, Ventures LP completed a 27-kilometre natural gas pipeline, which provides delivery service from the Alberta System to a large petrochemical complex at Joffre, Alberta (the "Joffre Pipeline").

**Regulation of North American Pipelines**

The operations of TQM and Foothills and their subsidiaries are regulated by the NEB. Foothills is also regulated by the Northern Pipeline Agency of Canada. Under the *National Energy Board Act* (Canada), the NEB regulates the construction and operation of interprovincial pipelines and the Canadian portion of international pipelines. The NEB also approves pipeline tolls and the import and export of natural gas.

The operations of the Fort McMurray Oilsands Pipeline and the Joffre Pipeline are regulated by the EUB.

With respect to TransCanada's United States pipeline investments, *The Natural Gas Act of 1938* ("NGA") establishes the framework for regulation of interstate natural gas transportation, facilities construction and terms and conditions of service. The FERC is charged with implementing the NGA's requirements. The volumes of natural gas transported for TransCanada on Great Lakes are subject to NGA authorizations issued by the FERC. Interconnected natural gas pipelines and other United States interstate pipeline projects in which TransCanada has investments are subject to the FERC and NGA regulation, as well as certain state regulatory requirements.

The cross-border import and export of natural gas is subject to authorizations granted by the NEB and the United States Department of Energy.

**Competition in Transmission**

All three of TransCanada's wholly-owned pipelines are connected to and supplied by one of North America's largest natural gas basins, the WCSB. Other pipeline systems connected to the WCSB, including some of TransCanada's interconnected pipelines, have expanded in the last few years. These expansions have provided shippers with additional flexibility when moving WCSB supplies to market.

The Alberta System is the primary transporter of natural gas within the province of Alberta and to provincial boundary points. However, a number of alternative pipelines have been constructed which seek to offer price advantages and provide competition to the Alberta System. The largest of these is the Alliance Pipeline which came into service in December 2000 (discussed below). Another smaller pipeline was constructed by Alberta Energy Company Ltd. ("AEC") in southeastern Alberta in 2000, which is capable of transporting 190 MMcf/d. During 2001, AEC also completed its North Suffield bypass pipeline capable of transporting 190 MMcf/d from southeastern Alberta to connect with TransCanada's Canadian Mainline. This pipeline began operations in December 2001. Also in 2001, Petro-Canada received NEB approval to construct a bypass pipeline from Medicine Hat, Alberta to connect with TransCanada's Canadian Mainline. (However, on February 8, 2002, NGTL and Petro-Canada signed a memorandum of understanding whereby NGTL agreed, subject to EUB approval, to provide Petro-Canada with a load retention service. This service provides Petro-Canada, who would otherwise remove some of its volumes from the Alberta System, with reduced transportation rates.) These short-haul bypasses account for less than five percent of the Alberta System's throughput. In anticipation of and in response to the above developments, the Alberta System's tolling methodology, implemented in the spring of

2000, is expected to enhance TransCanada's ability to provide competitive pricing and service flexibility and to provide TransCanada with the ability to respond to potential future bypass pipelines through the offering of load retention services.

The Canadian Mainline is now one of three natural gas pipelines providing transportation service directly from the WCSB to eastern Canada and export points serving the United States mid-west and northeast.

Competition has increased in the natural gas transmission industry. The Alliance Pipeline went into service in December 2000. The Alliance Pipeline competes for supply directly with the Alberta System, the Canadian Mainline, Foothills and Northern Border pipelines. In addition, Vector Pipeline went into service at the same time as the Alliance Pipeline, providing additional capacity to the Canadian Mainline's core markets in eastern Canada. This increased competition has led to the non-renewal of some of the firm service contracts on the Alberta System and the Canadian Mainline, and has led to decreased utilization on certain of TransCanada's pipelines. Together, the Alliance Pipeline, the Northern Border pipeline and the Vector Pipeline form an effective loop of the Canadian Mainline for service to Eastern Canadian markets.

TransCanada could also face new competition in its Québec market which could be served by a new pipeline sourced by Canada's growing eastern offshore natural gas production areas.

The ASRS between NGTL and its major stakeholders concerning 2001 and 2002 tolls and services for the Alberta System approved by the EUB in May, 2001 includes, among other things, the offering of two new services and provides the foundation for resolving several rate design and service issues over the next two years. These initiatives will enhance the competitiveness of both the Alberta System and the WCSB.

For additional information on competition in Transmission, please see "Transmission — Business Risks" in the MD&A, hereby incorporated by reference.

**Research and Development**

In 2001, TransCanada spent approximately $9 million on research and development activities of which approximately $4 million related to research on stress corrosion cracking, approximately $3 million on other regulated pipeline activities and approximately $2 million on non-regulated pipeline ventures.

**POWER**

The Power segment of TransCanada's business includes the construction, ownership, operation and management of power plants and the marketing of electricity and provides electricity account services to energy and industrial customers. This segment operates in Canada and the northern tier of the United States.

TransCanada's Power business has grown significantly in the past three years. In 1998, TransCanada owned one power plant, held a minority interest in one power plant, was the largest unitholder of the Power LP, managed the Power LP's four power plants and had certain limited power marketing activities. TransCanada now operates or manages twelve power plants and has two power purchase arrangements, with two more power plants under construction with expected completions in 2002 and 2003.

TransCanada owns and operates the waste-heat fuelled Cancarb power plant, completed at the end of 2000. The Cancarb power plant is fuelled by waste heat from Cancarb Limited's thermal carbon black manufacturing facility, which is located on the same site in Medicine Hat, Alberta. TransCanada also has power purchase arrangements in place for a substantial part of the production of the Sundance Power facility (100% of Sundance A and 50% of Sundance B). TransCanada also completed construction in 2001 of two new gas-fired plants in Alberta that will supply electricity and steam to industrial customers' adjacent facilities: an 80-megawatt plant located near Carseland and a 40-megawatt plant located near Redwater. In April 2001, TransCanada announced plans to build the Bear Creek Cogeneration Project, an 80-megawatt natural gas-fired cogeneration facility near Grande Prairie, Alberta to supply electricity and steam to Weyerhauser's Grande Prairie pulp mill as well as electricity to other Weyerhauser facilities in Alberta and to the Power Pool of Alberta. In May 2001, TransCanada and Petro-Canada announced an agreement to build the MacKay River Cogeneration Project, a 165-megawatt natural gas-fired cogeneration facility near Fort McMurray, Alberta, to be developed and owned by TransCanada and which will provide electricity and steam to Petro-Canada's

MacKay River oil sands project. Surplus power will be sold under long term contracts and to the Power Pool of Alberta. It is anticipated that the Bear Creek project will be in service in 2002, and that the MacKay River project will be in service in 2003.

***TransCanada Power, L.P.***

TransCanada manages, operates and is the largest unitholder in the Power LP, a publicly-held limited partnership that owns seven power plants. The Power LP was formed in June 1997 when it acquired, from TransCanada, three power plants located in Ontario at Nipigon, Kapuskasing and North Bay. In March 1998, the Power LP acquired a power plant located at Tunis, Ontario and TransCanada's ownership level in the Power LP decreased to 39.8 percent as the acquisition was financed through a public offering. Each of these plants is an enhanced, combined-cycle power plant and is fuelled by a combination of natural gas and waste exhaust heat from adjacent Canadian Mainline compressor stations.

In 1999, the Power LP acquired a combined-cycle power plant, located at Castleton-on-Hudson, New York. It also acquired, in 1999, all of the interest in the cash flow from a wood-waste fuelled power plant in Williams Lake, British Columbia, as well as a 49% ownership interest which prior to the end of 2000 became a 100% ownership interest.

In November 1999, the Power LP issued $130 million of partnership units to finance the Castleton and Williams Lake acquisitions. As a result, TransCanada's ownership interest decreased to 32.7 percent of participating units.

TransCanada supplies the natural gas fuel for certain of the Power LP's plants. In addition, TransCanada constructed the Power LP's newest power plant, an enhanced wood-waste fired facility in Calstock, Ontario, which it also manages for the Power LP. In 1998, in exchange for TransCanada developing and constructing the Calstock plant, the Power LP issued approximately 4.4 million partnership units to TransCanada and delivered the units into escrow under the terms of an escrow agreement. The units were released from escrow upon completion of the Calstock plant, which occurred on October 1, 2000. As a result, TransCanada's ownership interest in the Power LP rose to 41.6 percent. On October 23, 2001, the Power LP completed the sale of approximately 5.7 million partnership units from treasury for net proceeds of $166 million. As a result of this transaction, TransCanada's ownership interest in the Power LP declined to 35.6 percent.

The Power LP's seven plants have a total generating output of 328 MW. It is the largest publicly traded power income fund in Canada with a market capitalization of approximately $1.2 billion.

***Northeastern U.S. Operations***

Ocean State Power, located in Rhode Island, is a two-unit natural gas-fired, combined-cycle facility rated at 560 megawatts that sells electricity under long-term agreements. At the time of commercial startup of the two units in 1990 and 1991, TransCanada held a 40 percent beneficial ownership interest in Ocean State Power. Since that time TransCanada has purchased the interests of the other owners and in October 2000 increased its ownership in Ocean State Power to 100 percent.

In August 1998, TransCanada established a power marketing office in Westborough, Massachusetts, to manage the Ocean State Power purchase agreements and market supply obligations and to take advantage of additional marketing opportunities arising from the deregulation of the power industry in the New England and New York markets. The office also markets the output of the Power LP's 64 MW Castleton-on-Hudson power plant.

In March 2001, TransCanada agreed to purchase 100 percent of the Curtis Palmer Hydroelectric Company, L.P. which owns and operates two hydroelectric plants near Corinth, New York with a combined generating capacity of 60 MW, and sells the entire output from the plants under a fixed price power purchase agreement with Niagara Mohawk Power Corporation. At current rates of production, the agreement has a remaining term of more than 25 years. In 2000, the project was re-licensed by the Federal Energy Regulatory Commission to operate for a period of 40 years.

The following tables set forth the revenues earned, volumes marketed and generation capacity in Canada and the United States for the years ended December 31, 2001 and 2000 from TransCanada's power operations.

| | 2001 | | 2000 | |
|---|---|---|---|---|
| | Revenues | Percent | Revenues | Percent |
| *Revenues*(1) | (millions of dollars) | | (millions of dollars) | |
| Canada — Domestic | 808 | 59 | 228 | 40 |
| Canada — Export | 90 | 7 | — | — |
| United States | 471 | 34 | 337 | 60 |
| **Total** | 1,369 | 100 | 565 | 100 |

| | 2001 | | 2000 | |
|---|---|---|---|---|
| | Volume | Percent | Volume | Percent |
| *Volumes Sold*(2) | (gigawatt hours) | | (gigawatt hours) | |
| Canada — Domestic | 10,140 | 71 | 5,124 | 60 |
| Canada — Export | 210 | 1 | — | — |
| United States | 3,973 | 28 | 3,455 | 40 |
| **Total** | 14,323 | 100 | 8,579 | 100 |

| | 2001 | | 2000 | |
|---|---|---|---|---|
| | Generation | Percent | Generation | Percent |
| *Generation Capacity*(2)(3)(4) | (megawatts) | | (megawatts) | |
| Canada | 1,335 | 66 | 868 | 58 |
| United States | 684 | 34 | 624 | 42 |
| **Total** | 2,019 | 100 | 1,492 | 100 |

**Notes:**

(1) Includes TransCanada's revenues generated by Ocean State Power and the Power LP (after eliminating intercompany transactions with TransCanada).

(2) Includes 100 percent of volumes sold by, and the generation capacity of, Ocean State Power and the Power LP (after eliminating the effects of transactions with TransCanada).

(3) Excludes 245 megawatts of generation under construction at December 31, 2001.

(4) Includes all the Sundance A output controlled by TransCanada through power purchase arrangements, and 50% of Sundance B. TransCanada owns 50% of Sundance B output through an investment in ASTC Power Partnership.

### Regulation of Power

TransCanada's investments in Ocean State Power, Curtis Palmer, and TransCanada's United States electric power marketing activities are subject to the jurisdiction of the FERC under the U.S. *Federal Power Act*, as well as the jurisdiction of certain state regulatory authorities.

Deregulation of the power industry is proceeding at different stages throughout most of the markets in which TransCanada operates, namely Alberta, Ontario, and the northern tier of the United States. As of January 2001, Alberta deregulated its generation assets and opened the market for retailers/wholesalers. The Ontario government has announced that it will open its electricity market in May 2002. TransCanada intends to investigate potential opportunities to pursue in the Ontario market.

### Competition in Power

TransCanada's Power business has operated and continues to operate in highly competitive markets that are driven mainly by price. However, the majority of TransCanada's power generation business is underpinned by long-term fixed price contracts that are unaffected by short-term price changes in the marketplace. The power industry in North America is currently in the process of deregulation, with various provinces and states at different points in the process. TransCanada continues to monitor such deregulation and to seek investment opportunities as they arise.

In addition to the information concerning Power set out herein, further information, including a discussion of the risks associated with TransCanada's Power business, is found under the heading "Power — Business Risks" in the MD&A, hereby incorporated by reference.

## OTHER

*Cancarb Limited*

TransCanada owns 100 percent of Cancarb Limited, a thermal carbon black manufacturing facility located in Medicine Hat, Alberta.

## DISCONTINUED OPERATIONS

### Gas Marketing and Trading

In 2001, TransCanada reached agreements to complete the Company's exit from the natural gas marketing and trading business. Effective December 1, 2001, TransCanada sold the majority of its natural gas marketing and trading operations, including its structured products business, most of its natural gas transportation and storage contracts, its netback pool operations, as well as lease arrangements for its natural gas marketing office in Toronto. Effective October 1, 2001, TransCanada sold the assets of A.E. Sharp (a natural gas agency and consulting business for Ontario industrial, commercial and institutional customers). Also effective October 1, 2001, TransCanada sold certain of its natural gas marketing and trading assets. Included in that sale were the aggregation and marketing business of CanStates Gas Marketing, and gas marketing and trading operations associated with TransCanada's office in Omaha, Nebraska.

### International

TransCanada's international transmission, processing and power generation operations were focused primarily in Latin America, Europe and Asia Pacific. In December 1999, TransCanada announced its intention to exit from all of its international operations and during 2000 signed agreements to divest itself of the majority of its international businesses and assets, leaving as at February 26, 2002, the following discontinued international operations remaining to be sold.

*Latin America*

TransCanada holds:

- a 30 percent interest in Gasoducto del Pacifico ("Gas Pacifico"), a 540-kilometre, natural gas pipeline from Argentina to Concepción, Chile;
- a 30 percent interest in INNERGY Holdings S.A., an industrial natural gas transportation and marketing company operating in the Concepción, Chile region, which receives gas from Gas Pacifico; and
- a 46.5 percent interest in TransGas de Occidente S.A. ("TransGas"), a 343-kilometre natural gas pipeline, extending from Mariquita to Cali, Colombia. TransCanada is also the operator of TransGas. In 2002, TransCanada decided to return TransGas to continuing operations.

*Asia Pacific*

TransCanada holds an indirect ten percent interest in PT Paiton Energy Company, which owns a power project consisting of two 615-megawatt coal-fired power units located in Indonesia.

*Regulation in International*

The majority of countries in which TransCanada continues to have business interests have various government entities in charge of drafting and implementing the policies and regulations with respect to exploration, production, transportation, refining, processing and distribution of hydrocarbons, as well as all other activities related to the energy sector.

*Competition in International*

TransCanada's international business was always conducted in a highly competitive environment, comprised of major energy companies and consortia with years of international experience and established relationships. Projects were generally awarded by way of international tender.

*International Business Risks*

The international investments in which TransCanada participates are subject to a number of risks that were unique to international business. These risks included exchange controls and fluctuation of the local currency, political risk, community actions, changes in laws, price control, the availability and quality of local labour skills, and labour unrest, among others. Such risks were mitigated by insurance policies, participation of local and foreign partners, prudent commercial structuring and other measures.

**Midstream**

Over the course of the last three financial years, TransCanada has held interests in a portfolio of natural gas gathering, processing, straddle plant and extraction assets in Alberta, British Columbia and Saskatchewan. In December 1999, TransCanada announced its intention to exit from these businesses. In 2000 and 2001, TransCanada sold substantially all of its midstream assets.

## HEALTH, SAFETY AND ENVIRONMENT

TransCanada is committed to providing a safe and healthy environment for its employees and the public, and to the protection of the environment. Health, safety and environment ("HS&E") is a priority in all of TransCanada's businesses. The HS&E Committee of the Board of Directors monitors compliance with the TransCanada HS&E corporate policy through regular reporting by the company's department of Health, Safety & Environment. TransCanada's senior executives are also committed to ensuring TransCanada is in compliance with its policies and is an industry leader. The Executive Leadership Team is regularly advised of all important operational issues and initiatives relating to HS&E.

TransCanada has a HS&E Management System modeled after "ISO 14001" elements to facilitate the identification and focus of resources on the greatest areas of health, safety and environmental risk to the organization's business activities. It highlights opportunities for improvement, enables the company to work towards defined HS&E expectations and objectives, and provides a competitive business advantage.

HS&E audits, management system assessments and planned inspections are used to assess the effectiveness of implementation of HS&E programs, processes and procedures, as well as compliance with regulatory requirements. A report outlining the issues identified, the status of action plans to resolve the issues, as well as other HS&E performance information is provided to the HS&E Committee on a quarterly basis.

Climate change continues to be a strategic issue for TransCanada, particularly in light of the recent round of international negotiations (CoP7) in Marrakesh, Morocco in October and November 2001. Significant progress was made at these sessions on the rules for use of the Kyoto mechanisms. These international negotiations will continue into 2002 and it is anticipated that further progress will be made with respect to key protocol issues such as compliance. TransCanada has a comprehensive Climate Change Strategy that was approved in 1999, to manage this issue. This strategy includes five key areas of activities:

- Participation in policy forums;
- Direct emissions reduction;
- Long term technology;
- Offset acquisition; and
- Business opportunities.

Activities in each of these areas occurred in 2001 and will continue in 2002.

In November 2001, TransCanada received Gold Level Reporting status for its 2001 Voluntary Challenge and Registry ("VCR") report. This is the third year the VCR office has awarded gold, silver and bronze recognition to VCR reports, and it is the third year that TransCanada has attained the Gold Level Reporting status. To achieve this level of recognition, VCR reports are rated in several categories. Gold level reporters must attain a score of at least 90/100 and must also meet mandatory criteria. As of December 2001, the VCR office had received approximately 783 reports from Canadian corporations, government agencies, industry associations, learning institutions and other organizations. Only 13 percent of the submissions have received Gold Level Reporting recognition.

TransCanada incorporates HS&E considerations into the planning, development, construction and operation of all its projects. TransCanada employs full-time staff dedicated to HS&E matters. Environmental protection requirements have not had a material impact on the capital expenditures of TransCanada to date. There can be no assurance that such requirements will not have a material impact on TransCanada's financial or operating results in future years. Such requirements can be dependent on a variety of factors including the regulatory environment in which TransCanada operates.

## PATENTS, LICENCES AND TRADEMARKS

TransCanada is the beneficial owner and, in some cases, the licencee of a number of trademarks, patents and licences. While these trademarks, patents and licences constitute valuable assets, TransCanada does not regard any single trademark, patent or licence as being material to its operations as a whole.

## LEGAL PROCEEDINGS

TransCanada is subject to various legal proceedings and actions arising in the normal course of business. Management considers the aggregate liability, if any, of TransCanada in respect of these actions and proceedings not to be material.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The information which is found under the heading "Management's Discussion and Analysis" in the Annual Report is hereby incorporated by reference.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### Three-Year Selected Consolidated Financial Information

Selected consolidated financial information for the years ended December 31, 2001, 2000 and 1999 is found under the heading "Three-Year Financial Highlights" in the Annual Report and is hereby incorporated by reference.

Net income applicable to common shares from continuing operations before unusual items, as well as net income per share from continuing operations before unusual items, total assets, and total long-term financial liabilities are detailed under the heading "Three-Year Financial Highlights" in the Annual Report, hereby incorporated by reference.

For a discussion on the factors affecting the comparability of the financial data, including discontinued operations, and changes in accounting policies, please refer to Note 1, Note 2 and Note 19 of the "2001 Consolidated Financial Statements", found in the Annual Report, and "Consolidated Financial Review" section of the MD&A, which are both hereby incorporated by reference.

### Three-Year Dividend Information

The dividends declared per share during the past three completed financial years are set forth in the following tables.

***Dividends Declared on Common Shares***

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| | (dollars per share) | | |
| Common Shares | 0.90 | 0.80 | 1.12 |

**Note:**

On January 29, 2002, TransCanada announced that the dividend on Common Shares was increased to $0.25 per quarter for the quarter ended March 31, 2002.

***Dividends Declared on Preferred Shares***

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| | (dollars per share) | | |
| $2.80 Cumulative Redeemable First Preferred Shares(1) | — | — | 2.80 |
| Cumulative Redeemable First Preferred Shares | | | |
| Series O(2) | — | — | 1.32298 |
| Series P(2) | — | — | 1.29786 |
| Series Q(3) | — | — | 2.85104 |
| Series R(4) | — | 2.23125 | 2.975 |
| Series S(5) | — | 1.93125 | 2.575 |
| Series U(6) | 2.80 | 2.80 | 2.80 |
| Series Y(7) | 2.80 | 2.80 | 2.53726 |

**Notes:**

(1) $2.80 Cumulative Redeemable First Preferred Shares were redeemed January 12, 2000.

(2) Series O and P Shares were redeemed June 1, 1999.

(3) Series Q Shares were redeemed December 15, 1999.

(4) Series R Shares were redeemed December 15, 2000.

(5) Series S Shares were issued July 2, 1998 pursuant to the Plan of Arrangement in exchange for the Cumulative Redeemable First Preferred Shares, Series 1 issued March 27, 1997 by NOVA. Ninety-seven percent of the Series S Shares were purchased through the facilities of The Toronto Stock Exchange by way of a substantial issuer bid on November 8, 2000, with the remaining shares purchased on November 22, 2000 under the compulsory acquisition provisions of the *Canada Business Corporations Act*.

(6) Series U Shares were issued October 15, 1998.

(7) Series Y Shares were issued March 5, 1999.

### Dividend Restrictions

Certain of TransCanada's outstanding preferred shares contain restrictions requiring that no dividends shall be declared or paid on common shares unless all dividends payable on all shares ranking in priority to the common shares with respect to payment of dividends have been declared and paid. In addition, there are provisions in the various trust indentures and credit agreements to which TransCanada is a party, which restrict the payment of dividends on TransCanada's common shares in certain circumstances. At December 31, 2001, such provisions did not restrict or alter TransCanada's ability to declare or pay dividends.

## MARKET FOR SECURITIES

The following information is given at February 26, 2002.

TransCanada's common shares are listed on the Toronto and New York stock exchanges.

The Cumulative Redeemable First Preferred Shares, Series U and Series Y are listed on The Toronto Stock Exchange.

The 8.75% Trust Originated Preferred Securities[SM(1)], obligations of TransCanada Capital, an unaffiliated business trust, ("TOPrS[SM]")(1) due 2045, and the 8.25% Preferred Securities, due 2047, are listed on the New York Stock Exchange.

The 7.875% Debentures due April 1, 2023 of NGTL are listed on the New York Stock Exchange.

The 16.50% First Mortgage Pipe Line Bonds due 2007 are listed on the London Stock Exchange.

**Note:**

(1) SM Service mark of Merrill Lynch & Co., Inc.

## DIRECTORS AND OFFICERS

As of February 26, 2002, directors and executive and corporate officers of TransCanada as a group beneficially owned, directly or indirectly, or exercised control or direction over, less than one percent of TransCanada's common shares and less than one percent of the voting securities of any of its subsidiaries. The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of TransCanada, has been furnished by the respective directors and officers individually.

### Directors

Set forth below are the names of 14 directors who currently serve or who served in 2001 on TransCanada's Board of Directors, together with their municipalities of residence, all positions and offices held by them with TransCanada and its significant affiliates, their principal occupations or employment during the past five years and the year from which each director has continually served as a director of TransCanada, and NOVA prior to the 1998 merger, as applicable.

| Name | Principal Occupation During The Five Preceding Years | Director Since |
|---|---|---|
| Douglas D. Baldwin, P.Eng.<br>Calgary, Alberta | Corporate Director. President and Chief Executive Officer, TransCanada, from August 1999 to April 2001. Prior to December 1998, Senior Vice-President and Director, Imperial Oil Limited (integrated energy). | April 1999 |
| Ronald B. Coleman<br>Calgary, Alberta | President, R. B. Coleman Consulting Co. Ltd. and Chairman, Dominion Equity Resource Fund Inc. (oil and gas activities). | July 1998 (director of NOVA since June 1987) |
| Dominic D'Alessandro<br>Toronto, Ontario | President and Chief Executive Officer, The Manufacturers Life Insurance Company (insurance). | April 1999 (Resigned January 2002) |
| Wendy Dobson<br>Uxbridge, Ontario | Professor, Rotman School of Management and Director, Institute for International Business, University of Toronto. | April 1992 |
| The Hon. Paule Gauthier, P.C., O.C., O.Q., Q.C.<br>Québec, Québec | Senior partner, Desjardins Ducharme Stein Monast (law firm). Director, The Royal Bank of Canada, Royal Trust Corporation of Canada, The Royal Trust Company, Rothmans Inc. and Metro Inc. Member, Board of Governors, Royal Military College of Canada. Chairman, Security Intelligence Review Committee and President, Fondation de la Maison Michel Sarrazin. | February 2002. |
| Richard F. Haskayne, O.C., F.C.A.<br>Calgary, Alberta | Chairman of the Board, TransCanada and Chairman, Fording Inc. (coal and wollastonite). Prior to July 1998, Chairman, NOVA (energy services and commodity chemicals). Until September 1998, Chairman of the Board, TransAlta Corporation (electric industry holding company). | July 1998 (director of NOVA since May 1991) |
| Kerry L. Hawkins<br>Winnipeg, Manitoba | President, Cargill Limited (grain handlers, merchants, transporters and processors of agricultural products). | April 1996 |

| Name | Principal Occupation During The Five Preceding Years | Director Since |
|---|---|---|
| Harold N. Kvisle, P.Eng.<br>Calgary, Alberta | President and Chief Executive Officer, TransCanada, since May 2001. Executive Vice-President, Trading and Business Development, TransCanada, from June 2000 to April 2001 and Senior Vice-President, Trading and Business Development, TransCanada from April 2000 to June 2000. Senior Vice-President and President, Energy Operations, TransCanada, from September 1999 to April 2000. Prior to September 1999, President, Fletcher Challenge Energy Canada. | May 2001 |
| The Hon. Donald S. Macdonald, P.C., C.C.<br>Toronto, Ontario | Senior Advisor, UBS Bunting Warburg Inc. (investment banking firm). Chairman, IPCUS Income Commercial Real Estate Investment Trust, Director, Aber Diamond Corporation, Alberta Energy Company Limited, Boise Cascade Corporation, Boltons Capital Corporation, Slough Estates Limited, Sun Life Assurance Company of Canada. Trustee, Clean Power Operating Trust. Prior to his retirement in February 2000, he was Counsel, McCarthy Tétrault (barristers and solicitors). | October 1991 (Retiring April 26, 2002) |
| David P. O'Brien<br>Calgary, Alberta | Chairman and Chief Executive Officer, PanCanadian Energy Corporation (oil and gas), since October 2001. Chairman, PanCanadian Energy Corporation, since 1992. Chairman, President and Chief Executive Officer, Canadian Pacific Limited from May 1996 to October 2001. Chief Operating Officer, Canadian Pacific Limited, from February 1995 to May 1996 (transportation, energy and hotels). | October 2001 |
| James R. Paul<br>Houston, Texas | Chairman, James and Associates, (private investment firm). Director, AMEC PLC. | April 1996 |
| Harry G. Schaefer, F.C.A.<br>Calgary, Alberta | President, Schaefer & Associates (business advisory services). Vice-Chairman of the Board, TransCanada, and a director of a number of Canadian companies. Chairman, Crestar Energy Inc. (oil and gas producer) from May 1996 to November 2000. | April 1987 |
| W. Thomas Stephens<br>Greenwood Village, Colorado | Corporate Director. Chief Executive Officer, MacMillan Bloedel Limited (forest products) from October 1997 to October 1999. Chairman and Chief Executive Officer, Manville Corporation from 1986 to 1996. | April 1999 |
| Joseph D. Thompson, P.Eng.<br>Edmonton, Alberta | Chairman, PCL Construction Group Inc. (general construction contractors). Prior to July 1997, Chairman, President and Chief Executive Officer, PCL Construction Group Inc. | April 1995 |

Except as noted above, each director holds office until the next annual meeting or until his or her successor is earlier elected or appointed.

TransCanada is required to have an audit committee, which at TransCanada is called the Audit and Risk Management Committee. The directors who are members of the Audit and Risk Management Committee are H.G. Schaefer (Chair), R.B. Coleman, P. Gauthier, K.L. Hawkins and J.R. Paul. Mr. D'Alessandro was also a member of the Audit and Risk Management Committee until his resignation in January 2002. The other committees of the Board of Directors are the Governance Committee, the Health, Safety and Environment Committee and the Human Resources Committee. Additional information about the committees of the Board of Directors and corporate governance practices at TransCanada can be found in TransCanada's 2002 Management Proxy Circular dated February 26, 2002 (the "2002 Management Proxy Circular") under "Other Information — Corporate Governance". See "Additional Information" in this Annual Information Form.

## Officers

All of the executive officers and corporate officers of TransCanada reside in Calgary, Alberta. As of February 26, 2002, the officers of TransCanada, their present positions within TransCanada and their principal occupations during the five preceding years are as follows:

### *Executive Officers*

| Name | Present Position Held | Principal Occupation During the Five Preceding Years |
|---|---|---|
| Harold N. Kvisle | President and Chief Executive Officer | President and Chief Executive Officer since May 2001. From June 2000 to April 2001, Executive Vice-President, Trading and Business Development. From April 2000 until June 2000, Senior Vice-President, Trading and Business Development. From September 1999 until April 2000, Senior Vice-President TransCanada and President, Energy Operations. Prior to September 1999, President, Fletcher Challenge Energy Canada. |
| Albrecht W.A. Bellstedt, Q.C. | Executive Vice-President, Law and General Counsel | Prior to June 2000, Senior Vice-President, Law and General Counsel. Prior to April 2000, Senior Vice-President, Law and Administration and prior to August 1999, Senior Vice-President, Law and Chief Compliance Officer. Prior to February 1999, partner, Fraser Milner, a law firm, and prior to October 1998, partner, Milner Fenerty, a predecessor of Fraser Milner. |
| Russell K. Girling | Executive Vice-President and Chief Financial Officer | Prior to June 2000, Senior Vice-President and Chief Financial Officer. From January to September 1999, Vice-President, Finance. Prior to January 1999, Executive Vice-President Power (TransCanada Energy). Prior to July 1998, Senior Vice-President, North American Power (TransCanada Energy) and prior to April 1997, Vice-President, Power (TransCanada Energy). |

| Name | Present Position Held | Principal Occupation During the Five Preceding Years |
|---|---|---|
| Dennis J. McConaghy | Executive Vice-President, Gas Development | Prior to October 2000, Senior Vice-President, Midstream/Divestments. Prior to June 2000, Vice-President, Corporate Strategy and Planning. Prior to July 1998, Vice-President, Strategy and Corporate Development, NOVA. |
| Alexander J. Pourbaix | Executive Vice-President, Power Development | Prior to May 2001, Senior Vice-President, Power Ventures. Prior to June 2000, Vice-President, Corporate Development, Power. Prior to June 1998, held progressively senior management positions within affiliates of TransCanada. |
| Sarah E. Raiss | Executive Vice-President, Corporate Services | Prior to January 2002, Executive Vice President, Human Resources and Public Sector Relations. Prior to June 2000, Senior Vice-President, Human Resources and Public Sector Relations. Prior to February 2000, Senior Vice-President, Human Resources. Prior to March 1999, President of SE Raiss Group, Inc. (organizational consulting). |
| Ronald J. Turner | Executive Vice-President, Operations and Engineering | Prior to December 2000, Senior Vice-President and President, TransCanada International. Prior to September 1999, Senior Vice-President and President, Transmission West. Prior to July 1998, Vice-President, Value Process West, NOVA Chemicals Ltd. and Executive Vice-President, NOVA Gas Transmission Ltd., and prior to December 1997, Vice-President, Facilities Provision, NOVA Gas Transmission Ltd. |

***Corporate Officers***

| Name | Present Position Held | Principal Occupation During the Five Preceding Years |
|---|---|---|
| Rhondda E.S. Grant | Vice-President and Corporate Secretary | Prior to September 1999, Corporate Secretary and Associate General Counsel, Corporate. Prior to July 1998, held the same offices in NOVA. |
| Lee G. Hobbs | Vice President and Controller | Prior to July 2001 Director, Accounting. Prior to May 1999 Chief Financial Officer, Snow Leopard Resources Inc. |

| Name | Present Position Held | Principal Occupation During the Five Preceding Years |
|---|---|---|
| Garry E. Lamb | Vice-President, Risk Management | Prior to October, 2001, Vice-President, Audit and Risk Management. Prior to June 2000, Vice-President, Risk Management. Prior to February 2000, Vice-President, Risk Identification and Quantification. Prior to September 1999, General Manager, Counterparty Risk, and prior to January 1999, General Manager, Counterparty Risk, TransCanada Energy Ltd. |
| Donald R. Marchand | Vice-President, Finance and Treasurer | Prior to September 1999, Director, Finance. Prior to January 1998, Manager, Finance. |
| Gary G. Penrose | Vice-President, Taxation | Prior to February 1997, General Manager, Taxation. |

## ADDITIONAL INFORMATION

1. Additional information including compensation of directors and officers, indebtedness of directors and officers, principal holders of TransCanada's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the 2002 Management Proxy Circular, which can be obtained upon request from the Corporate Secretary of TransCanada.

2. Additional financial information is provided in TransCanada's consolidated financial statements for the year ended December 31, 2001, contained in the Annual Report.

3. TransCanada will provide to any person or company upon request to the Corporate Secretary of TransCanada:

   (a) when the securities of TransCanada are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities:

      (i) one copy of TransCanada's latest Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;

      (ii) one copy of the comparative consolidated financial statements of TransCanada for TransCanada's most recently completed financial year in respect of which such financial statements have been filed, together with the report of the auditor thereon, Management's Discussion and Analysis ("MD&A"), and one copy of any interim financial statements of TransCanada which have been filed subsequent to the last filed annual financial statements;

      (iii) one copy of the information circular of TransCanada in respect of the most recent annual meeting of shareholders of TransCanada which involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate; and

      (iv) one copy of any other document or report which is incorporated by reference into the preliminary short form prospectus or the short form prospectus and is not required to be provided under (i), (ii) or (iii) above; or

   (b) at any other time, one copy of any other document referred to in paragraphs (1) and (3)(a)(i), (ii) and (iii) above, provided that TransCanada may require the payment of a reasonable charge from such person or company who is not a security holder of TransCanada where the documents are furnished by TransCanada pursuant to clause (3).

## SCHEDULE A

## SUBSIDIARIES OF TRANSCANADA PIPELINES LIMITED

The following list shows the significant subsidiaries of TransCanada as of December 31, 2001.

| Subsidiary(1) | Organized under the Laws of | Percentage/ownership by TransCanada of Voting Shares |
|---|---|---|
| **NOVA Gas Transmission Ltd.** | Alberta | 100 |
| **TransCanada PipeLine USA Ltd.** | Nevada | 100 |
| TransCanada Energy USA Inc. | Delaware | 100 |
| TransCanada Gas Services Inc. | Delaware | 100 |
| **701671 Alberta Ltd.** | Alberta | 100 |
| TransCanada Energy Ltd. | Canada | 100 |

**Note:**

(1) Names shown in bold face are "first tier" subsidiaries of TransCanada. The indentation of the name of a subsidiary in the above table indicates that such subsidiary is held by a subsidiary of TransCanada. The percentage ownership shown for a subsidiary is the share in that subsidiary held directly by its immediate parent.